

HEMP AND MARIHUANA

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

H. R. 2348

AN ACT TO PROVIDE FOR THE COVERAGE
OF CERTAIN DRUGS UNDER THE
FEDERAL NARCOTIC LAWS

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HEMP AND MARIHUANA

THURSDAY, MAY 24, 1945

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to notice, at 2:30 p. m. in the Committee on Finance committee room, Senate Office Building, Senator Robert M. La Follette, Jr., presiding.

Present: Senators La Follette and Guffey.

Also present: Senator Henrik Shipstead.

Senator LA FOLLETTE. The committee will come to order.

I wish to state for the record that the lack of attendance is not due to any lack of interest in the subject matter of this hearing, but unfortunately we were unable to meet this morning because of a previous committee meeting on another measure, and this afternoon the legislative appropriation bill is pending in the Senate, and many Senators who are members of this committee feel that they must be present while it is under consideration.

Representative O'Hara is here, and he has to go back to the floor of the House, so in order to accommodate him I will call on him to make any general statement he desires about the situation.

STATEMENT OF HON. JOSEPH P. O'HARA, A REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF THE STATE OF MINNESOTA

Mr. O'HARA. Mr. Chairman and members of the committee, I want to first say that I am not an expert on hemp matters, but because one of the industries in my district is in the business of the manufacture of hemp and has been for a considerable time, and because of the trouble we have been having—I have taken up this problem with the Narcotics Division of the Treasury Department, in regard to some of the regulations which they have imposed upon this industry in my district—I feel that an amendment should be considered which would give the growers of hemp in this country some consideration and perhaps would still safeguard the general public interest, for which we all have a concern.

Permit me to say that since the beginning of the war the Government has installed out in our country some 11 hemp plants. I don't know how many thousands of acres of hemp are planted in Minnesota but I do know that the Government selected Minnesota, the southern part of the State, northern Iowa and Wisconsin. I believe one of the largest commercial hemp growers is located in the State of Wisconsin.

I merely want to say that following the complaints that I received from the industry in my section of the country I took the matter up with Mr. Anslinger and some of his assistants from the Division of Narcotics and told them of the complaint which was made as to their restrictions which had been imposed upon the industry, and which the industry felt was a very harsh burden, namely, to place guards around the plants to guard the hemp which was there for processing.

I think the men who will appear here and testify are very much more able to testify as to the particular incidents than I am, but I might say that as a result of that conference the attitude of the Narcotics Department didn't seem to soften any, which attitude the industry felt was rather harsh. I believe that these men can testify, Mr. Chairman, much more fully on the subject than I can. I do want to express my own personal feeling, that I feel that some reasonable amendment should be made which will not unduly harass and embarrass the legitimate growers of hemp and yet at the same time the public may be protected.

That is all I have to say, Mr. Chairman.

THE CHAIRMAN. We appreciate, Representative O'Hara, this evidence of interest in the subject matter which the committee has under consideration.

I thought it might not be inappropriate if I made a statement concerning this industry and a brief reference to the legislative history of the Marihuana Act under which the Bureau of Narcotics issues its regulations concerning this industry.

Hemp has been grown in the United States since the earliest colonial times. Records of the town of Oxford, Md., show that the farmers of the Eastern Shore of Maryland produced hemp and sold it to the square-rigged ships for rope making before the Revolutionary War. Kentucky has produced hemp for more than a century and Wisconsin has been producing it continuously since 1916.

In World War I and again in World War II the production of hemp was expanded enormously to supply critically needed fiber for military purposes. In World War II, 42 scutching mills were constructed in the States of Kentucky, Indiana, Illinois, Iowa, Minnesota, and Wisconsin to supply fiber for war purposes. More than \$12,000,000 was expended in the construction program. Four privately owned mills in Wisconsin were operating before the war and continued to operate during the war to produce needed fiber. Privately operated spinning mills have purchased this fiber for the production of thread, cordage, and twine. These spinning mills use hemp fiber produced from hemp straw grown on farms in the neighborhood of the scutching mills.

It is a substantial but not large industry compared with the leading industries of the United States. The leaves and the flower head of the hemp are the source of marihuana.

When the Marihuana Act was passed in 1937, the two representatives of the United States Treasury testifying before the committee stated that the legislation would not in any way interfere with the legitimate production of hemp in the United States.

In that connection I wish to refer to the hearings before this committee on July 12, 1937, and on page 7 Mr. Hester, who was then with the Treasury Department as assistant general counsel, that is Mr. Clinton Hester, made this statement:

The production and sale of hemp and its products for industrial purposes will not be adversely affected by this bill. In general, the term "marihuana" is

defined in the bill so as to include only the flowering tops, leaves, and seeds of the hemp plant and to exclude the mature stalk, oil, and meal obtained from the seeds of the plant, and sterilized seed, incapable of germination.

On page 17 of the same hearings, Senator Brown, who was acting as chairman of the subcommittee considering the bill, asked this question:

Senator BROWN. Now, Commissioner Anslinger, I do not know whether you are the best man to answer this question, or Mr. Hester. What dangers, if any, does this bill have for the persons engaged in the legitimate uses of the hemp plant?

Mr. ANSLINGER. I would say they are not only amply protected under this act, but they can go ahead and raise hemp just as they have always done it.

This industry is carried on through the production of hemp on the farms in the neighborhood of the scutching mill which removes the fiber from the straw. The hemp seed is broadcast or drilled. It grows to a height of 7 to 10 feet. It is cut with special machinery and permitted to lie on the ground until the weathering loosens the fiber from the stem of the plant. It is then gathered into bundles and tied. The hemp is set up in shocks and when farm labor is available it is hauled to the mills where it is stacked to await the milling. In the milling operation the wood or hurds are separated from the fiber. The raw fiber is baled for shipment to the spinning mills. The hurds and remaining leaves are used for fuel in generating steam power for the scutching operations and for litter in poultry houses on the neighboring farms. There has been no change in the method of producing hemp fiber since 1917.

And I emphasize that there has been no change since the enactment of the Marihuana Act of 1937.

The method used today is identical with the process that was in general use when the Marihuana Act was passed in 1937. It has not changed since the representatives of the Treasury testifying before the Senate committee holding the hearings on the Marihuana Act stated that the legislation would not interfere in any way with the production of hemp for fiber.

Since the passage of the Marihuana Act in 1937, the hemp industry has operated continuously without causing the narcotic agents to indicate that additional restrictions should be imposed. When the Marihuana Act was passed in 1937 there were not more than five independent hemp mills in Wisconsin and Kentucky.

When World War II involved the United States it was necessary to secure new sources of fiber for military purposes. The Federal Government built 42 hemp mills. Each one has a capacity to mill the fiber from approximately 3,000 acres. The mills were designed along the lines of the existing privately owned hemp mills.

I want to emphasize that it was the know-how and the experience of these private producers of hemp, both in World War I and World War II, which made it possible for this country to supply the needed hemp and fiber for war purposes. As I understand it we could not have successfully carried on our tremendous naval expansion program if this had not been possible.

The privately owned hemp mills each represent an investment of \$300,000 in mills and special machinery. In March 1945, the Narcotics Bureau of the Treasury Department notified the private mill operators that beginning with the 1945 crop no hemp stalks could be legally transported from the farm to the mills unless all leaves were removed. The hemp stalks and leaves become dry in the regular

process of handling on the farm and a high percentage of the leaves drop off in this process. Due to varying weather conditions there is no economical method known in handling the volume of hemp straw to remove the leaves or to be certain that a fixed percentage of the leaves are removed before the straw is transported to the scutching mill.

The industry, including farmers, claim that hemp-fiber production is a valuable small industry making substantial income for farmers, laborers, and factory workers. They claim that it is a highly essential industry in periods of national emergency as well as substantial business in peacetime.

And I agree with them in that respect.

Farmers, mill operators, and the spinning industry have asked that a hearing be held before this committee to develop the facts for consideration of the committee.

The farmers and businessmen in requesting this hearing have indicated that they have no desire to enter into a discussion of the narcotic effects of marihuana. This hearing will be confined to a discussion of the problem of the production of hemp fiber for industrial purposes along with the uses of this fiber in the postwar periods.

There can be found an extended discussion of the hemp industry in the hearings before the subcommittee of the Committee on Agriculture and Forestry, United States Senate, second session, on Senate Resolution 80, part 9, April 5, 7, 12, 21, May 3, 19, 1944.

I felt that since these witnesses are here from out of town I would like to call on them and have them present the situation and then I would like to call upon Mr. Wood, who is the Deputy Commissioner of Narcotics, Treasury Department. I regret very much that Mr. Anslinger could not be here in person.

I will first ask Mr. Matt Rens, of Brandon, Wis., to come forward and take a seat here at the table by the stenographer.

STATEMENT OF MATT RENS, BRANDON, WIS. (MATT RENS HEMP CO.)

Senator LA FOLLETTE. Mr. Rens, how long have you been in the hemp business?

Mr. RENS. I have been in the hemp business for over 30 years. In 1916 we started building our first hemp mill but we were active in growing and selling hemp for fiber for 2 or 3 years before that.

Senator LA FOLLETTE. Well now, Mr. Rens, will you just state in your own way and present the situation as you see it in the light of this recent action of the Narcotics Bureau and its effect on the hemp industry and any other matters which you think may be of interest to the committee in this connection.

Mr. RENS. We have been active in hemp growing and milling for fiber for over 30 years, covering the period of the two wars. In the previous war we were called on for the fiber, selling large amounts to the Navy, and since then, in this war, in 1941 and 1942, we sold the Navy yards direct, but the bulk of it has gone to independent spinners.

We have increased our acreage from five or 600 acres a year to 2,700 acres in 1941. We were asked by the spinners then to increase our acreage, so we bought another mill, which was idle at that time, and increased our acreage up to 2,700 acres, and it has grown since then from 2,700 to 3,500 acres.

Senator LA FOLLETTE. Mr. Rens, what is the average size of the field in which hemp is grown?

Mr. RENS. I would say from 5 acres to 40 or 50, some as high as 70 acres to a grower. We have at present over 300 growers growing hemp for us.

Senator GUFFEY. Is that in your own State?

Mr. RENS. That is my company.

Senator GUFFEY. I see.

Senator LA FOLLETTE. They are located in the area contiguous to the mills usually.

Mr. RENS. That is right. We have one mill at Markesan and one in Brandon, Wis., only 14 or 15 miles apart. The hemp is planted, as we say, broadcasted, or drilled, like grain, and harvesting is done in the early part of September, it is harvested in an early stage, so as to get a better quality fiber, and that is before the seed forms, and I understand that the narcotic is not so prevalent in the early stages as later. We harvest it before it is so potent.

All our farmers are realizing a good return from this crop, and they are anxious to grow it. We have to turn them down every year because we cannot handle all the acreage the farmers wish to produce.

Senator GUFFEY. What is the income per acre per year?

Mr. RENS. For the last few years, during the year, from \$90 to \$100 net to the grower, after paying for seed and harvesting.

Senator GUFFEY. And cultivation?

Mr. RENS. And cultivation. Everything.

Senator GUFFEY. Do you cultivate it after it is seeded?

Mr. RENS. No. It grows like wheat, and we don't touch it until harvesting. After harvesting it lays in the field from 4 to 6 and sometimes 8 to 12 weeks, depending on the moisture we have. That is the retting process.

Senator LA FOLLETTE. Explain for the record what "retting" means.

Mr. RENS. Retting means, through the process of dew and rain and sunshine, there is removed the resin that holds the fiber to the stalk. That is our aim but it also deteriorates the flowery top or the leaves. Anybody that knows something about farming knows what water and rain do to hay if it is left out. This does the same thing to the leaves.

We personally look at it from the standpoint that if this hemp has been out in the weather for from 4 to 12 weeks, depending on the rains, that these leaves are practically worthless, they disappear to a large extent, and what remains on the stalk is really just crumpled up, it is the shriveled-up remnants of what formerly had been leaves. That is all that remains, mostly, to the stalks. In some sections of the country, where they do not have the rainfall that we have, perhaps, in Wisconsin, the leaves might be preserved better.

Senator SHIPSTEAD. What is hemp used for except rope?

Mr. RENS. I think we have a man here from the spinners who can explain that better than I. We sell most of it to the soft-fiber spinners, for going into shoe thread, and so forth. But one of the men here will explain that. All our product, the finished product now, the fiber, is sold for the crop we are planting now.

Senator GUFFEY. Sold in advance?

Mr. RENS. Sold in advance. There is a big demand for the fiber.
 Senator GUFFEY. Where is the greater bulk of flax raised outside of Ireland?

Mr. RENS. You mean flax or hemp?

Senator GUFFEY. Hemp.

Mr. RENS. Some is grown in Italy and South America.

Senator GUFFEY. I know there was a lot grown in Ireland. I could see it in the fields and get the advantage of the odor as I drove by.

Mr. RENS. Mr. Boote is with us and perhaps you had better ask him that.

Senator GUFFEY. All right.

Mr. RENS. He can answer that better than I.

Senator GUFFEY. All right.

Mr. RENS. We have been operating all these years in the same way, harvesting it in the early part of the season. The only changes that have been made are that we are paying much more attention to the ret, to get a uniform ret, getting it thoroughly retted, than in former years, say in 1937, when the law was enacted. We are doing better work in retting, thus removing more of the leaves.

Senator LA FOLLETTE. What is the effect of this action of the Narcotics Bureau taken in March upon the industry, as you see it?

Mr. RENS. Well, as we see it, if they consider that these shriveled remnants of leaves that are still clinging to the stalks, if they must be removed, that is prohibitive so far as the hemp industry is concerned, and we cannot operate that way. Personally, I do not think that the Bureau fully realizes what it means to us. In the 30 years we have operated and grown large acreages we have never heard of one instance where there was an illicit use made of the leaves of this hemp plant.

Senator LA FOLLETTE. You mean as a result of this commercial production?

Mr. RENS. Yes; that is right. We have never heard of anybody trying to get into a field and take the leaves for illicit purposes.

Senator LA FOLLETTE. What has been your experience, if any, with regional or local offices of the Bureau, have they indicated whether they were satisfied with your operations or not, prior to the time this order was issued?

Mr. RENS. Well, our local office at Milwaukee, we report to them and give them the names of the parties we buy the seed from and the amount we buy, and we give them a report on every farmer that buys seed from us, and the amount he buys, and later the amount of hemp fiber produced from the seed, and the agents at Milwaukee the Internal Revenue Department, to whom we must report, they have repeatedly told us that we have cooperated with them to the full extent, and we wish to do that in the future.

Senator LA FOLLETTE. If you would care to do so I would like to have you state for the record what is the approximate investment which your company has in this business at the present time.

Mr. RENS. We have two mills. One double unit, Government built, cost approximately \$300,000.

Senator LA FOLLETTE. Is there anything else that you would like to state for the record?

Mr. RENS. Well, we would like to have this act amended so that the farmers could deliver this hemp plant tax-free from the farms to

the processing mill. Then they could go on growing hemp as they have done for all these years.

Senator GUFFEY. You said "tax free." What tax have you in mind?

Mr. RENS. There is a penalty of a dollar an ounce for all marihuana. I might say for your information that when this law came into effect hemp seed was also involved, the transfer of hemp seed involved three transfers—from the grower to the dealer in Kentucky, from the dealer to us as the mill owner, from us to the farmer. If that had been still in effect it would have cost my company this year for the seed we bought \$8,997,120, if that law had been still in effect. Hemp seed is now tax free but it will have the same effect on us if this goes through with the taxing of all remnants of the leaves in the bundles. It will be much more.

So I want to bring that point out. We are sure that the hemp business will be killed if this goes into effect. I believe that our country needs fiber from a national standpoint. It has its commercial value and the hemp industry should be maintained.

Senator LA FOLLETTE. Thank you very much, Mr. Rens.

Mr. D. E. Wren, of Beaver Dam, Wis. Take a seat here at the table, please, Mr. Wren.

STATEMENT OF D. E. WREN, BEAVER DAM, WIS.

Senator LA FOLLETTE. Would you state whom you represent, Mr. Wren?

Mr. WREN. The J. Leroy Farmers' Hemp Mill, Beaver Dam, Wis.

Senator LA FOLLETTE. How long has that mill been in operation?

Mr. WREN. I have been there as general manager for 15 years and it was in operation before I came there.

Senator LA FOLLETTE. And do you practice the same relationship with the farmers who grow fiber for you that Mr. Rens has stated?

Mr. WREN. Exactly.

Senator LA FOLLETTE. Would you proceed in your own way to make any statement which you think would be helpful to the committee.

Mr. WREN. Well, in 1930 we had approximately 250 acres and we have been increasing that ever since until in 1941, when the Government asked us to do everything we possibly could to produce fiber for the Government, we increased it to 2,200 acres. We maintain a mill the same as Mr. Ren's and the rest of the private mill owners.

We have a large investment there in seed and mill equipment, cutting, turning, tying machinery, machinery of all descriptions, and we buy seed in Kentucky and let it out to the farmers, who are all licensed, and reports are made on them at each end of the season, and we make reports quarterly.

As to our investment, we have a large investment in seed. We don't charge the farmers for the seed until the crop is processed. We look after the growing, the cutting, the turning, the tying; we supervise all that.

Senator LA FOLLETTE. The farmer processes the land and sows the seed.

Mr. WREN. Sows the seed; yes.

Senator GUFFEY. And harvests the crop?

Mr. WREN. He puts his tractor onto our special machinery. We own the special machinery. Our own men operate that special machinery. We pull the machine into the yard and the farmer puts on his tractor and goes ahead to cut, turn, or tie, and the farmer shocks it. Then he either hauls it to the processing mill or holds it on his own farm, whichever he sees fit to do.

Senator GUFFEY. Does he stack it first?

Mr. WREN. After it is cut it goes through a curing process of rotting.

Senator GUFFEY. You don't bundle it until after that curing process?

Mr. WREN. When it is cut it is spread and then it goes through a retting or rotting process which eliminates most of the leaves, if we have good retting conditions. But it has got to lay on the ground and go through a retting process, by action of the rain, dew, and sunshine, until the fiber lets loose of the woody part, the inside pith, which is called hurds. When we are trimming this hemp or tying it the machinery is moving or shaking it and a lot of those leaves that have dried fall off onto the fields, fall free of the stalk. Of course, there are a few leaves left but they are all deteriorated, after it has lain in the fields from 4 to 12 weeks. At that time it is just like Mr. Rens said hay would be if it was left out. It would lose all of its value.

Senator LA FOLLETTE. What effect does this order of the Bureau issued in March have on the industry, as you see it?

Mr. WREN. It would be prohibitive. We wouldn't be able to operate.

Senator GUFFEY. Where is the extra burden?

Mr. WREN. On the transfer tax.

Senator GUFFEY. What is the transfer tax?

Mr. WREN. Hauling it from the field to the mill.

Senator GUFFEY. What is that tax based on?

Mr. WREN. As I understand it, \$1 an ounce on leaves that are on the stalk.

Senator GUFFEY. Thank you.

Senator LA FOLLETTE. Is there anything else that you would like to bring out?

Mr. WREN. I don't believe so right at this time.

Senator LA FOLLETTE. Thank you very much, Mr. Wren.

Mr. BATZNER. Have a seat, sir.

STATEMENT OF V. A. BATZNER, MANKATO, MINN.

The CHAIRMAN. Will you kindly give your name and address and whom you represent, for the record.

Mr. BATZNER. V. A. Batzner, Mankato, Minn., representing the Minnesota Hemp Co.

Senator LA FOLLETTE. How long has that company been in operation?

Mr. BATZNER. Since 1942. In 1942, immediately after Pearl Harbor, we were apprised of the fact that there was a shortage of hemp fiber for cordage materials for military uses, so our associates came to Washington, consulted with WPB, the Navy Department,

and the Agricultural Department, and were given lots of encouragement and cooperation to go ahead. The Navy issued us the necessary certificate and the WPB gave us all the priorities we needed for building our plant and installing our machinery. We started in business.

About May 1944 we were contacted by the Narcotics Bureau to inspect our hemp. At that time all of our hemp was milled so they advised us then that they would examine our 1945 crop, to see if it was sufficiently free from leaves to pass their inspection. Prior to that time we had never been bothered by the Narcotics Bureau. But their attitude from that time on seemed to be that they were going to insist that the stocks be entirely free of leaves or else the tax would apply.

Well, we protested a bit, naturally, and had quite a little correspondence with the Narcotics Bureau, but they always insisted that they wanted the leaves entirely free from the stalks, until very recently, when I got a communication saying they would permit us to have 10 percent leaf retention.

The matter of leaves on hemp is going to be governed largely by the type of weather you have. We must depend on nature to do this so-called retting and rotting and if we don't have a succession of moisture and sunshine many of these leaves are going to adhere to the stalk. Also, if our growth of hemp is retarded, or if on account of weather conditions we are not permitted to plant until late in the season, it doesn't have a chance to mature sufficiently to drop a lot of the leaves from the stalk which normally drop.

If it grows late in the season it doesn't grow too tall and retains more leaves than it would if it grew to normal height. The same is true of our retting season. So that sort of thing is in the hands of the Almighty; as far as we are concerned, we can do nothing about that.

But under the present orders and interpretations and administration of the law by the Narcotics Bureau, if we were forced to operate under those conditions the hazard is too great, because we don't know whether there is going to be 10-percent leaves or 12-percent leaves on the stalks.

Senator LA FOLLETTE. What would your tax liability be if you guess wrong and got over the 10 percent?

Mr. BATZNER. Well, that might vary. On one occasion the Commissioner told me that we would be taxed for the entire tonnage. He said it would be \$32,000 a ton. But I think probably he spoke out of turn then. I think they would attempt to weigh the poundage of leaves on each bundle of hemp and try to tax you on the basis of \$1 an ounce for each ounce of leaves.

Senator LA FOLLETTE. How would you go about that—you have been in the hemp business—how would you go about pointing out what the leaves weigh on each bundle?

Mr. BATZNER. I wouldn't have any idea. It would be a tremendous job, impossible from an economic standpoint. I assume maybe the Narcotics Bureau might take that over. I don't see how a private plant could do it with any degree of accuracy. Furthermore, it would be impossible to keep the leaves separate from the dirt and dust and all other foreign elements that wouldn't be classified as leaves.

Senator LA FOLLETTE. What acreage did you plant this year?

Mr. BATZNER. We are going to have a small acreage. We are only going to have about 250 acres. We have planted as high as 1,000 acres during the war period. But we have been hit by weather for a couple of years. We have had considerable moisture and we have lost considerable money. We are trying to stay in the business. We think it has a future. We think particularly if the textile industry takes it up we will have a larger outlet and there will be a possibility of recovering what we have lost.

Senator LA FOLLETTE. Is there anything you would like to add which you think might be helpful in considering this question?

Mr. BATZNER. Well, it seems a bit beyond my understanding that one Department of the Treasury would license growers to grow hemp on the farms, the farmer pays a tax and pays for his license, and another department steps into the situation and says to the farmer who has a license, "You can't haul it to the mill, you have got to leave it on the farm, or else you have got to pay this prohibitive tax."

So it presents a situation which is impossible of reconciling to a logical conclusion, I think.

Senator GUFFEY. The previous witness testified that you got your seed from Kentucky. Is that right?

Mr. BATZNER. That is right.

Senator GUFFEY. Do they raise much hemp down there?

Mr. BATZNER. They raise some hemp down there, not as much acreage as we raise up here, but it seems that Kentucky seed, from past experience, is better than what can be produced up here.

Senator GUFFEY. That is all.

Senator LA FOLLETTE. Thank you, Mr. Batzner.

Leo Hartman.

Mr. HARTMAN. Senator, I do not desire to testify.

Senator LA FOLLETTE. All right.

Mr. McCrory.

STATEMENT OF S. H. McCRORY, DIRECTOR, HEMP DIVISION, COMMODITY CREDIT CORPORATION, UNITED STATES DEPARTMENT OF AGRICULTURE

Senator LA FOLLETTE. Mr. McCrory, will you give us your full name and your present position?

Mr. McCRORY. Samuel H. McCrory, Director of the Hemp Division, Commodity Credit Corporation, United States Department of Agriculture.

Senator LA FOLLETTE. Mr. McCrory, will you tell us something about your knowledge of this industry as a result of your service with the Commodity Credit Corporation.

Mr. McCRORY. For the last 3 years I have been in charge of the Hemp Division of the Commodity Credit Corporation, which has had for its job the production of American hemp fiber. The line fiber is used in cordage as an extender for sisal rope. By a WPB order all rope manufacturers are required to use 15 percent of American hemp in all sisal rope three-fourths of an inch in diameter and larger with the exception of certain specified articles which are eliminated from that provision. The tow we sell wherever we can.

In 1943 we planted about 175,000 acres of hemp and harvested about 136,000 acres. In 1944 we planted about 65,000 acres and

harvested about 50,000 acres of hemp for fiber. We have grown hemp in Kentucky, Illinois, Iowa, Indiana, Minnesota, and Wisconsin. My observation on the production of hemp has led me to this conclusion in regard to leaves.

I do not believe that it is possible in the retting process to entirely eliminate the leaves and flowering parts of the plant from the stalk. The degree of removal varies under different conditions. Where you get good retting conditions, good dew, and good rain occasionally, you lose a very large percentage of your leaves. Where you have dry weather, not much dew, very little rain, and your hemp does not ret, you retain a large percentage of your leaves.

Since this question came up I have been observing at every opportunity conditions of the hemp straw at the mills that I have visited both private and Commodity Credit Corporation, controlled. It has been my observation that where we have good retting we could quite easily meet the requirements of less than 10 percent of the leaves adhering to the plant, but where the conditions are adverse, as they were in western Iowa, and in northwestern Minnesota, I do not think that we could meet that condition. Even at our mills where we have the best retting when we get short hemp, which for some reason or other was not harvested quite early in the season, there is apt to be in that class of hemp considerable quantities of leaves adhering to the stalk.

It appears that if the hemp industry is to continue in this country that some provision should be made to permit the hemp plant to be brought from the farm to the hemp mill where it can be processed. The leaves are disposed of in the milling operation and are not a source of danger after that point. I do not think it is possible by any method that we now know to completely remove the leaves from the hemp plant prior to the time it reaches the hemp mill.

Senator LA FOLLETTE. Would you say, or not, that the production of hemp had been an effectual part of the war effort?

Mr. McCrory. The production of rope in 1944 increased in the first three-quarters of the year roughly 13 percent. My friends in the War Production Board tell me that the reason that that was possible was because we had produced enough American hemp so that they could commence to feed it into the manufacturing operation about the second quarter of the year and could safely increase production.

Senator LA FOLLETTE. Is there anything further that you could add to your statement that you think would be helpful to the committee in considering this question?

Mr. McCrory. Only this thought. Hemp fiber is in a highly competitive situation as in respect to the other fibers that are grown in this country or imported, particularly the soft fibers, flax and jute, and if we are to keep a hemp industry, and I believe that it is in our country's interest to do so, we should not put any more obstacles than we must in the way of the people who are going to grow hemp, requirements that increase their cost and place them at a disadvantage. That field, I think, will be highly competitive after the war is over.

Senator LA FOLLETTE. Thank you very much, Mr. McCrory.

Do you have any questions, Senator?

Senator GUFFEY. Have you ever known any of these mills to turn out any marihuana for drug purposes?

Mr. McCrory. No, sir. So far as I know we have never had any difficulty at our own mills. We have had no reports of anyone attempting to secure leaves or blossoms nor have I heard of such attempts being made at the privately-owned mills.

Senator Guffey. Thank you.

Senator La Follette. Thank you very much.

Mr. Barre.

**STATEMENT OF H. W. BARRE, BUREAU OF PLANT INDUSTRY,
SOILS, AND AGRICULTURAL ENGINEERING, UNITED STATES
DEPARTMENT OF AGRICULTURE**

Senator La Follette. Will you please give your full name and present position, Mr. Barre?

Mr. Barre. H. W. Barre, in charge of the Division of Cotton and Other Fiber Crops and Diseases, Bureau of Plant Industry, Soils, and Agricultural Engineering.

Senator La Follette. Department of Agriculture?

Mr. Barre. Yes.

Senator La Follette. Would you kindly give us any information which you have concerning this general subject matter?

Mr. Barre. Mr. Chairman, probably the only information that we would have bearing directly on this problem would be with reference to the leaves. The Bureau of Plant Industry has conducted research work with hemp for a long period of years, possibly more than 40 years altogether, and we have no knowledge of any method that would be economically feasible for removing all of the leaves from the plants in the field or before movement to the mills.

Senator La Follette. In other words, you have to depend on the so-called retting process to eliminate the leaves, and the amount of leaves that is eliminated depends on the type of season that we have in the fall?

Mr. Barre. Yes, sir; that is true. And it would not be economically feasible to remove them by hand, of course.

Senator Guffey. I presume that you have the same trouble with leaves there that you have with the cotton-picking machines. Did you ever see one of them?

Mr. Barre. Yes, sir.

Senator Guffey. Do you think they will ever get it perfected for heavy land?

Mr. Barre. I am not at all sure but what they will.

Senator Guffey. I hope they do.

Mr. Barre. Yes.

Senator Guffey. I started about 30 years ago with one of them. It was a "pocket picking machine" then. Not a "cotton picking machine."

Mr. Barre. I saw seven of them operating in one field last fall.

Senator Guffey. Did they do pretty well?

Mr. Barre. They did a pretty good job.

Senator Guffey. They were too heavy when they first came out; the fingers were too heavy. That was the trouble. The leaves got in with the cotton.

Mr. Barre. It reduces the grade. That is still the trouble.

Senator GUFFEY. I am glad to hear that in this instance you mention there were seven machines working in one field. What State was that?

Mr. BARRE. That was in Mississippi.

Senator GUFFEY. Thank you.

Senator LA FOLLETTE. Thank you, Mr. Barre.

Mr. Boote, have a seat, please, sir.

STATEMENT OF E. S. BOOTE, LUDLOW MANUFACTURING & SALES CO., BOSTON, MASS.

Senator LA FOLLETTE. Would you kindly give your full name and address and the company that you are connected with?

Mr. BOOTE. My name is Edward S. Boote, and I am employed by the Ludlow Manufacturing & Sales Co., with mills in Pennsylvania, Delaware, and Mississippi.

Senator LA FOLLETTE. And for the record would you state what the Ludlow Manufacturing & Sales Co. business is?

Mr. BOOTE. Our business is the spinning of soft fibers.

Senator LA FOLLETTE. And in that connection, have you been using some of the products of these mills that we have been discussing?

Mr. BOOTE. We have, sir, regularly been using the products of all the independent mills in business.

Senator LA FOLLETTE. Would you go into that a little further for the benefit of the record?

Mr. BOOTE. We start with the fiber after the miller scutches it and puts it in the form of bales. Our process is the successful drawing out and splitting up of the fibers as we get them from the nullers until they have reached such size as we desire for the twine or yarn that we are making.

Then the yarns are twisted, plied, and sold on that basis. The majority of our business during the war, of course, has been for war purposes. At the present time we have contracts with the Navy for such items as hemp yarn, which the Navy twists into various sizes for their own purposes. We have contracts also with the Navy for what is called diameter cord, which is used for the sustaining cords on parachute flares, the connection between the hood of the 'chute and the flare itself. That diameter cord is also used for Navy halliards, signal flags.

In addition, we have contracts with the Army for waxed electric leafing cord of various descriptions, which has a wide use in the radio construction field and, of course, by the Signal Corps in many ways.

Ordinarily, in addition to these present contracts, we would make such things as yarns for parachute harness. That is, the parachutes on which human life depends. We would make shoe threads for the manufacturers of shoes and also for the repair of worn-out shoes. Then there is another line of goods which is termed "hemp marline, tarred and untarred," which has a large use by the Navy for deck lines, seizing cords, and so on.

Senator LA FOLLETTE. What is the rule of thumb on rope in ship-building as to the relationship between rope and tonnage of ships?

Mr. BOOTE. The requirement to date, I understand, has been 1 pound of rope for each ton of shipping constructed.

That is the scope, sir, of our present business.

We expect and certainly hope to continue to use this hemp in the large quantities which we have been able to use, and we are confident that unless a restriction is placed on the marketing of this material that we shall be successful in doing so.

Senator LA FOLLETTE. In other words, you see an opportunity for the use of this product in peacetime?

Mr. BOOTE. We do, indeed. We use no fiber for our fine yarns at the present time except American hemp and have succeeded in using a great quantity of it, and I believe that we shall be successful in continuing. It is an excellent textile fiber.

Senator GUFFEY. Where is your mill in Pennsylvania?

Mr. BOOTE. In Allentown, sir.

Senator GUFFEY. Could I see that piece of material you have there?

Mr. BOOTE. Yes, sir [handing article].

Senator GUFFEY. What is that made for?

Mr. BOOTE. This is a partially processed piece of line hemp. This is much more finely divided than the condition in which it comes to us in the bale from the scutcher.

Senator GUFFEY. Thank you.

Senator LA FOLLETTE. Is there anything further that you might add that would be helpful in the consideration of this question?

Mr. BOOTE. I think not, sir.

Senator LA FOLLETTE. Any other questions, Senator?

Senator GUFFEY. I have no more. Thank you.

Senator LA FOLLETTE. Thank you, Mr. Boote.

Mr. Farrell.

STATEMENT OF GEORGE E. FARRELL, AGRICULTURAL SPECIALIST, BUREAU OF AGRICULTURAL ECONOMICS, UNITED STATES DEPARTMENT OF AGRICULTURE

Senator LA FOLLETTE. Mr. Farrell, for the record will you kindly state your full name and your position in the Department of Agriculture?

Mr. FARRELL. George E. Farrell, agricultural specialist, Bureau of Agricultural Economics, Department of Agriculture.

Senator LA FOLLETTE. Mr. Farrell, have you in connection with the work in your department become familiar with the hemp industry?

Mr. FARRELL. I have. For the last year I have been working on the problem of what might be done with these Government hemp mills and what uses might be made of the fiber and the possibility of its use in the postwar period.

Senator LA FOLLETTE. The Government has an investment of approximately \$12,000,000, has it not?

Mr. FARRELL. I believe about \$12,000,000 were expended in the construction of the mills outside of engineering costs and some other supervisory costs. These mills, of course, are still intact. They are not operated. Some of them are operating now, but when this crop that was grown in 1944 is completed they will have completed their scutching operations and will be closed down.

The privately owned mills are operating. This investment of \$12,000,000 is quite a sizable investment. The question of whether any of it can be salvaged will depend, first, upon whether there can be wider use of the hemp fiber; and second, whether there are no restrictions or increased costs placed upon the production of the fiber.

In the work that I have done I find that this hemp fiber can be spun into thread of approximately 30 lay, and it can be done economically, and it will serve every purpose that linen serves. This hemp fiber is superior in that it absorbs about 250 percent of the power of absorption of cotton. In other words, a pound of hemp will absorb about 2½ pounds of water, where a pound of cotton will absorb only 1.

I have also been working on the proposition of wider use. This hemp fiber can be used in making yarns that Mr. Boote spoke about, it can be woven into cloth, it can be used for carpet warp, it can be made into canvas, and it has a very wide use.

At the present time our spinning capacity is limited. I wish to say this—that I doubt very much whether any venture capital will get into this field to expand the spinning and weaving operations if there is a possibility that the cost of producing the fiber at the scutching mill is increased materially through regulation.

It is for that reason, of course, that we are very much interested in carrying on this industry.

In addition to that, the production of corn in the Corn Belt has been increased approximately 30 percent by the introduction of hybrid seed. That acreage of corn in the Corn Belt may not be needed in the postwar period, due to the increased production per acre. It will be necessary to find new crops that can be grown in the Corn Belt, and hemp is one of them.

The production now averages about 900 pounds of fiber per acre. In choice fields the production runs up to 1,100 pounds per acre. The farmers like to grow it because it assists them in destroying the weeds in a field; it grows up very thick and it, of course, chokes out most of the weeds. It fits in pretty well with the agriculture of the Corn Belt. It is planted just before corn and requires no summer cultivation, and it is harvested just before corn. It fits into the rotation.

At a meeting recently held at Rockford, Ill., there were representatives from 20 mills, including both the Government owned and privately owned, and all of them expressed a desire to continue to grow hemp. We believe the use of hemp can be expanded. There has been a great deal of work done on it by such firms as Ludlow, and there are developments of new machinery that indicate that it could be economically handled in the making of cloth within the United States.

It is interesting to know that the hemp production is expanding throughout the world. There are large acreages in Italy, and it will expand greatly up through Yugoslavia, Rumania, Bulgaria, Poland, and Russia. There is a large expansion in Brazil. Evidently they find it a useful fiber—a very useful fiber. They are having no particular difficulty in producing it.

Just before the war approximately 60,000 tons moved in international trade in Europe. It was used for the production of clothing—clothing of various kinds. We haven't explored that here to any great extent, because we were doing other things. If this industry is expanded it will provide an income for farmers in the Corn Belt, it

will increase employment in these small towns where the mills are, it will provide a sizable amount of employment in the spinning and weaving mills. It seems to be a very satisfactory industry that can be developed extensively.

I think that is all I have to say.

Senator GUFFEY. Is it regarded as a profitable crop for the farmers?

Mr. FARRELL. It is a profitable crop. Not all the time. It is a profitable crop in good years; I mean, when the price is high. Sometimes the price runs down pretty low.

Senator GUFFEY. You said there was a yield of 900 to 1,000 pounds per acre.

Mr. FARRELL. Yes.

Senator GUFFEY. What does it sell for a pound?

Mr. FARRELL. Well, you can figure that a farmer may have a net income, as Mr. Rens said, of \$100. That would be producing somewhere around 1,000 to 1,100 pounds per acre. Normally the hemp income is a little bit more than corn. If the income from corn is \$65 an acre the farmer may expect somewhere around 67 cents a pound for his hemp. Except in wartime.

In other words, he makes just a little bit more than on corn. It is in competition with corn at all times for the land.

Senator LA FOLLETTE. Thank you, Mr. Farrell.

Mr. Wood, will you come around, please, sir.

STATEMENT OF WILL S. WOOD, DEPUTY COMMISSIONER, BUREAU OF NARCOTICS, TREASURY DEPARTMENT

Mr. WOOD. Will S. Wood, Deputy Commissioner, Bureau of Narcotics, Treasury Department.

Mr. Chairman, I am very sorry that illness made it impossible for the Commissioner to be here today.

Senator LA FOLLETTE. I am very sorry, too. I hope he won't be ill long.

Mr. WOOD. He is in Pennsylvania with a sprained back. I imagine a few days will straighten him up.

We regard marihuana enforcement as a very important and serious matter. The present law has worked very effectively. We are not advised as to the language of the legislation which is being considered today and therefore are not in a position to state just what effect it would have on marihuana enforcement. We request that a bill not be voted on by the committee at this time but that the legislation which is now being considered be submitted to the Treasury Department in order that we may have an opportunity to give it full and serious study and make written comments.

We request also that Commissioner Anslinger be afforded an opportunity to appear before your committee at a later date.

Senator LA FOLLETTE. Well, I think he should have an opportunity to be heard and I very much regret he couldn't be here because I was hoping that this hearing might, to some extent, develop into a round-table discussion to see if there couldn't be some solution to this problem short of executing and extinguishing the hemp industry, which has been operating in this country for so many years and operating successfully commercially in my own State since 1916.

Of course, I wouldn't expect you to be in a position to comment on any specific piece of legislation before you did have an opportunity to examine it, but I would like to ask you to give us the big reasons for the issuance of the March regulation or restriction.

Mr. WOOD. I think I can give you that.

At the time the law was passed I believe the majority of the men who were then operating mills testified before the committee that hemp could be retted in the field to the extent of 90 percent or better and I believe the Bureau of Narcotics stated that that would be perfectly agreeable. The law has not been changed nor the regulations changed.

I believe a letter was written to the different mills in March telling them that it would have to be retted in the fields to 90 percent or better.

The CHAIRMAN. You say that has been in the regulation for some time?

Mr. WOOD. It was in the hearings at the time the bill was being considered.

Senator LA FOLLETTE. I understood you to say it was in the regulation.

Mr. WOOD. No, sir; I don't think there was a regulation ever out on it.

Senator LA FOLLETTE. Then this is in effect a new regulation.

Mr. WOOD. No, it isn't a regulation, Senator.

Senator LA FOLLETTE. What is it?

Mr. WOOD. We heard that marihuana was going to the mills that had not been retted in the fields and the letter was to call to their attention the fact that that should be done up to 90 percent.

Senator LA FOLLETTE. Well, had there been any regulation in effect that hemp retted in the field must be 90 percent or better free of leaves?

Mr. WOOD. No, sir; I don't think so.

Senator LA FOLLETTE. There is no use of our fencing about words. Under your authority to issue rules and regulations you in effect issued a new regulation in March.

Mr. WOOD. No. Originally the regulation showed that it had to be retted completely in the fields.

Senator LA FOLLETTE. Have you that with you?

Mr. WOOD. No, sir; I have not. The law says so.

Senator LA FOLLETTE. Show me that section in the act.

Mr. MITCHELL. Mr. Chairman, it requires a little explanation. Could I explain it off the record first?

Senator LA FOLLETTE. Give your name and position for the record.

Mr. MITCHELL. B. T. Mitchell.

Senator LA FOLLETTE. Yes.

Mr. MITCHELL. Assistant chief counsel of the Bureau of Narcotics.

Senator LA FOLLETTE. All right.

Mr. MITCHELL. You will note that section 1 (b) of the act in defining marihuana exempts from the act the mature stalks.

Senator LA FOLLETTE. Section 1—what?

Mr. MITCHELL. 1 (b).

Senator LA FOLLETTE (reading):

The term "marihuana" means all parts of the plant *Cannabis sativa L.*, whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of

such plant, its seeds, or resin; but shall include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil or cake, or the sterilized seed of such plant which is incapable of germination.

Is that the section you refer to?

Mr. MITCHELL. Yes, sir. You note that the mature stalks are exempt, and it is my understanding that that was written in that manner on the representations of the hemp growers that they could ret it in such manner that the leaves and tops would be removed.

Senator LA FOLLETTE. Is it your contention as a legal matter that this reference to the mature stalk can be interpreted to mean a stalk upon which there are no leaves?

Mr. MITCHELL. In the light of the balance of the definition, yes. You will note the definition says "all parts of the plant," and then exempts the mature stalk.

Senator LA FOLLETTE. So it is your contention that the language that I have just quoted means any leaves on the stalk of a plant would mean that it is not a mature stalk in the language of this section?

Mr. MITCHELL. That has been our interpretation of that statute, sir.

Senator LA FOLLETTE. Well, how then do you reconcile that with Mr. Hester's and Mr. Anslinger's statement that the enactment of this bill would not interfere with the production of hemp as it has always been produced?

Mr. MITCHELL. Senator, my understanding is that those statements and that this definition were on the basis of representations that the retting would remove the leaves and flowering top and all you would have left would be the stalk.

Senator LA FOLLETTE. I would certainly like to have you point out any place in the hearings where anybody made such a statement.

Mr. MITCHELL. I can't say, Senator, that it is in the hearings. I wasn't connected with the Treasury at that time. I got that through hearsay. I am sorry I can't give you a more detailed answer.

Mr. WOOD. Senator, I can give you that just a little bit later on.

Senator LA FOLLETTE. I don't think it occurred before the Senate committee, and it is the Senate committee hearings that I am referring to.

Mr. WOOD. Yes.

Senator LA FOLLETTE. Because it is perfectly clear if you read those Senate committee hearings that the Senate committee was very much concerned to be certain that in enacting this drastic piece of legislation they weren't putting the Bureau in a position to wipe out this legitimate hemp industry.

Mr. WOOD. Which, of course, the Bureau doesn't want to do.

Senator LA FOLLETTE. Well, you have heard the testimony here today. It comes from witnesses whom I know to be reputable men and I know that they would not make that statement if it were not true. They say that your regulation of March, or your letter of March, whatever you want to call it, and I will accept your own terminology, is going to put the industry out of business.

Mr. WOOD. I didn't see the letter, but I understand that it was just a letter and merely told them that it would have to be retted in the field.

Senator LA FOLLETTE. Just a letter, but that puts them on notice that if they take a single bundle of hemp out of the field after it is retted and you can find that there are 91 percent leaves on it, they are liable to a tax that would wipe out anybody that was in the business and all of their children for three or four generations by reason of the fact that they have to pay the tax.

The very fact that these men are so concerned about it is an indication that they have been endeavoring to comply with the law.

Mr. WOOD. Well, I am sure that they are real law-abiding citizens and want to do nothing but comply with the law. I have had the pleasure of meeting some of them and I found them most helpful in any matter that I have contacted them on.

Senator LA FOLLETTE. Well now, what prompted the order or the letter?

Mr. WOOD. I can't tell you, Senator. I do not know.

Senator LA FOLLETTE. Well, do you know Mr. Mitchell?

Mr. MITCHELL. No, sir, I do not know the details of it. That is one reason that we ask that Commissioner Anslinger be given an opportunity to come here.

Mr. WOOD. He handled that himself.

Senator LA FOLLETTE. I see. Do you have any further comment to make?

Mr. WOOD. No, sir.

Senator LA FOLLETTE. Mr. Murphy, I have asked you to prepare a proposed amendment to the Marihuana Act and I would like to have you read it into the record and explain exactly what effect it would have on the act and how it would operate, so these gentlemen will have a chance to consider it.

STATEMENT OF CHARLES S. MURPHY, ASSISTANT COUNSEL, OFFICE OF LEGISLATIVE COUNSEL, UNITED STATES SENATE

Mr. MURPHY. Senator, I think it would require some little background explanation.

Senator LA FOLLETTE. I wish you would take your own time. I want this record to be as complete as possible from everybody's standpoint. I don't think that I need to say but I will say that I have no desire to put any holes in the Marihuana Act but I do not propose if I can help it and if there is any practical way out of it to have this industry which has proved to be so helpful in war and which holds out the prospect of peacetime employment in the rural areas and additional income for farmers wiped out.

Mr. MURPHY. As has already been indicated here, the Marihuana Tax Act of 1937, which now, by the way, has been incorporated into the Internal Revenue Code, imposes a transfer tax on marihuana. Marihuana is defined to include "all parts of the plant *Cannabis sativa L.*"—with certain exclusions.

Among the exclusions is the mature stalk. The stalk which is transferred from the farmer to the miller for the purpose of producing fiber might or might not have leaves on it. If it has leaves on it the leaves, or marihauna, under the definition of the act, are subject to the tax.

I might also say, as has been indicated, it is not practical to remove all the leaves from the stalks before they are transferred to the miller.

So the amendment that is drafted here proposes to exempt from tax the transfer of the plant when it is transferred from the farmer to the miller who produces fiber from the stalk. That exemption will be applicable whether or not any leaves are still left on the stalk.

The first part of the amendment amends section 2591 of the Internal Revenue Code which now contains some exemptions from this transfer tax.

Senator LA FOLLETTE. What are they, briefly?

Mr. MURPHY [reading]:

Transfer of marihuana to a patient by a physician, dentist, veterinary surgeon—
and so forth.

Transfer of marihuana, made in good faith by a dealer to a consumer under and in pursuance to a written prescription issued by a physician, dentist, veterinary surgeon, or other practitioner—

and so forth.

Sale, exportation, shipment, or delivery of marihuana by any person within the United States, any Territory * * * to any person in any foreign country regulating the entry of marihuana, * * *

The transfer of marihuana to any officer or employee of the United States Government * * *

Transfer of any seeds of the plant *Cannabis sativa L.* to any person registered under section 2.

That last one, as I understand it, is the exemption which is applicable in the case of the seeds that these gentlemen furnish to the farmers that grow hemp for them.

Senator LA FOLLETTE. It exempts. The transfer from the growers of the seed to the mill operator who in turn transfers it to the farmer, as I understand it.

Mr. MURPHY. That is right. This is an exemption for the transfer of seed to a person registered under section 2. That includes the farmers who are registered and the seed dealers who are registered as seed dealers.

This new exception is added to the end of that section as new subsection (e) and reads as follows:

Nothing in this section shall apply to a transfer of the plant *Cannabis sativa L.* or any parts thereof from any person registered under section 3231—

I might say there that that includes, among others, farmers and, with these amendments, will include millers who process the plant for fiber purposes—

* * * to a person who is also registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6).

That latter reference to the taxpayer registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6) is a reference to millers who under the next part of this amendment would be required to register and pay a special tax of \$1 a year.

So that under this first amendment any transfer of marihuana from one miller to another miller, or from a farmer to a miller, would be tax-exempt.

The second part of the amendment adds a new paragraph to section 3230 (a) of the Internal Revenue Code, which section also comes from the Marihuana Tax Act of 1937. That section now contains a list of the people who are required to register under the act and pay a tax. This adds to that list:

Any person who at a mill manufactures or produces from the plant *Cannabis sativa L.* any fiber or fiber products, \$1 per year, or fraction thereof during which he engages in such activities.

Senator LA FOLLETTE. Who is now required to register under that act?

Mr. MURPHY (reading):

(1) Importers, manufacturers, and compounders of marihuana, \$24 per year.

(2) Producers of marihuana (except those included within subdivision (4) of this subsection), \$1 per year, or fraction thereof, during which they engage in such activity.

(3) Physicians, dentists, veterinary surgeons, and other practitioners who distribute, dispense, give away, administer, or prescribe marihuana to patients upon whom they in the course of their professional practice are in attendance, \$1 per year or fraction thereof during which they engage in any of such activities.

(4) Any person not registered as an importer, manufacturer, producer, or compounder who obtains and uses marihuana in a laboratory for the purpose of research, instruction, or analysis, or who produces marihuana for any such purpose, \$1 per year, or fraction thereof, during which he engages in such activities.

(5) Any person who is not a physician, dentist, veterinary surgeon, or other practitioner and who deals in, dispenses, or gives away marihuana, \$3 per year. * * *

I think perhaps I should state for the record that in reading this list of people required to register and also in reading the other list of tax-exempt transfers I didn't read the entire provisions; I read enough, I think, to indicate the nature of the provision, but not the whole thing.

As I have indicated, the first two parts of the amendment exempt transfers from producers to the millers and require the millers to register and pay a special tax of \$1 a year.

Then there is a third part to the amendment which adds special requirements in the case of the millers who register or seek to register under the act. I think I might just read that subsection.

Senator LA FOLLETTE. If you will, please.

Mr. MURPHY (reading):

The Secretary—

the reference there being to the Secretary of the Treasury—

shall not permit the registration of any person under this section as a person required to pay the tax imposed by section 3230 (a) (6)—

that refers to the millers who are required by this new amendment to register—

unless, in the opinion of the Secretary, such person (or if a corporation, each officer thereof) is a person of good moral character and unless, in the opinion of the Secretary, such person is a person of suitable financial standing, intends to engage in good faith in the business of manufacturing or producing fiber or fiber products from the plant *Cannabis sativa L.* on a commercial basis, and is not seeking registration under this section for the purpose of facilitating the unlawful diversion of marihuana. Any person who is registered under this section and has paid the tax imposed by section 3230 (a) (6) shall afford agents of the Bureau of Narcotics ready access at all times to any part of the premises of the mill or other premises of such person and the right to inspect any and all books, papers, records, or documents connected with the activities of such person in dealing in, manufacturing, and processing *Cannabis sativa L.* and fiber or fiber products thereof, and the handling of marihuana. The Secretary may cancel or may refuse to renew, after notice and opportunity for hearing, the registration of any such person if he finds that such person has not complied or is not complying with the requirements of this subsection, or if he finds that grounds exist which would justify the refusal to permit the original registration of such person under this section.

Senator LA FOLLETTE. Thank you, Mr. Murphy.

I think it might be helpful if you would prepare a memorandum which could be incorporated in the record at this point, such as the House rule requires when they report a bill, so we will have the sections and the amendments.

(The above-mentioned memorandum is as follows:)

MEMORANDUM SHOWING CHANGES MADE IN EXISTING LAW BY PROPOSED AMENDMENTS

(Existing provisions of the Internal Revenue Code relating to marihuana are shown in roman type. The matter proposed to be inserted by the amendments is printed in italic.)

SUBCHAPTER C—MARIHUANA

SEC. 2590. TAX

(a) **RATE.**—There shall be levied, collected, and paid upon all transfers of marihuana which are required by section 2591 to be carried out in pursuance of written order forms taxes at the following rates:

(1) **TRANSFERS TO SPECIAL TAXPAYERS.**—Upon each transfer to any person who has paid the special tax and registered under sections 3230 and 3231, \$1 per ounce of marihuana or fraction thereof.

(2) **TRANSFERS TO OTHERS.**—Upon each transfer to any person who has not paid the special tax and registered under sections 3230 and 3231, \$100 per ounce of marihuana or fraction thereof.

(b) **BY WHOM PAID.**—Such tax shall be paid by the transferee at the time of securing each order form and shall be in addition to the price of such form. Such transferee shall be liable for the tax imposed by this section but in the event that the transfer is made in violation of section 2591 without an order form and without payment of the transfer tax imposed by this section, the transferor shall also be liable for such tax.

(c) **HOW PAID.**—

(1) **STAMPS.**—Payment of the tax herein provided shall be represented by appropriate stamps to be provided by the Secretary.

(2) **ASSESSMENT.**—

For assessment in case of omitted taxes payable by stamp, see section 3311 and section 3640.

(d) **REGISTRATION AND SPECIAL TAX.**—

For requirements as to registration and special tax, see part VI of subchapter A of chapter 27.

SEC. 2591. ORDER FORMS

(a) **GENERAL REQUIREMENT.**—It shall be unlawful for any person, whether or not required to pay a special tax and register under sections 3230 and 3231, to transfer marihuana, except in pursuance of a written order of the person to whom such marihuana is transferred, on a form to be issued in blank for that purpose by the Secretary.

(b) **EXCEPTIONS.**—Subject to such regulations as the Secretary may prescribe, nothing contained in this section shall apply—

(1) **PROFESSIONAL PRACTICE.**—To a transfer of marihuana to a patient by a physician, dentist, veterinary surgeon, or other practitioner registered under section 3231, in the course of his professional practice only: *Provided*, That such physician, dentist, veterinary surgeon, or other practitioner shall keep a record of all such marihuana transferred, showing the amount transferred and the name and address of the patient to whom such marihuana is transferred, and such record shall be kept for a period of two years from the date of the transfer of such marihuana, and subject to inspection as provided in section 2595.

(2) **PRESCRIPTIONS.**—To a transfer of marihuana, made in good faith by a dealer to a consumer under and in pursuance of a written prescription issued by a physician, dentist, veterinary surgeon, or other practitioner registered under section 3231: *Provided*, That such prescription shall be dated as of the date on which signed and shall be signed by the physician, dentist, veterinary surgeon, or other practitioner who issues the same: *Provided further*, That such dealer shall preserve such prescription for a period of two years

from the date on which such prescription is filled so as to be readily accessible for inspection by the officers, agents, employees, and officials mentioned in section 2595.

(3) EXPORTATION.—To the sale, exportation, shipment, or delivery of marihuana by any person within the United States, any Territory, the District of Columbia, or any of the insular possessions of the United States, to any person in any foreign country regulating the entry of marihuana, if such sale, shipment, or delivery of marihuana is made in accordance with such regulations for importation into such foreign country as are prescribed by such foreign country, such regulations to be promulgated from time to time by the Secretary of State of the United States.

(4) GOVERNMENT AND STATE OFFICIALS.—To a transfer of marihuana to any officer or employee of the United States Government or of any State, Territorial, District, county, or municipal or insular government lawfully engaged in making purchases thereof for the various departments of the Army and Navy, the Public Health Service, and for Government, State, Territorial, District, county, or municipal or insular hospitals or prisons.

(5) CERTAIN SEEDS.—To a transfer of any seeds of the plant *Cannabis sativa* L. to any person registered under section 3231.

(c) SUPPLY.—The Secretary shall cause suitable forms to be prepared for the purposes before mentioned and shall cause them to be distributed to collectors for sale. The price at which such forms shall be sold by said collectors shall be fixed by the Secretary, but shall not exceed 2 cents each. Whenever any collector shall sell any of such forms he shall cause the date of sale, the name and address of the proposed vendor, the name and address of the purchaser, and the amount of marihuana ordered to be plainly written or stamped thereon before delivering the same.

(d) PRESERVATION.—Each such order form sold by a collector shall be prepared by him and shall include an original and two copies, any one of which shall be admissible in evidence as an original. The original and one copy shall be given by the collector to the purchaser thereof. The original shall in turn be given by the purchaser thereof to any person who shall, in pursuance thereof, transfer marihuana to him and shall be preserved by such person for a period of two years so as to be readily accessible for inspection by any officer, agent, or employee mentioned in section 2595. The copy given to the purchaser by the collector shall be retained by the purchaser and preserved for a period of two years so as to be readily accessible to inspection by any officer, agent, or employee mentioned in section 2595. The second copy shall be preserved in the records of the collector.

(e) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—*Nothing in this section shall apply to a transfer of the plant *Cannabis sativa* L. or any parts thereof from any person registered under section 3231 to a person who is also registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6).*

SEC. 2592. STAMPS.

(a) AFFIXING.—The stamps provided in section 2590 (c) (1) shall be affixed by the collector or his representative to the original order form.

(b) OTHER LAWS APPLICABLE.—All provisions of law relating to the engraving, issuance, sale, accountability, cancelation, and destruction of tax-paid stamps provided for in the internal-revenue laws shall, insofar as applicable and not inconsistent with this subchapter, be extended and made to apply to stamps provided for in section 2590 (c) (1).

(c) CROSS REFERENCE.—

For general provisions relating to stamps, see part I of subchapter A of chapter 28.

SEC. 2593. UNLAWFUL POSSESSION.

(a) PERSONS IN GENERAL.—It shall be unlawful for any person who is a transferee required to pay the transfer tax imposed by section 2590 (a) to acquire or otherwise obtain any marihuana without having paid such tax; and proof that any person shall have had in his possession any marihuana and shall have failed, after reasonable notice and demand by the collector, to produce the order form required by section 2591 to be retained by him, shall be presumptive evidence of guilt under this section and of liability for the tax imposed by section 2590 (a).

(b) GOVERNMENT AND STATE OFFICIALS.—No liability shall be imposed by virtue of this section upon any duly authorized officer of the Treasury Department engaged in the enforcement of this subchapter and part VI of subchapter

A of chapter 27 or upon any duly authorized officer of any State, or Territory, or of any political subdivision thereof, or the District of Columbia, or of any insular possession of the United States, who shall be engaged in the enforcement of any law or municipal ordinance dealing with the production, sale, prescribing, dispensing, dealing in, or distributing of marihuana.

SEC. 2594. RECORDS, STATEMENTS AND RETURNS

(a) **GENERAL REQUIREMENT.**—Every person liable to any tax imposed by this subchapter or part VI of subchapter A of chapter 27 shall keep such books and records, render under oath such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

(b) **RETURN BY REGISTRANTS OF MARIHUANA.**—

For returns by registrants of marihuana, see section 3233 (a) of chapter 27.

SEC. 2595. INSPECTION OF RETURNS, ORDER FORMS, AND PRESCRIPTIONS

The order forms and copies thereof and the prescriptions and records required to be preserved under the provisions of section 2591, and the statements or returns filed in the office of the collector of the district under the provisions of section 3233 shall be open to inspection by officers, agents, and employees of the Treasury Department duly authorized for that purpose, and such officers of any State, or Territory, or of any political subdivision thereof, or the District of Columbia, or of any insular possession of the United States as shall be charged with the enforcement of any law or municipal ordinance regulating the production, sale, prescribing, dispensing, dealing in, or distributing of marihuana. Each collector shall be authorized to furnish, upon written request, copies of any of the said statements or returns filed in his office to any of such officials of any State or Territory, or political subdivision thereof, or the District of Columbia, or any insular possession of the United States as shall be entitled to inspect the said statements or returns filed in the office of the said collector, upon the payment of a fee of \$1 for each 100 words or fraction thereof in the copy or copies so requested.

SEC. 2596. PENALTIES

Any person who is convicted of a violation of any provision of this subchapter or part VI of subchapter A of chapter 27 shall be fined not more than \$2,000 or imprisoned not more than five years, or both, in the discretion of the court.

SEC. 2597. BURDEN OF PROOF

It shall not be necessary to negative any exemptions set forth in this subchapter or part VI of subchapter A of chapter 27 in any complaint, information, indictment, or other writ or proceeding laid or brought under this subchapter or part VI of subchapter A of chapter 27 and the burden of proof of any such exemption shall be upon the defendant. In the absence of the production of evidence by the defendant that he has complied with the provisions of section 3231 relating to registration or that he has complied with the provisions of section 2591 relating to order forms, he shall be presumed not to have complied with such provisions of such sections, as the case may be.

SEC. 2598. FORFEITURES

(a) **UNLAWFUL IMPORTATION, MANUFACTURE, OR TRANSFER.**—Any marihuana which has been imported, manufactured, compounded, transferred, or produced in violation of any of the provisions of this subchapter or part VI of subchapter A of chapter 27 shall be subject to seizure and forfeiture and, except as inconsistent with the provisions of such subchapter and part, all the provisions of internal-revenue laws relating to searches, seizures, and forfeitures are extended to include marihuana.

(b) **OWNERSHIP BY VIOLATORS.**—Any marihuana which may be seized by the United States Government from any person or persons charged with any violation of this subchapter or part VI of subchapter A of chapter 27 shall upon conviction of the person or persons from whom seized be confiscated by and forfeited to the United States.

(c) **UNKNOWN OWNERSHIP.**—Any marihuana seized or coming into the possession of the United States in the enforcement of this subchapter or part VI of subchapter A of chapter 27, the owner or owners of which are unknown, shall be confiscated by and forfeited to the United States.

(d) **DISPOSAL.**—The Secretary is hereby directed to destroy any marihuana confiscated by and forfeited to the United States under this section or to deliver such marihuana to any department, bureau, or other agency of the United States

Government, upon proper application therefor under such regulations as may be prescribed by the Secretary.

SEC. 2599. REGULATIONS

The Secretary is authorized to make, prescribe, and publish all necessary rules and regulations for carrying out the provisions of this subchapter and part VI of subchapter A of chapter 27.

SEC. 2600. DELEGATION OF POWERS

The Secretary is authorized to confer or impose any of the rights, privileges, powers, and duties conferred or imposed upon him by this subchapter or part VI of subchapter A of chapter 27 upon such officers or employees of the Treasury Department as he shall designate or appoint.

SEC. 2601. OTHER LAWS APPLICABLE

All provisions of law (including penalties) applicable in respect of the taxes imposed by section 2550 of this chapter and section 3220 of chapter 27, shall, insofar as not inconsistent with this subchapter and part VI of subchapter A of chapter 27, be applicable in respect of the taxes imposed by such subchapter and part.

SEC. 2602. TERRITORIAL EXTENT OF LAW

The provisions of this subchapter and part VI of subchapter A of chapter 27 shall apply to the several States, the District of Columbia, the Territory of Alaska, the Territory of Hawaii, and the insular possessions of the United States, except the Philippine Islands.

SEC. 2603. ADMINISTRATION IN INSULAR POSSESSIONS

(a) **PUERTO RICO.**—In Puerto Rico the administration of this subchapter and part VI of subchapter A of chapter 27, the collection of the special taxes and transfer taxes, and the issuance of the order forms provided for in section 2591 shall be performed by the appropriate internal-revenue officers of that government, and all revenues collected under this subchapter and part VI of subchapter A of chapter 27 in Puerto Rico shall accrue intact to the general government thereof.

(b) **VIRGIN ISLANDS.**—The President shall be authorized and directed to issue such Executive orders as will carry into effect in the Virgin Islands the intent and purposes of this subchapter and part VI of subchapter A of chapter 27 by providing for the registration with appropriate officers and the imposition of the special and transfer taxes upon all persons in the Virgin Islands who import, manufacture, produce, compound, sell, deal in, dispense, prescribe, administer, or give away marihuana.

SEC. 2604. DEFINITIONS

For definitions of the following, see the subsections of section 3238 indicated below:

PERSON.—

Subsection (a).

PRODUCER.—

Subsection (c).

MARIHUANA.—

Subsection (b).

TRANSFER OR TRANSFERRED.—

Subsection (d).

PART VI—MARIHUANA

SEC. 3230. TAX

(a) **LIABILITY AND TIME FOR PAYMENT OF TAX.**—Every person who imports, manufactures, produces, compounds, sells, deals in, dispenses, prescribes, administers, or gives away marihuana shall (1) before engaging in any of the above-mentioned activities, and (2) thereafter, on or before July 1 of each year, pay the following special taxes respectively:

(1) **IMPORTERS, MANUFACTURERS, AND COMPOUNDERS.**—Importers, manufacturers, and compounders of marihuana, \$24 per year.

(2) **PRODUCERS.**—Producers of marihuana (except those included within subdivision (4) of this subsection), \$1 per year, or fraction thereof, during which they engage in such activity.

(3) **PHYSICIANS, DENTISTS, VETERINARY SURGEONS, AND OTHER PRACTITIONERS.**—Physicians, dentists, veterinary surgeons, and other practitioners

who distribute, dispense, give away, administer, or prescribe marihuana to patients upon whom they in the course of their professional practice are in attendance, \$1 per year or fraction thereof during which they engage in any of such activities.

(4) **PERSONS ENGAGED IN RESEARCH, INSTRUCTION, OR ANALYSIS.**—Any person not registered as an importer, manufacturer, producer, or compounder who obtains and uses marihuana in a laboratory for the purpose of research, instruction, or analysis, or who produces marihuana for any such purpose, \$1 per year, or fraction thereof, during which he engages in such activities.

(5) **PERSONS NOT OTHERWISE TAXED.**—Any person who is not a physician, dentist, veterinary surgeon, or other practitioner and who deals in, dispenses, or gives away marihuana, \$3 per year: *Provided*, That any person who has registered and paid the special tax as an importer, manufacturer, compounder, or producer, as required by subdivisions (1) and (2) of this subsection, may deal in, dispense, or give away marihuana imported, manufactured, compounded, or produced by him without further payment of the tax imposed by this section.

(6) **MILLERS.**—Any person who at a mill manufactures or produces from the plant *Cannabis sativa L.* any fiber or fiber products, \$1 per year, or fraction thereof during which he engages in such activities.

(b) **COMPUTATION OF TAX.**—Where a tax under subdivision (1) or (5) of subsection (a) is payable on July 1 of any year it shall be computed for one year; where any such tax is payable on any other day it shall be computed proportionately from the first day of the month in which the liability for the tax accrued to the following July 1.

(c) **LIABILITY IN CASE OF ACTIVITIES IN MORE THAN ONE PLACE.**—In the event that any person subject to a tax imposed by this section engages in any of the activities enumerated in subsection (a) of this section at more than one place, such person shall pay the tax with respect to each such place.

(d) **LIABILITY IN CASE OF MORE THAN ONE ACTIVITY BY SAME PERSON AT SAME TIME.**—Except as otherwise provided, whenever more than one of the activities enumerated in subsection (a) of this section is carried on by the same person at the same time, such person shall pay the tax for each such activity, according to the respective rates prescribed.

SEC. 3231. REGISTRATION

(a) **IN GENERAL.**—Any person subject to the tax imposed by section 3230 shall, upon payment of such tax, register his name or style and his place or places of business with the collector of the district in which such place or places of business are located.

(b) **SPECIAL REQUIREMENTS FOR MILLERS.**—*The Secretary shall not permit the registration of any person under this section as a person required to pay the tax imposed by section 3230 (a) (6), unless in the opinion of the Secretary such person (or if a corporation, each officer thereof) is a person of good moral character and unless in the opinion of the Secretary such person is a person of suitable financial standing, intends to engage in good faith in the business of manufacturing or producing fiber or fiber products from the plant Cannabis sativa L. on a commercial basis, and is not seeking registration under this section for the purpose of facilitating the unlawful diversion of marihuana. Any person who is registered under this section and has paid the tax imposed by section 3230 (a) (6) shall afford agents of the Bureau of Narcotics ready access at all times to any part of the premises of the mill or other premises of such person and the right to inspect any and all books, papers, records, or documents connected with the activities of such person in dealing in, manufacturing, and processing Cannabis sativa L. and fiber or fiber products thereof, and the handling of marihuana. The Secretary may cancel or may refuse to renew, after notice and opportunity for hearing, the registration of any such person if he finds that such person has not complied or is not complying with the requirements of this subsection, or if he finds that grounds exist which would justify the refusal to permit the original registration of such person under this section.*

SEC. 3232. EXEMPTION FROM TAX AND REGISTRATION

(a) **EMPLOYEES.**—No employee of any person who has paid the special tax and registered, as required by sections 3230 and 3231, acting within the scope of his employment, shall be required to register and pay such special tax.

(b) **GOVERNMENT AND STATE OFFICIALS.**—

(1) **IN GENERAL.**—An officer or employee of the United States, any State, Territory, the District of Columbia, or insular possession, or political subdivision, who, in the exercise of his official duties, engages in any of the

activities enumerated in section 3230 shall not be required to register or pay the special tax, but his right to this exemption shall be evidenced in such manner as the Secretary may by regulations prescribe.

(2) CROSS REFERENCE.—

For authority of the President to issue Executive orders providing for the registration and the imposition of special taxes upon persons in the Virgin Islands, see section 2603 (b).

SEC. 3233. RETURNS

(a) REGISTRANTS.—Any person who shall be registered under the provisions of section 3231 in any internal-revenue district shall, whenever required so to do by the collector of the district, render to the collector a true and correct statement or return, verified by affidavits, setting forth the quantity of marihuana received or harvested by him during such period immediately preceding the demand of the collector, not exceeding three months, as the said collector may fix and determine. If such person is not solely a producer, he shall set forth in such statement or return the names of the persons from whom said marihuana was received, the quantity in each instance received from such persons, and the date when received.

(b) PERSONS LIABLE FOR TAX.—

For general requirement as to records, statements, and returns in the case of persons liable for tax, see section 2594.

SEC. 3234. UNLAWFUL ACTS IN CASE OF FAILURE TO REGISTER AND PAY SPECIAL TAX

(a) TRAFFICKING.—

(1) LIABILITY.—It shall be unlawful for any person required to register and pay the special tax under the provisions of sections 3230 and 3231 to import, manufacture, produce, compound, sell, deal in, dispense, distribute, prescribe, administer, or give away marihuana without having so registered and paid such tax.

(2) ENFORCEMENT OF LIABILITY.—In any suit or proceeding to enforce the liability imposed by this section or sections 3230 and 3231, if proof is made that marihuana was at any time growing upon land under the control of the defendant, such proof shall be presumptive evidence that at such time the defendant was a producer and liable under this section as well as under sections 3230 and 3231.

(b) TRANSPORTATION.—It shall be unlawful for any person who shall not have paid the special tax and registered, as required by sections 3230 and 3231, to send, ship, carry, transport, or deliver any marihuana within any Territory, the District of Columbia, or any insular possession, or from any State, Territory, the District of Columbia, any insular possession of the United States, or the Canal Zone, into any other State, Territory, the District of Columbia, or insular possession of the United States: *Provided*, That nothing contained in this section shall apply to any common carrier engaged in transporting marihuana; or to any employee of any person who shall have registered and paid the special tax as required by sections 3230 and 3231 while acting within the scope of his employment; or to any person who shall deliver marihuana which has been prescribed or dispensed by a physician, dentist, veterinary surgeon, or other practitioner registered under section 3231, who has been employed to prescribe for the particular patient receiving such marihuana; or to any United States State, county, municipal, District, Territorial, or insular officer or official acting within the scope of his official duties.

SEC. 3235. PENALTIES

For penalties for violating or failing to comply with any of the provisions of this part, see section 2596.

SEC. 3236. LIST OF SPECIAL TAXPAYERS

Collectors are authorized to furnish, upon written request, to any person a certified copy of the names of any or all persons who may be listed in their respective collection districts as special taxpayers under section 3230, upon payment of a fee of \$1 for each one hundred of such names or fraction thereof upon such copy so requested.

SEC. 3237. OTHER LAWS APPLICABLE

All provisions of law (including penalties) applicable in respect of the taxes imposed by sections 2550 and 3220 shall, insofar as not inconsistent with this part, be applicable in respect of the taxes imposed by this part.

SEC. 3238. DEFINITIONS

When used in this part and subchapter C of chapter 23.

(a) **PERSON.**—The term "person" means an individual, a partnership, trust, association, company, or corporation and includes an officer or employee of a trust, association, company, or corporation, or a member or employee of a partnership, who, as such officer, employee, or member, is under a duty to perform any act in respect of which any violation of this part or subchapter C of chapter 23 occurs.

(b) **MARIHUANA.**—The term "marihuana" means all parts of the plant *Cannabis sativa* L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds, or resin; but shall not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination.

(c) **PRODUCER.**—The term "producer" means any person who (1) plants, cultivates, or in any way facilitates the natural growth of marihuana; or (2) harvests and transfers or makes use of marihuana.

(d) **TRANSFER OR TRANSFERRED.**—The term "transfer" or "transferred" means any type of disposition resulting in a change of possession but shall not include a transfer to a common carrier for the purpose of transporting marihuana.

SEC. 3239. CROSS REFERENCE

For provisions authorizing seizure and confiscation of marihuana for persons violating this part, see section 2598 of chapter 23.

For provisions giving the Secretary authority to prescribe rules and regulations to enforce this part, see section 2599 of chapter 23.

For authority of the Secretary to delegate the powers conferred on him by this part to officers and employees of the Treasury Department, see section 2600 of chapter 23.

For the territorial extent of this part, see section 2602 of chapter 23.

For administration of the special taxes in Puerto Rico, see section 2603 (a) of chapter 23.

For burden of proof in the case of exemptions in this part, see section 2597 of chapter 23.

Senator LA FOLLETTE. I will insert in the record at this point a letter which I received under date of May 19, 1945, from A. H. Wright, agronomist, of the Wisconsin College of Agriculture, together with a statement which accompanies his letter.

(The statement and letter are as follows:)

Re Marihuana Act.

MAY 19, 1945.

Senator ROBERT M. LA FOLLETTE, Jr.,
Washington, D. C.

DEAR SENATOR LA FOLLETTE: The Wisconsin College of Agriculture and Experiment Station has taken for over 30 years an active and aggressive part in the development of hemp fiber production in this State. For this reason the commercial producers and hemp processing companies have asked me to prepare a statement concerning the Marihuana Tax Act of 1937 and its relationship to the legitimate production of hemp fiber.

I am attaching a copy of a statement concerning the matter which I hope will be of use to you in whatever action you and others of the Senate Finance Committee consider desirable. A copy of this statement is being supplied to those from Wisconsin who expect to appear before your committee on May 24. You will know best as to what use should be made of this statement, but if you consider it of value, it would seem advisable if it were read to the committee by yourself or by someone present whom you should designate. I am of the opinion that the Wisconsin producers and hemp milling companies will desire to have it read and included in the minutes.

May I now say in a personal way that we in Wisconsin have gone out of our way to be cooperative with the Bureau of Narcotics and that when the act which is now in effect was proposed we endeavored to thoroughly inform the exponents of the bill so that there would not be any burden placed upon the legitimate hemp industry. We were also given to understand and were assured that

neither the wording of the act nor the interpretation of the act would interfere with legitimate hemp production. We are now greatly concerned about the manner in which the Bureau of Narcotics seems determined to interpret and enforce the marihuana law. All that we in Wisconsin ask is that the technicalities which seriously hamper the industry be corrected in such a way that the hemp industry can continue to function and at the same time the purpose of the law be adequately accomplished.

Those concerned in the hemp industry are very thankful to you for the interest that you have shown and they feel assured that you will do everything you can to protect legitimate hemp production in this State.

Sincerely yours,

A. H. WRIGHT, *Agronomist.*

STATEMENT BY A. H. WRIGHT, AGRONOMIST, UNIVERSITY OF WISCONSIN, CONCERNING THE RELATIONSHIP OF THE MARIHUANA TAX ACT OF 1937 TO THE LEGITIMATE PRODUCTION OF FIBER HEMP

The growing and processing of hemp for fiber purposes is an old and legitimate industry in the United States. It began with the settlement of the Colonies and has continued to the present time. While the quantity of hemp fiber produced has not been relatively great, yet its usefulness has been continuously significant and has been immeasurably valuable during times of war and notably so in the present war. Because of its recognized usefulness, the production of fiber hemp has been actively supported and encouraged during the last 35 years by such national agencies as the Agricultural Department and the Navy Department. Because of its outstanding usefulness in the national welfare, every effort should be made to foster the continuance of the legitimate hemp industry in this country.

It is now evident that if the present interpretation of the Marihuana Act of 1937 be enforced, that it will be necessary to abandon the legitimate production of hemp fiber in the United States. The records show that the framers of the present marihuana law did not intend that the act should either eliminate or hamper the legitimate hemp fiber industry. This intention of the framers of the law is evidenced by the statement made by Mr. H. J. Anslinger, Commissioner of the Bureau of Narcotics, who stated on July 12, 1937, before the subcommittee of the Committee on Finance as follows: "I would say that they (persons engaged in the legitimate production of hemp plants) are not only amply protected under this act, but that they can go ahead and raise hemp just as they have always done." With this assurance that the proposed act would be so worded and so construed as not to anywise discourage or hamper the legitimate production and processing of hemp for fiber, the producers and processors of hemp wholeheartedly supported the enactment of a national marihuana law.

The legal technicality which now threatens the legitimate fiber hemp industry hinges entirely on the clauses in the present law which relate to the transportation of harvested hemp plants from farmers' fields to processing mills. If the law as now worded and now interpreted is enforced it will necessitate the complete removal of all leaves and flower structures from the harvested crop. This would result in the abandonment of fiber hemp production in this country because the cost of the complete removal of leaves and flowering structures is prohibitive. Hemp producers in Wisconsin were informed on March 23, 1945, by a letter from the Chicago office of the Bureau of Narcotics that the marihuana law would be so enforced.

Since those concerned in the formulation of the Marihuana Act were, according to the public evidence, fully desirous that the commercial fiber hemp industry be not hampered by law, then it seems evident that the appropriate and necessary thing to do is to so amend the act as to provide for the tax-free transportation of harvested hemp plants (including leaves and flowers) from farmers' fields to the stackyards of the processing mills. It is maintained that such an amendment could be effected without adding to the danger or hazard of exposing or distributing marihuana.

As the law now stands, registered producers (farmers) are permitted to grow hemp crops without protecting or guarding them against exposure and are also permitted to stack the harvested plants on their premises without protection or guarding. Consequently if the present law is satisfactory to the Bureau of Narcotics, then an amendment permitting the transportation of harvested hemp plants (including leaves and flowers) from farmers' fields to processing mills

without taxation should likewise be satisfactory. The transportation of the harvested plants (including leaves and flowers) to stackyards of the processors would not in anywise increase the hazard of illicit distribution of marihuana. Therefore such an amendment would not only provide for the legal continuance of the legitimate hemp industry, but would likewise not add anything to the danger of marihuana distribution.

It has been suggested that if the law were amended to permit the tax-free transportation of harvested hemp plants from producers to millers, then it would be necessary to provide guards on the processor's premises and stackyards, and also to fence, in such a way as to protect the grounds of the processing mills and the stackyards of the processing mills. Such requirements would so materially add to the cost of producing American hemp fiber as to prevent its competitive production in peacetime. In order to maintain a hemp industry in the future and thus serve the national welfare, it is altogether necessary that every possible means be taken to reduce production costs, thus any legal requirements which involve such extremely burdensome costs as fencing and guarding can very readily make hemp-fiber production impossible. These proposed additional costs and expenses seem unnecessary when it is so evident that no additional protection is thereby provided against the illicit distribution of marihuana.

The grounds and premises, including stackyards, will be continuously accessible to Government agents and inspectors and the records of registered producers and registered milling establishments will be available to Government agencies and inspectors. It is therefore difficult to understand why the serious burden of guards and fencing is at all necessary.

A. H. WRIGHT.

MAY 19, 1945.

Senator LA FOLLETTE. And two letters and one affidavit which I received from persons interested in this matter.

(The matter referred to above is as follows:)

EXCHANGE BANK,
Warren, Ind., May 19, 1945.

Senator ROBERT M. LA FOLLETTE, Jr.,
Senate Office Building, Washington, D. C.

DEAR SENATOR LA FOLLETTE: Receipt is acknowledged of your telegram dated May 14, 1945, notifying us of the Senate hearing on amendments to Marihuana Act.

Neither of us from Warren, Ind., will be present at this hearing. The Hemp Fiber Association is cooperating and we understand some of the men from Wisconsin will be present at the hearing.

Yours truly,

EXCHANGE BANK,
JOSEPH P. GOOD, *President*.

WAR HEMP INDUSTRIES, INC.,
Galva, Ill., May 21, 1945.

Hon. ROBERT M. LA FOLLETTE, Jr.,
United States Senator from Wisconsin,
Senate Office Building, Washington, D. C.

DEAR SENATOR: I received your telegram of May 14, 1945, relating to the Marihuana Act hearing. Inasmuch as we are not growing hemp in this area this year it is not practical for me to make a trip to Washington. However, we hope to be able to continue growing the crop in the near future and we are very much interested in the question of regulation. Thinking that it might be useful to you, I am enclosing an affidavit which covers the facts pertinent to the question as it relates to our community.

We thank you very much for your cooperation and notifying us.

Very truly yours,

GEORGE F. HAYES.

STATE OF ILLINOIS,
County of Henry, ss:

George F. Hayes, being first duly sworn, on oath deposes and says that he has been manager of the Galva, Ill., hemp plant since May 1943 and, as such, has had supervision over the growing of approximately 5,500 acres of hemp for fiber

purposes, that he owns a farm near Galva, Ill., upon which 190 acres of hemp were grown in 1943 and 1944; that the wild variety of hemp has grown on this and neighboring farms, to his knowledge, since 1910. Deponent states that during this time he has been on the alert and made considerable effort to determine if this hemp plant was being harvested by anyone for narcotic uses. He has never observed anyone in the act of gathering the plant for this purpose.

Deponent further states that he has consulted local doctors and superintendent of schools and that they report no case of marihuana addiction, nor has the use of the drug in any degree come to their attention. Deponent served on the local high-school board for a period of 9 years (1930-39) and no case of marihuana use by pupils was ever reported during this time.

Deponent says the records of the State's attorney's office in Henry County, Ill., show no instance of crime or other misconduct which could be traced to the use of marihuana.

In view of the above experience deponent feels certain that the commercial growing of Kentucky hemp in this vicinity carries no danger of the plant being used for narcotic purposes.

GEORGE F. HAYES.

Subscribed and sworn to before me this 21st day of May, A. D. 1945.

[SEAL]

EAREL E. BELFORD, *Notary Public.*

Senator LA FOLLETTE. I will also ask that there be inserted in the record at this point a letter under date of March 23, 1945, to Matt Rens Hemp Co. from James J. Biggins, district supervisor, District No. 9, Treasury Department, Bureau of Narcotics.

(The letter referred to is as follows:)

MARCH 23, 1945.

MATT RENS HEMP Co.,
Brandon, Wis.

GENTLEMEN: The Bureau of Narcotics has been informed by field officers, that the growers of hemp have been transferring to the mills plants from which all of the flowering tops and leaves have not been separated. This is a violation of the law and subjects the transferor to severe criminal as well as civil penalties.

The purpose of this letter is to inform you that the Bureau cannot and will not permit the tax-free transfer of hemp plants containing foliage from the producer to the mill, with respect to the 1945 or succeeding crops.

Sincerely,

JAMES J. BIGGINS, *District Supervisor.*

Senator LA FOLLETTE. The committee will take a recess subject to the call of the chairman, Senator George, but before doing so I would like to express my appreciation to those who have appeared here today and I hope that it will be possible for us to have another hearing at an early date at which Mr. Anslinger and anyone else from the Bureau we may desire to have present may be heard.

(Whereupon, the committee adjourned, subject to call of the Chair.)

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