

506-1

REVENUE ACT, 1936

HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-FOURTH CONGRESS
SECOND SESSION
ON

H. R. 12395

AN ACT TO PROVIDE REVENUE, EQUALIZE TAXATION
AND FOR OTHER PURPOSES

Supplement No. 1—Tax on Sugar

MAY 26, 1936

Printed for the use of the Committee on Finance



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PREFACE TO SUPPLEMENT NO. 1

After the conclusion of the hearings on the proposed Revenue Act of 1936, the Finance Committee met in executive session and during these meetings a proposed tax on sugar was discussed. A subcommittee, consisting of Senators King (chairman), George, and Couzens, was appointed to study the proposed tax on sugar and to report to the full committee thereon.

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REVENUE ACT, 1936

TUESDAY, MAY 26, 1936

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE (SUGAR),
Washington, D. C.

The subcommittee met, pursuant to call, at 9:30 a. m., in the committee room, Senate Office Building, Senator William H. King presiding.

Present: Senators King (chairman), George, and Couzens.

Also present: Senators James E. Murray of Montana, and Arthur H. Vandenberg of Michigan; and Representatives Fred Cummings of Colorado, and Fred L. Crawford of Michigan.

Senator KING. The committee will be in order. Senator Vandenberg, I understand that some of your constituents desire to be heard in regard to the matter that was referred to a subcommittee consisting of Senator Couzens, Senator George, and myself, and the committee now has met pursuant to the order of the Finance Committee who appointed us for the purpose of hearing any testimony that shall be offered.

Senator VANDENBERG. Mr. Chairman, if you will hear from Mr. Bourg and Mr. Oberst, they will present the eastern sugar situation.

Senator KING. I will take the liberty of suggesting that we hope the witnesses will confine themselves as nearly as may be to the subject that is before us, because there is a good deal before the Finance Committee. Which one do you prefer to have us hear first.

Senator VANDENBERG. Mr. Bourg.

Senator KING. The proposed amendment to the pending revenue bill has been submitted by the Department of Agriculture, and as a basis for the hearing I presume that this proposed amendment should be incorporated in the record.

(The amendment referred to is as follows:)

PROPOSED AMENDMENTS TO H. R. 12395

(1) On page 234 strike out lines 1 and 2 and insert in lieu thereof the following:

"TITLE V—TAX ON SUGAR

"SEC. 701. IMPOSITION OF PROCESSING TAX.—There is hereby imposed upon the first domestic processing of sugar beets, sugarcane, or raw sugar, whether of domestic production or imported, a tax, to be paid by the processor, measured by the direct-consumption sugar produced therefrom at the following rates:

"(1) Direct-consumption sugar, except syrup of cane juice, edible molasses, and sugar mixtures, 05 cent per pound of sugar raw value;

"(2) Syrup of cane juice and edible molasses, 0.125 cent per pound of the total sugar content thereof, translated into terms of pounds of raw value;

"(3) Sugar mixtures, the sum of the taxes computed with respect to the sugar ingredients used in any such mixture at the rates specified in subdivisions (1) and (2) of this section applicable thereto.

"Sec. 702. DETERMINATION OF RAW VALUE.—For all purposes under this title the following methods shall be used to determine the raw value of any sugar or articles containing sugar:

"(1) For all sugar derived from sugar beets by multiplying the number of pounds of the sugar's weight by 1.07;

"(2) For all sugar derived from sugarcane (except sirup of cane juice, edible molasses, and sugar mixtures) testing 92 degrees by the polariscope, by multiplying the number of pounds of the sugar's weight by 0.93;

"(3) For all sugar derived from sugarcane (except sirup of cane juice, edible molasses, and sugar mixtures) testing more than 92 degrees by the polariscope, by multiplying the number of pounds of the sugar's weight by the figure obtained in adding to 0.93 the product obtained by multiplying 0.0175 by the number of degrees and fractions of a degree of polarization thereof above 92 degrees;

"(4) For all sugars derived from sugarcane (except sirup of cane juice, edible molasses, and sugar mixtures) testing less than 92 degrees by the polariscope, by dividing the number of pounds of the total sugar content thereof by 0.972;

"(5) For all sirup of cane juice, by multiplying the number of gallons thereof by 7.66;

"(6) For all edible molasses, by multiplying the number of gallons thereof by 7.36;

"(7) For all sugar mixtures, by adding the pounds raw value of the respective ingredients used in the production of such mixture, computed in the manner prescribed in subdivisions (1), (2), (3), (4), (5), and (6) of this section.

"(8) In the case of any article derived in chief value or partly from sugar beets, sugarcane, or sugar, the amount of sugar established to have been used in the manufacture of the article shall be translated into raw value in the manner prescribed in subdivisions (1), (2), (3), (4), (5), (6), and (7) of this section, in accordance with the respective sugar ingredients used in the manufacture of such articles.

"Sec. 703. DEFINITIONS OF CERTAIN TERMS.—For the purposes of this title—

"(a) The term 'processing' means the last processing of sugar beets, sugarcane, or raw sugar which directly results in direct-consumption sugar.

"(b) The term 'sugar' means any grade or type of sugar derived from sugar beets or sugarcane, whether raw sugar or direct-consumption sugar, including but not limited to dry sugar, liquid sugar, invert sugar, invert sirup, sugar mush, molasses, sirups, and sugar mixtures.

"(c) The term 'raw sugar' means any sugar as defined above, manufactured or marketed in or brought into the United States in any form whatsoever for the purpose of being or which shall be further refined or improved in quality or further prepared for distribution or use.

"(d) The term 'direct-consumption sugar' means any sugar as defined above manufactured or marketed in or brought into the United States in any form whatsoever which is to be used or which shall be used for any purpose other than to be further refined or improved in quality or further prepared for distribution or use.

"(e) The term 'sirup of cane juice' means sirup made by evaporation of the juice of the sugarcane or by the solution of sugarcane concentrate.

"(f) The term 'edible molasses' means any molasses obtained in the manufacture or refining of sugar, except that any such molasses shall not be considered as edible molasses within the meaning of this definition if it contains more than 90 percent of the total solids therein in the form of total sugars.

"(g) The term 'sugar mixture' means the mixture of any two or more products or byproducts of sugar beets or sugarcane.

"(h) The term 'total sugars' or 'total sugar content' means the sum of sucrose (Clerget) and reducing or invert sugars contained in any grade or type of sugar.

"Sec. 704. IMPOSITION OF FLOOR STOCKS TAX.—There is hereby imposed upon any direct-consumption sugar, whether of domestic manufacture or imported, that on the effective date of this title is held by any person for sale or for manufacture into other articles for sale (including direct-consumption sugar in transit), a tax, to be paid by such person, equivalent to the amount of the processing tax which would be payable with respect to the processing of sugar beets, sugarcane, or raw sugar into such direct-consumption sugar if the processing had occurred on such date. Such tax shall become due and payable on the last day of the month immediately following the effective date of this title: *Provided, however*, That the taxes imposed by this section shall not apply to the retail stocks of persons engaged in retail trade, but the exemption granted herein shall not be deemed to include stocks held in a warehouse on the effective date of this title. In determining the amount of tax due and payable under the provisions of this section,

all such direct-consumption sugar shall be translated into raw value according to the provisions of section 702 of this title.

"**SEC. 705. IMPOSITION OF IMPORT COMPENSATION TAX.**—There is hereby imposed upon any article processed or manufactured wholly or in chief value from sugar beets, sugarcane, or raw sugar imported into the United States or any possession thereof to which this title applies, from any foreign country, or from any possession of the United States to which this title does not apply, whether imported as merchandise or otherwise, a compensating tax equal to the amount of the processing tax in effect with respect to the domestic processing of sugar beets, sugarcane, or raw sugar into such article. Such tax shall be paid by the importer prior to the release of the article from customs custody or control. In determining the amount of tax due and payable under the provisions of this section, the sugar content shall be translated into raw value, according to the provisions of section 702 of this title.

"**SEC. 706. EXEMPTIONS.**—(a) No tax under this title shall be required to be paid upon the processing of sugar beets or sugarcane, by or for the producer thereof for consumption by his own family, employees, or household.

"(b) No tax under this title shall be required to be paid with respect to 200 gallons or less in the aggregate, of sirup of cane juice processed during any calendar year when the processing is done by or for the producer of the sugarcane from which such sirup of cane juice was processed, and when the producer, or his family, employees, or household, finally prepares the sirup of cane juice for ultimate sale to, or exchange with, consumers: *Provided, however,* That the provisions of this subsection shall not apply when the producer processes, or has processed for him, during any calendar year, for sale or exchange, more than 500 gallons, in the aggregate, of sirup of cane juice.

"(c) No tax under this title shall be required to be paid with respect to the processing of sugar beets, sugarcane, or raw sugar for use as animal feed or for distillation purposes.

"**SEC. 707. REFUNDS AND CREDITS GENERALLY.**—(a) When any product processed wholly or in chief value from sugar beets, sugarcane, or raw sugar, with respect to which a tax imposed under sections 701, 704, or 705, of this title has been paid or is payable, is subsequently disposed of for the exclusive use of the United States, any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or is subsequently distributed or used for charitable purposes by any organization, and such disposition, distribution, or use is established to the satisfaction of the Commissioner of Internal Revenue, under rules and regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, an amount equivalent to such tax shall be paid to the United States, the State, the Territory of the United States, or the political subdivision of the foregoing, or the District of Columbia, as the case may be, or to such organization, none of which shall be required to establish that the tax has been paid.

"(b) Upon the exportation to any foreign country, or to the Commonwealth of the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, or the Island of Guam, of any product processed wholly or partly from sugar beets, sugarcane, or any product thereof, with respect to which product a tax has been paid or is payable under this title, the tax due and payable or due and paid shall be credited or refunded, and in the case of a person not the taxpayer, an amount equivalent to such tax shall be paid to such person, who shall not be required to establish that the tax has been paid. Under regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, the credit, refund, or payment shall be allowed or made to the consignor named in the bill of lading under which the product is exported, or to the shipper or to the person liable for the tax, provided the consignor waives any claim thereto in favor of such shipper or person liable for the tax. Exportation within the meaning of sections 509 and 513 of the Tariff Act of 1930 shall be considered to be exportation within the meaning of this section.

"(c) When any product of sugar beets, sugarcane, or raw sugar, with respect to which a tax imposed under sections 701, 704, or 705 of this title has been paid, is subsequently used as animal feed, or in the production of animal feed, or for distillation purposes and such use is established to the satisfaction of the Commissioner of Internal Revenue, under rules and regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, the amount of such tax shall be credited or refunded to the person who uses such product as animal feed, or in the production of animal feed, or for distillation purposes.

"(d) In determining the amount of refunds, credits, or payments to be made under the provisions of this section, the sugar or the sugar content of the article shall be translated into raw value, according to the provisions of section 702 of this title.

"SEC. 708. REFUNDS, CREDITS, AND ABATEMENTS RELATING TO PROCESSED ARTICLES.—(a) When the processing tax imposed by section 701 is wholly terminated:

"(1) There shall be refunded or credited to any person holding for sale or for manufacture into other articles for sale (including direct-consumption sugar in transit) any direct-consumption sugar, with respect to which direct-consumption sugar the tax under this title has been paid; and

"(2) There shall be credited or abated to any person holding for sale or for manufacture into other articles for sale (including direct-consumption sugar in transit) any direct-consumption sugar with respect to the processing of which a tax under this title is payable, where such person is the processor liable for the payment of the tax; and

"(3) There shall be refunded or credited (but not before the tax has been paid) to any person holding for sale or for manufacture into other articles for sale (including direct-consumption sugar in transit) any direct-consumption sugar with respect to the processing of which tax under this title is payable, where such person is not the processor liable for the payment of such tax, a sum equivalent to the amount of the processing tax which would have been payable with respect to the processing of the sugar beets, sugarcane, or raw sugar into such direct-consumption sugar if such processing had taken place immediately prior to the termination of the tax: *Provided, however,* That the credit, refund, or abatement referred to in this subsection shall not apply to the retail stocks of persons engaged in retail trade that are held on the date the tax is wholly terminated, but stocks held in a warehouse on that date shall not be deemed to be subject to this proviso.

"(b) In determining the credit, refund, or abatement to be made under the provisions of subsection (a), all such direct-consumption sugar shall be translated into raw value, according to the provisions of section 702 of this title.

"SEC. 709. COLLECTION OF TAXES.—(a) All provisions of law, including penalties, applicable with respect to the taxes imposed by section 600 of the Revenue Act of 1926, and the provisions of section 626 of the Revenue Act of 1932, shall, insofar as applicable and not inconsistent with the provisions of this title, be applicable in respect to taxes imposed by this title: *Provided,* That the Commissioner of Internal Revenue is authorized to permit postponement, for a period not exceeding one hundred and eighty days, of the payment of not exceeding three-fourths of the amount of the taxes covered by any return under this title. The Commissioner of Internal Revenue may permit the taxes imposed under this title to be paid each month on the amount marketed during the next preceding month and in such case may postpone payment of the entire tax for a period not exceeding one hundred and eighty days.

"(b) In order that the payment of taxes under this title may not impose any immediate undue financial burden upon processors or distributors, any person subject to such taxes shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

"(c) Under regulations made by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, any person required pursuant to the provisions of this title to file a return may be required to file such return and pay the tax shown to be due thereon to the collector for the district in which the processing was done or the liability incurred. Whenever the Commissioner of Internal Revenue deems it necessary, he may require any person or class of persons handling or dealing in any commodity or product thereof with respect to which a tax is imposed under the provisions of this title to make a return, render under oath such statements, or keep such records, as the Commissioner of Internal Revenue deems sufficient to show whether or not such a person or any other person, is liable for the tax.

"SEC. 710. PENALTIES FOR FALSE STATEMENTS CONCERNING TAX.—(a) Whenever in connection with the purchase of, or offer to purchase, any commodity subject to any tax under this title, makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any amount deducted from the market price or the agreed price of the commodity consists of a tax under this title, or (2) ascribing a particular part of the deduction from the market price or the agreed price of the commodity to a tax under this title, knowing that such statement is false or that the tax is not so great as the amount deducted from the market price or the agreed price of the commodity and ascribed

to such tax, shall be guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not more than \$1,000, or by imprisonment for not exceeding six months, or both.

"(b) Whoever in connection with the processing of any commodity subject to any tax under this title, whether commercially, for toll, upon an exchange, or otherwise, makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any part of the charge for said processing, whether commercially, for toll, upon an exchange, or otherwise, consists of a tax imposed under this title; or (2) ascribing a particular part of the charge for processing, whether commercially, for toll, upon an exchange, or otherwise, to a tax imposed under this title, knowing that such statement is false or that the tax is not so great as the amount charged for said processing and ascribed to such tax, shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than \$1,000 or by imprisonment for not exceeding six months, or both.

"(c) Whoever in connection with any settlement under a contract to buy or sell any commodity, or any product or byproduct thereof, subject to any tax under this title makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any amount deducted from the gross sales price in arriving at the basis of settlement under the contract consists of a tax under this title, or (2) ascribing a particular amount deducted from the gross sales price in arriving at the basis of settlement under the contract to a tax imposed under this title, knowing that such statement is false or that the tax is not so great as the amount so deducted and ascribed to such tax, shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than \$1,000 or by imprisonment for not exceeding six months, or both.

"SEC. 711. LIMITATIONS ON REFUNDS AND CREDITS.—(a) No refund or credit shall be made or allowed under section 707 unless, within one year after the right to such refund or credit accrues, a claim for such refund or credit (conforming to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe) is filed by the person entitled to such refund or credit.

"(b) No refund, credit, or abatement of any amount of any tax shall be made or allowed under section 708 of this title unless, within one hundred and twenty days after the right to such refund, credit, or abatement accrues, a claim for such refund, credit, or abatement (conforming to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe) is filed by the person entitled to such refund, credit, or abatement. No such claim shall be allowed for an amount less than \$10.

"(c) The provisions of section 3326, Revised Statutes, as amended, are hereby extended to apply to any suit for the recovery of any amount of any tax, penalty, or interest which accrues under this title (whether an overpayment or otherwise), and to any suit for the recovery of any amount of tax which results from an error in the computation of the tax or from duplicate payments of any tax, and to any suit for the recovery of any refund, credit, or abatement authorized by sections 707 or 708.

"SEC. 712. *Applicability of this title.*—The provisions of this title shall be applicable to the United States and its possessions, except the Commonwealth of the Philippine Islands, American Samoa, the Canal Zone, and the island of Guam.

"SEC. 713. The taxes imposed by this title shall become effective upon the enactment of this title. The taxes imposed by sections 701 and 705 of this title shall terminate at the last moment of December 31, 1941, or upon any increase taking effect prior to that date in the date of duty upon importation of raw sugar from Cuba above the present basis of nine-tenths of a cent per pound on raw sugar testing ninety-six degrees by the polariscope.

"TITLE VI.—GENERAL PROVISIONS

"SEC. 801. DEFINITIONS."

(2) Page 236, line 3, strike out the figures "702" and insert in lieu thereof the figures "802".

(3) Page 236, line 8, strike out the figures "703" and insert in lieu thereof the figures "803".

Senator KING. There will also be placed in the record the letter addressed to the chairman, Senator Harrison, by the Secretary of Agriculture, under date of May 7, relative to taxing sugar.

(The letter referred to is as follows:)

MAY 7, 1936.

HON. PAT HARRISON,
United States Senate.

DEAR SENATOR HARRISON: Reference is made to our conference of April 30, 1936, relating to various tax problems, at which time you requested information with respect to a processing tax on sugar as a possible source of revenue.

When H. R. 12395 was under consideration by the Committee on Ways and Means of the House of Representatives, this Department, upon invitation of that committee, recommended that a tax be imposed on the processing of sugarcane and sugar beets, measured by the sugar produced therefrom, at the rate of 0.5 cents per pound of sugar, raw value. It was recalled that a processing tax on sugar at this rate became effective under the Jones-Costigan Act, at the same time as the statutory duty on Cuban sugars was reduced by an equivalent amount. While this tax was in effect, the average price paid by consumers for sugar at retail was less than the average retail price of sugar during the 5 preceding years. This Department recommends this tax to your committee also.

If this tax is levied, the total tax borne by sugar imported from Cuba, the principal foreign source of supply, including the import duty of 0.9 cent per pound of sugar, raw value, would amount to 1.4 cents per pound, as compared with the tariff rate of 2 cents per pound that prevailed for 4 years prior to June 9, 1934, the effective date of the Jones-Costigan Act, and the tax on all other sugar, except the small amount imported from other foreign countries, would be 0.5 cent per pound. The total estimated revenue from the excise and the duty is \$102,000,000. Without this excise, the returns to the Treasury would be confined to receipts from import duties, estimated at \$36,000,000 for the year 1936, which compares with an average of \$78,000,000 in the 3-year period 1931-33.

It will be noted from appendix I, attached, that, at the March and April price level for raw cane sugars and without a processing tax on sugar, unless there is a simultaneous discontinuance of the quota system, the growers' share of the sum of the net return from the sale of beet sugar and Government payments to producers would be reduced from 55.2 percent of the total in 1934 and 54 percent in 1935 to 51.6 percent for the 1936 crop. The processors' share would be increased from 44.8 percent in 1934 and 46 percent in 1935 to about 48 percent for the 1936 crop. It is then estimated that, without the tax at the rate suggested, the net income of the processors, expressed as a percentage of their stated capital and surplus, would increase from 8.5 percent in 1934 to between 12 and 16 percent in 1936, whereas the estimated return with such a tax in effect would be between 8 and 10 percent.

In summary, if the excise tax on sugar is not put into effect and the quota system is continued, the Government's revenues would be curtailed as indicated above at the same time as the returns of processors would be increased to between 12 and 16 percent of their stated capital and surplus. Such a situation, if continued, in addition to the great improvement in conditions in the sugar industry since adoption of the sugar-quota system and production adjustment, would seem to require consideration of action under section 13 of the Agricultural Adjustment Act, as amended. This section sets forth the conditions under which any of the provisions of the act with respect to any basic commodity may be terminated.

Sincerely yours,

H. A. WALLACE, *Secretary.*

(Appendix I referred to in the Secretary's letter is as follows:)

APPENDIX I

Returns to U. S. Treasury from sugar taxes and duties under various conditions, with estimated effects on returns to sugar-beet growers and processors

Year (calendar, crop, or fiscal, as indicated)	Average prices of cane sugar at New York		Net return from sale of beet sugar ¹ (crop-year basis)	Return to sugar-beet growers per ton of beets harvested		
	Cuban 90° raw-duty paid (calendar-year basis)	Refined granulated ² (calendar-year basis)		Processor payments ⁴	Government payments ⁵	Total return
1925	\$4.33	\$3.41	\$4.70	\$5.39		\$6.99
1926	4.34	3.31	5.30	7.61		7.61
1927	4.73	3.68	5.10	7.67		7.67
1928	4.23	3.40	4.50	7.11		7.11
1929	3.77	3.80	4.29	7.08		7.08
1930	3.39	4.46	3.50	7.14		7.14
1931	3.33	4.30	3.43	6.94		6.94
1932	2.93	3.82	3.68	5.26		5.26
1933	3.21	4.20	3.80	5.13		5.13
1934	3.00	4.38	3.50	5.16	\$1.75	\$6.91
Estimated:						
1935	3.23	4.50	3.90	5.55	\$1.05	\$6.90
1936 ⁷	3.75	4.00-4.80	4.25	6.38	\$1.60	7.98
1936 ⁸	3.75	4.00-4.80	4.25	6.38	\$1.60	6.78
1936 ⁹	3.25	4.00-4.80	3.75	5.63	\$1.60	7.23
1936 ¹⁰	3.25	4.00-4.80	3.75	5.63	\$1.12	\$6.75
1936 ¹¹	3.25	4.00-4.80	3.75	5.63	\$1.40	6.03

Year (calendar, crop, or fiscal, as indicated)	Percent of net return from sale of beet sugar, plus payments by Government, received by--		Net income of a group of beet processors which includes 75 percent of the industry (fiscal year beginning Apr. 1) ¹⁰	Net income of same group of beet processors as a percent of capital and surplus (fiscal-year basis) ¹⁰	Receipts of U. S. Treasury from taxes and import duties on sugar ¹¹
	Growers	Processors			
1925	55.3	44.7			\$124
1926	58.4	41.6			160
1927	53.7	46.3	\$4,414,508	3.70	124
1928	53.0	47.1	5,530,230	6.55	113
1929	60.0	40.0	4,774,027	4.89	124
1930	70.4	29.6	-6,290,761	-6.08	112
1931	60.6	39.4	-4,670,089	-4.41	94
1932	45.1	54.9	2,070,481	1.89	71
1933	48.0	52.0	10,724,635	10.03	63
1934	55.2	44.8	9,822,251	8.51	69
Estimated:					
1935	54.1	45.9	8,750,000-9,780,000	8.0-9.0	23
1936 ⁷	55.6	44.4	13,600,000-18,000,000	12.5-16.5	8
1936 ⁸	51.6	48.4	13,600,000-18,000,000	12.5-16.5	86
1936 ⁹	50.3	49.7	9,000,000-11,000,000	8.0-10.0	74
1936 ¹⁰	54.6	45.4	9,000,000-11,000,000	8.0-10.0	83
1936 ¹¹	51.8	48.2	9,000,000-11,000,000	8.0-10.0	102

¹ Sources: For 1925-33 U. S. Tariff Commission Report No. 12. For 1934-35 data compiled by Sugar Section. These data are for the calendar years indicated.

² Sources: Same as in footnote 1 above, for average quoted prices which were corrected by Sugar Section to find the average actual sales prices recorded here. The prices for 1934-35 include the tax. These data are for the calendar years indicated.

³ Sources: For 1928-32 from Sugar Section, data taken from form 58-12 for 1928-29 and 1933-35 estimated by Sugar Section on the basis of the relationship to cane-sugar prices in the period 1929-32. Selling expenses and processing taxes paid are deducted from the gross selling price of beet sugar to find the net return recorded here which is divided between processors and growers in accordance with the terms of the contract. It should be noted that these data are not for calendar years but represent the net return from the sale of beet sugar manufactured from beets grown during the calendar year indicated. The selling period for beet sugars under the processor-grower contract extends from the 1st of October of the year in which the crop is produced to September 30 of the following year.

⁴ Sources: For 1926-34 from table 117, Yearbook of Agriculture, 1935.

⁵ Payment for the 1934 crop and estimated payment for the 1935 crop by the Agricultural Adjustment Administration of obligations under former production adjustment contracts.

(Footnotes continued on page 8)

**STATEMENT OF CLARENCE J. BOURG, WASHINGTON, D. C.,
REPRESENTING FARMERS AND MANUFACTURERS BEET SUGAR
ASSOCIATION**

Senator COUZENS. May I ask the witness if he has seen the amendment?

Mr. BOURG. Yes, sir.

Senator KING. State your name, residence, and whom you represent, please.

Mr. BOURG. Clarence J. Bourg, Washington, D. C., representing the Farmers and Manufacturers Beet Sugar Association, which is composed of sugar-beet growers and beet-sugar processors of the States of Michigan, Ohio, Wisconsin, and Indiana.

* Parity price for the 1934 sugar-beet crop was \$6.79 per ton. A payment of \$1.75 was made on the basis of an estimate of \$5.04 to be received by growers from processors. Parity price for the 1935 crop was \$6.90. It is estimated that under the former production adjustment contract, parity price for the 1936 crop would have been approximately \$6.73 per ton.

* No tax 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payment; and 37.5 cents (equal to \$1.20 per ton of beets or 60 cents per ton of Louisiana sugarcane) conditional payment, this being the difference between the tax and the agricultural conservation payment.

* This estimate is composed of an agricultural conservation payment of 40 cents per ton plus a conditional payment of \$1.20 per ton, the sum of which is the equivalent of 50 cents per hundred pounds sugar, raw value.

* No tax; no payment other than 12.5 cents per hundred pounds of sugar, raw value (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) under the Soil Conservation and Domestic Allotment Act.

* This price equals the average price of duty-paid raw sugar for March and April 1936.

* Estimated payment under the Soil Conservation and Domestic Allotment Act for agricultural conservation in connection with sugar-beet production.

* 50-cent tax; 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payments; and 37.5 cents (equal to \$1.20 per ton of beets or 60 cents per ton of Louisiana sugarcane) conditional payment, this being the difference between the tax and the agricultural conservation payment.

* This estimate is based upon the assumption that the price of raw sugar duty-paid would be approximately \$3.75, in the absence of a processing tax, and that the refiners' margin would fall within a range of 85 cents to \$1.05.

* Estimated on the assumption that a net actual selling price of from \$4.60 to \$1.80 for refined cane sugar will prevail and that a differential between the net return from the refined beet sugar and refined cane sugar will be close to 45 cents per hundred pounds, which corresponds approximately to such average differential for the crop years 1929-33 inclusive.

* These estimates are made on the assumption that 300 pounds of refined beet sugar is recovered per ton of sugar beets and that under the processor-grower contract the grower will receive approximately 50 percent of the net return from the sale of the sugar after deducting all selling expenses and any processing or excise tax paid.

* 50-cent tax; 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payment; and 24 cents (equal to 72 cents per ton of beets or 36 cents per ton of Louisiana sugarcane) conditional payment, this being the estimated amount required to give growers "parity price" for the 1936 crop.

* The estimated payment of 40 cents for agricultural conservation plus an additional payment of 72 cents per ton that would be required to bring the grower's total return up to an amount equal to what is estimated would have been the parity price for the 1936 crop of sugar beets under the former production adjustment contract.

* 50-cent tax; no payment other than 12.5 cents per hundred pounds of sugar, raw value (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) under the Soil Conservation and Domestic Allotment Act.

* These estimates assume approximate continuation of the prices and processing taxes that existed in 1935.

* Sources: Moody's Manual of Industrials and the Manual of Sugar Companies, published by Farr & Co., covering approximately 75 percent of the domestic beet industry. The fiscal year does not coincide with the crop year, but covers the period Apr. 1 to Mar. 30.

* Data for the period 1925-33 represent the gross collections as indicated in U. S. Department of Commerce publication Foreign Commerce and Navigation, less payments for drawbacks.

* Data for 1934 represent net import duty collections of \$37,000,000 and processing and compensating tax receipts of \$2,000,000, making a total of \$39,000,000 from which no disbursements for benefit payments were made during calendar year 1934; but payments were made in 1935 on the 1934 crop.

* Data for 1935 represent an estimate of net collections of import duties on sugar of \$35,000,000 plus an estimated revenue from processing and compensating taxes on sugar of \$63,000,000, giving a total of \$98,000,000 from which it is estimated disbursements of \$75,000,000 were made as benefit payments on the 1934 and 1935 crops, which would leave an estimated net revenue from taxes and duties for the year 1935 of \$23,000,000.

* Data for 1936 include an estimated net revenue from import duties of \$36,000,000 and net proceeds from processing and compensating taxes, if enacted at 50 cents per hundred pounds, raw value, of sugar, of \$36,000,000. From the estimated revenues for 1936 in the various cases there is deducted an amount equal to the payments indicated for the 1936 crop. Two disbursements to be made in 1935 are not deducted, namely, the payments to be made under the provisions of the Supplemental Appropriation Act, fiscal year 1934, of obligations incurred under former production adjustment contracts, and payments to be made under the Soil Conservation and Domestic Allotment Act. Net Treasury receipts, in those cases involving conditional payments, would be approximately \$4,000,000 larger than those shown if the rates suggested in appendix II are adopted.

The Farmers and Manufacturers Beet Sugar Association are opposed to the levying of a processing or excise tax on sugar for the purposes of raising revenue, unless a comparable tax is placed upon other agricultural commodities. We oppose having sugar singled out as a taxable commodity when no similar tax is proposed on other agricultural commodities.

If there is to be a processing or excise tax levied on sugar, we submit that the rate of tax should not be any greater than is necessary to raise revenue sufficient to make adequate benefit payments to domestic beet and cane growers. In other words, the revenue produced from a processing or excise tax on sugar should not be greater than the amount needed to make benefit payments to growers under other provisions of law.

Senator KING. How are those benefits to be determined? Will you discuss that later?

Mr. BOURG. Yes, sir. At the present time there is no definite provision of law determining the reasonable expectancy of the domestic grower in benefit payments, except such as may be contained in proposed legislation, namely, the Overton-Kniffin bills (S. 4560 and H. R. 12294) or the Harrison-for-Costigan bill (S. 4413). Under the proposed provisions of S. 4413 we calculate that the maximum payments of 37½ per hundredweight to be made would require a tax of 21 cents per hundred pounds instead of the 50 cents per pound rate proposed in the measure before this committee. However, the letter of the Secretary of Agriculture addressed to the chairman of the Finance Committee of the Senate on May 7, 1936, indicates a payment to growers of only 24 cents per hundred pounds, which would mean that the total amount that could be raised by the imposition of a tax at the rate of 14 cents per hundred pounds, would be sufficient.

But the fact remains that Congress is about to adjourn and it is entirely possible that there will be no new sugar act, because the committees have not considered it, there have been no hearings and it has no place on the calendar. Therefore there is no assurance that the domestic growers will receive any benefit payments except the 12½ cents per hundred pounds offered under the soil-conservation program.

There is no existing provision of law under which a fair and reasonable benefit payment to the domestic grower can be made excepting the section 32 of the act, as amended, and as reenacted in the recent Soil Conservation and Domestic Allotment Act. But again there is no commitment or assurance that the domestic grower will receive any benefits because these provisions of law leave the question entirely to the discretion of the Secretary of Agriculture.

Hence, the beet growers of the United States are now called upon to express themselves with regard to a processing tax on sugar, when they have no commitment or assurance that legislation will be passed to grant them additional payments or that provisions of existing law will be used for the purpose of extending additional benefit payments to them. We submit that the grower is entitled to written assurance in this respect to the effect that he will either be granted benefit payments under a new sugar act or in the absence of such legislation, which is now improbable, that a grant will be made to him under section 32 of the Agricultural Adjustment Act, as amended.

The maintenance of the domestic sugar industry in the United States seems important to us both from the standpoint of national defense and protection to the consumer against foreign control of the domestic sugar market. At the present time there is existing factory capacity in the United States to produce more than 2,000,000 tons of beet sugar if farmers who grow sugar beets are provided for in Federal legislation on a basis comparable to the programs for farmers who grow other commodities. This can be achieved by a system of benefit payments comparable to grants for other commodities under the soil conservation program, and for this reason we respectfully declare that unless the growers of the United States are to be benefited, there is no justification for any processing tax on sugar, and further we declare that the rate of tax levied should be limited to such rate as will produce sufficient total revenue for this purpose only.

If one of the purposes for which the proposed processing or excise tax on sugar is to be levied, is to return to the Treasury of the United States the amount of money which has been lost as a result of the reduction of the tariff on sugar, then we are definitely of the opinion that the efficient and historic method of producing revenue is through the tariff.

We respectfully invite the attention of the committee to the fact that the proposed legislation is permanent in its nature and that the Government proposes to levy a tax on sugar as a permanent source of revenue. Contrarily, there is no provision of law presently on the statute books which guarantees or assures our growers of benefit payments on a permanent basis.

Senator COUZENS. Let me interrupt you. You do not mean benefit payments on a permanent basis, do you? As a matter of fact there is no legislation passed by Congress that is permanent.

Mr. BOURG. I said "on a permanent basis," that is, permanent until it is repealed. There can be a limitation, as in the Jones-Costigan Act, of 2 or 3 years.

The sugar-beet growers are opposed to the proposed processing or excise tax on sugar for the additional reason that in the letter referred to above, the Secretary indicates that the price of sugar will be reduced in an amount equivalent to the tax rate, which means that the growers, who are operating under a participating contract, will lose 50 percent of any reduction in net price resulting from the imposition of the tax. Therefore, the smaller the rate of tax, the smaller the reduction in the net price of sugar, and accordingly the smaller the loss of the grower.

Senator COUZENS. Did you read the letter to Senator Harrison which was written by the Secretary on May 7, 1936?

Mr. BOURG. Yes, sir.

Senator COUZENS. Well, you know the purpose of this is to implement the Treasury to the extent of the loss in tariff, at least in part.

Mr. BOURG. Yes, sir.

Senator KING. Would you favor this bill or any bill for the imposition of taxes upon sugar unless a quota bill or law were enacted?

Mr. BOURG. No, sir.

Senator KING. Do you think that they are yoked together so that one is indispensable to the other?

Mr. BOURG. Yes, sir; and certainly under existing law there should be in addition benefit payments to the beet growers comparable to benefit payments that are paid to surplus crops under the soil conservation program.

Senator KING. Do you know in advance what is to be paid under the soil conservation program as benefits for various commodities?

Mr. BOURG. Yes. The regulations of the Department of Agriculture have been issued and the bulletin with reference to sugar beets and sugarcane indicates that the benefits are limited and restricted to 12½ cents per 100 pounds.

Senator COUZENS. How did they arrive at that figure?

Mr. BOURG. As I understand it—of course a Department of Agriculture official would be better qualified to answer that accurately—it is supposed to be on a comparable basis to the payments made to other commodities, in keeping with the amount of money that is available for the whole program.

Now, the reason why the sugar-beet grower is allowed so little in comparison with the other commodities under this program and in comparison with what he received under the A. A. A. is that the beet is what might be called an import crop, because sugar is an import commodity, and there is no intention to take beet growing out of production, that is in keeping with the soil conservation program, while they take soil depleting crops out and put in soil conserving crops. Therefore, since the beet grower is not called upon to take out of production his sugar beets as surplus crop farmers are, they pay him on a much lesser basis.

Now, the 12½ cents per 100 pounds, Senators, amounts to this, that the average payment will be about 40 cents, or 42 cents per ton of beets as compared to the payment of \$1.75 per ton of beets under the A. A. A. Act.

Senator COUZENS. I have got to disclose my ignorance there, but does the continuous use of soil for beet growing deplete the soil?

Mr. BOURG. No, sir; that is not a fact, and the Department of Agriculture's own statements and publications indicate that. It is, on the contrary, a soil-conserving crop, but for the purpose of this Soil Conservation Act it has been classified as a soil-depleting crop.

Senator KING. It replenishes the soil by adding certain nitrogenous elements?

Mr. BOURG. Yes, sir.

Senator COUZENS. No matter how long you continue to grow the same crop?

Mr. BOURG. No, sir; there is a rotation in beet growing. It is being practiced already, even to the extent where the farmers in the Far West go entirely out of beets for a year or two and plant barley and other crops that help to rebuild the soil.

Senator COUZENS. And it was on that basis that the application for the payment was made?

Mr. BOURG. That and the fact that sugar is an import crop and not a surplus crop.

Senator VANDENBERG. May I ask Mr. Bourg one question, Mr. Chairman?

Senator KING. You may.

Senator VANDENBERG. Do you figure that a portion of this tax inevitably will come out of the sugar-beet farmer?

Mr. BOURG. Yes, sir; if the letter of the Secretary of Agriculture to Chairman Harrison on May 7 indicates the policy of the administration.

Senator VANDENBERG. Out of the total of \$64,000,000 to be raised by the tax, how much would you say would come out of the sugar-beet farmer, roughly?

Mr. BOURG. I have not figured that out, frankly, in volume of dollars, because there is a computation that has to be made.

Senator VANDENBERG. Would it be a substantial sum?

Mr. BOURG. Yes, sir. It certainly would.

Senator VANDENBERG. \$10,000,000 or \$15,000,000?

Mr. BOURG. You mean that would come out of the grower?

Senator VANDENBERG. Yes.

Mr. BOURG. No; I do not think it would amount to that much, Senator, but it would, at the same time, prevent him from getting increased payments, such as we contemplated would be made either under the soil-conservation or under a new sugar bill, because if the price of sugar is reduced in the same amount as the tax that is imposed, why his participation in the contract will be correspondingly less. I cannot help but discuss the proposed sugar bill which indicates that when the price gets up to parity that the benefits will not be available.

Senator VANDENBERG. Then he will be the only farmer in the United States who was especially picked out for taxes under this bill?

Mr. BOURG. Oh, yes.

Senator KING. Do you regard the Soil Conservation Act as a reservoir from which indefinitely subsidies, bounties, or contributions shall be paid to the landowners engaged in agricultural activities?

Mr. BOURG. I think it is so regarded generally, Senator, but in the case of sugar beets it offers so little in payment that it is not sufficient to be interesting to the farmer who cannot comply readily. If no greater payments are offered by the Department of Agriculture under any of the acts than is presently offered under the Soil Conservation Act a great number of sugar-beet and sugarcane farmers will just disregard the payments, because they would suffer greater losses by the restriction on sugar acreage and the replanting of other crops.

Senator COUZENS. What would you say if a large portion of this tax was allocated to the beet growers, that is, a large part of the processing tax, in view of the conservation benefits? Suppose we took you out of the conservation benefits and gave you a certain amount of revenue out of the processing tax?

Mr. BOURG. It would help, providing the conditions upon which the payments would be made to growers would not be made too drastic.

Senator COUZENS. I thought that might be a solution, to take you out of the conservation provisions of the law and put you in as a beneficiary under a proposal of this sort, if the larger part of the tax collected under the processing procedure was given for the benefit of the sugar growers, and other growers.

Mr. BOURG. Yes, sir; that would be an improvement over the present situation.

Senator KING. Under this bill can you divide into three parts, the amount which the consumers would have to pay, the amount which the processors would have to pay and the amount which the producers, the farmers, would have to pay, or which they would have to lose?

Mr. BOURG. Yes; we could compute that. I could not give you the answer readily, Senator, but it certainly could be computed; although the only definite information we have in that respect is

the letter of the Secretary in which he suggests the proposal that the price of sugar would be reduced in an amount equivalent to the tax, so that ostensibly the consumer would not be hurt if that was brought about.

Senator KING. Do you think it probable that the processing tax, such as is contemplated in this bill and the enactment of this bill into law, would greatly add to the cost of sugar to the consumer?

Mr. BOURG. That depends upon the way in which the quota system is administered. It would, just by the effect of this provision of the law, add about 53.5 cents per 100 pounds to the price of direct consumption sugar, because the processor would certainly add it on to his net price. But, according to the suggestion in the letter of the Secretary, there would be some method used in the administration of the quota system to reduce the price of sugar in a similar amount. Of course, we know that it could never be made exact.

Senator KING. Congressman Cummings, you represent, as I understand, the beet growers of your State, if not other States in the West. Have you any questions to ask of this witness?

Mr. CUMMINGS. No, I believe not.

Senator KING. All right. If you desire to be heard later we would like to hear you. Thank you very much, Mr. Bourg.

Senator VANDENBERG. Now, Mr. Oberst would like to be heard.

**STATEMENT OF FRANK OBERST, PRESIDENT, ST. LOUIS (MICH.),
SUGAR BEET GROWERS ASSOCIATION AND VICE PRESIDENT,
FARMERS & MANUFACTURERS BEET SUGAR ASSOCIATION**

Senator KING. Give your name, residence and whom you represent.

Mr. OBERST. Frank Oberst, Breckenridge, Mich. I am president of the St. Louis Beet Growers Association, also vice president of the Farmers & Manufacturers Beet Sugar Association.

Senator KING. That is a processor organization, I suppose?

Mr. OBERST. That is a farmer and processor organization.

Senator KING. Proceed.

Mr. OBERST. My remarks are practically the same as Mr. Bourg has gone over.

Senator KING. If you desire to supplement what he said we would be glad to hear you.

Mr. OBERST. I do not think so, at this time.

(Mr. Oberst subsequently submitted the following statement:)

Gentlemen of the Committee: The Farmers & Manufacturers Beet Sugar Association, representing the sugar beet growers and beet sugar processors of the States of Michigan, Ohio, Indiana, and Wisconsin are opposed to the levying of a processing or excise tax on sugar for the purposes of raising revenue, unless a comparable tax is placed upon other agricultural commodities. We oppose having sugar singled out as a taxable commodity when no similar tax is proposed on other agricultural commodities.

If there is to be a processing or excise tax levied on sugar, we submit that the rate of tax should not be any greater than is necessary to raise revenue sufficient to make adequate benefit payments to domestic beet and cane growers. In other words the revenue produced from a processing or excise tax on sugar should not be greater than the amount needed to make benefit payments to growers under other provisions of law.

At the present time there is no definite provision of law determining the reasonable expectancy of the domestic grower in benefit payments, except such as may be contained in proposed legislation, namely, the Overton-Kniffin bills (S. 4560

and H. R. 12294) or the Harrison-for-Costigan bill (S. 4413). Under the proposed provisions of S. 4413 we calculate that the maximum payments of 37½ cents per hundredweight to be made would require a tax of 21 cents per hundred pounds instead of the 50 cents per hundred pounds rate proposed in the measure before this Committee. However, the letter of the Secretary of Agriculture addressed to the Chairman of the Finance Committee of the Senate on May 7, 1935, indicates a payment to growers of only 24 cents per hundred pounds, which would mean that the total amount that could be raised by the imposition of a tax at the rate of 14 cents per hundred pounds, would be sufficient.

But the fact remains that Congress is about to adjourn and these proposed sugar bills have not been considered in committee, no hearings have been held, and it is possible that these measures will not be enacted into law. Therefore, there is no assurance that the domestic growers will receive any benefit payments except the 12½ cents per hundred pounds offered under the Soil Conservation Program.

There is no existing provision of law under which a fair and reasonable benefit payment to the domestic grower can be made excepting the section 32 of the Agricultural Adjustment Act, as amended, and as reenacted in the recent Soil Conservation and Domestic Allotment Act. But again there is no commitment or assurance that the domestic grower will receive any benefits, because these provisions of law leave the question entirely to the discretion of the Secretary of Agriculture.

Hence, the beet growers of the United States are now called upon to express themselves with regard to a processing tax on sugar, when they have no commitment or assurance that legislation will be passed to grant them additional payments or that provisions of existing law will be used for the purpose of extending additional benefit payments to them. We submit that the grower is entitled to written assurance in this respect to the effect that he will either be granted benefit payments under a new sugar act or, in the absence of such legislation, that a grant will be made to him under section 32 of the Agricultural Adjustment Act, as amended.

The maintenance of the domestic sugar industry in the United States seems important to us both from the standpoint of national defense and protection to the consumer against foreign control of the domestic sugar market. At the present time there is existing factory capacity in the United States to produce more than 2,000,000 tons of beet sugar if farmers who grow sugar beets are provided for in Federal legislation on a basis comparable to the programs for farmers who grow other commodities. This can be achieved by a system of benefit payments comparable to grants for other commodities under the Soil Conservation program, and for this reason we respectfully declare that unless the growers of the United States are to be benefited, there is no justification for any processing tax on sugar, and further we declare that the rate of tax levied should be limited to such rate as will produce sufficient total revenue for this purpose only.

If one of the purposes for which the proposed processing or excise tax on sugar is to be levied, is to return to the Treasury of the United States the amount of money which has been lost as a result of the reduction of the tariff on sugar, then we are definitely of the opinion that the efficient and historic method of producing revenue is through the tariff.

We respectfully invite the attention of the committee to the fact that the proposed legislation is permanent in its nature and that the Government proposes to levy a tax on sugar as a permanent source of revenue. Contrarily, there is no provision of law presently on the statute books which guarantees or assures our growers of benefit payments on a permanent basis.

The sugar-beet growers are opposed to the proposed processing or excise tax on sugar for the additional reason that in the letter referred to above, the Secretary indicates that the price of sugar will be reduced in an amount equivalent to the tax rate, which means that the growers, who are operating under a participating contract, will lose 50 percent of any reduction in net price resulting from the imposition of the tax. Therefore, the smaller the rate of tax, the smaller

the reduction in the net price of sugar, and accordingly the smaller the loss of the grower.

Respectfully submitted.

FRANK OBERST,
President, St. Louis (Mich.) Sugar Beet Growers Association and Vice
President, Farmers & Manufacturers Beet Sugar Association.

J. B. SMITH,
President, Alma (Mich.) Sugar Beet Growers Association.

L. H. BURGER,
Secretary, Saginaw (Mich.) Sugar Beet Growers, Inc.

B. W. READING,
Agricultural Adviser, Fremont (Ohio) Sugar Beet Growers Association.

P. V. GOLDSMITH,
Growers' Field Secretary, Farmers & Manufacturers Beet Sugar Association.

ARTHUR A. SCHUFF,
Executive Secretary, Farmers & Manufacturers Beet Sugar Association.

Senator KING. Thank you very much. Do you have any others, Senator?

Senator VANDENBERG. No. That presents their viewpoint.

Senator KING. Congressman Cummings, would you desire to give your views to the committee?

Mr. CUMMINGS. Yes, I would be pleased to.

STATEMENT OF HON. FRED CUMMINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. CUMMINGS. First I would like to answer a question. You asked Mr. Bourg in regard to what the loss would be to the farmers if this tax was put on and they did not get part of it back. I will leave with you a copy of the contract under which we grow beets. A 50-cent tax per 100 pounds on sugar would amount to \$1.45. That is figuring 290 tons of sugar to a ton of beets. About one-half of that would come from the farmers, or 72 cents a ton. Figuring on the basis of 1,555,000 tons the farmers would lose \$15,840,000.

I want to say frankly that I cannot understand how the farmers are going to be benefited and are going to get some money out of a tax that does not increase the selling price of sugar, because our contract is based specifically on the net price, and so are all farmers contracts, they are based on the net price received for sugar. The first thing that the contract does, it takes off the selling costs and provides specifically that they will take off all processing taxes.

If you put a processing tax of 50 cents a hundred on sugar and you do not raise the price of sugar that farmer has lost 72 cents a ton on his beets, unless you give it back to him out of the money accumulated out of the processing tax.

Before the farmers could consent to this tax they would surely want to know if they are going to get some of it back, otherwise it is simply taking money out of their pockets and handing it over.

Senator KING. In other words, you do not favor the tax being employed for the purpose of raising revenue to pay for the operating expenses of the Government?

Mr. CUMMINGS. I do not think sugar should be singled out as a special commodity. I want to say this, however, that I believe the consumers could stand an increase in the price of sugar. When I

say that of course I do not mean to make the consumer pay too high a price, I have never advocated high priced-sugar, because I know sugar growers are in the minority in the United States and if sugar becomes too high it means an agitation that will take away all our benefits.

Sugar, at 6 cents a pound equals about 10 cents for steak and about 3 cents for eggs. It is on that basis. In other words, it is very cheap. There is no cost of cooking, there is no cost of refrigeration. So I think the consuming public could stand a reasonable increase.

If we are going to maintain the sugar industry in the United States we must have the money to pay our men's wages. The industry must be protected in some way, because it is absolutely impossible to pay the wages and maintain the living conditions in the United States, in order to produce an article that is in competition with an article produced in the tropical climate at a labor cost of 20 or 30 cents a day. You must have a tariff, or you must have a processing tax, or you must have something that puts this money back in the hands of the farmers.

Some people may think that if we do away with the sugar industry in the United States we would get cheap sugar. We had a good illustration of that at the close of the war, when sugar sold in the United States for as much as 30 cents a pound. Just as soon as the United States quits raising sugar we are at mercy of the foreign countries, and then we will pay for it.

I wonder if it would not be practical to attach this sugar tax to the proposed sugar bill and let them both go through together? If we obtain the sugar legislation then we will pay the tax. I am especially anxious to see the sugar bill pass, for I think it will have a tendency to make more sugar quotas.

Senator KING. What do you call the sugar bill?

Mr. CUMMINGS. The one that was sent up yesterday. Without a quota or a limitation on the importation of sugar from those foreign countries we cannot exist, because the Philippines, Hawaii, Puerto Rico and Virgin Islands will produce 10,000,000 tons of sugar a year and we cannot consume it.

Before we had the quota raw sugar was selling at 60 cents a hundred, and our industry cannot exist on that. In my State every acre of sugar beets means \$100 paid to labor. The railroads receive \$35 for freight. However, we are further from the market. It would not be as much in the East. The wages are high, and the wages the processors pay is reasonably high. They use a world of cotton in the sacks. An acre of sugar beets means \$100 spent for labor and I believe the United States, with the proper tariff protection, or protection of some kind, if it would be such that the manufacturers and growers knew it would continue over a period of years, I believe that the United States would be capable of producing all the sugar; and it would go a long ways toward solving the unemployment problem too.

Senator KING. What tariff do you think would be necessary for the maintenance and proper development of this industry in the United States?

Mr. CUMMINGS. I would say that from 5½ to 6½ for sugar at the seaports would net the producers of beets from \$6.75 to \$7.25 a ton for beets. That is enough. That is not a high price for sugar.

I do not know whether a tariff would be better, but I am sure of one thing, and that is that we must have quotas limiting this, because the

off-shore sugar can be produced cheaper, they have cheaper labor, and they can pay a tariff of \$6 and still get inside. I think the only way to control them is with the quota.

Senator KING. As I understand, you would not want this bill before us enacted into law unless it was supplemented by another measure?

Mr. CUMMINGS. Yes, unless we knew we were going to get part of it.

I will leave this contract with you.

(The contract referred to is as follows:)

(Duplicate)

COLORADO DISTRICT.

MEMORANDUM OF AGREEMENT BETWEEN GROWER AND THE
GREAT WESTERN SUGAR CO., FACTORY

Executed the day of 1936.

The parties hereto mutually agree as follows, to wit:

1. The grower agrees to prepare the land for, plant, block, thin, cultivate, irrigate, harvest, and deliver during the season 1936 in compliance with the directions of The Great Western Sugar Co., hereinafter called "the company", as may be given from time to time, acres of sugar beets on the following described land, to-wit: quarter, Section Township Range County, Colorado, but in no event shall the company be held liable in damages for any failure or partial failure of crop or any injury or damage to beets. The acreage of beets herein contracted for is expressly subject to any adjustment deemed proper by the company on account of any allotment or quota imposed upon or applicable to the grower and/or the company in respect to production of beets and/or processing, shipment or sale of beet sugar, by virtue of any law, governmental regulation or order; and this contract shall obligate the grower to grow and the company to buy only such acreage of beets as adjusted.

2. That the seed used shall be only that furnished by the company, for which the grower shall pay 16 cents per pound, and not less than 70 pounds per acre shall be planted. Seed bed must be approved by the duly authorized agents or field men of the company, before the seed is planted.

3. The grower agrees that all beets grown by him will be harvested and delivered to the company as and when directed, at the factory, or in cars at designated receiving stations of the company; provided that in the event that any portion of the beets grown under this contract shall not by the 8th day of October of said year be ordered delivered by the company, then in such case it shall be the duty of the grower promptly to commence and proceed with the harvesting and delivery of such beets as come within the contract requirements after the said 8th day of October without further notice from the company, and to complete the delivery of all of said beets on or before the 1st day of December of said year.

4. The grower further agrees that all beets grown and delivered by him shall be properly topped, that is to say, by cutting off the tops squarely just below the crown at the base of the bottom leaf mark in case of medium or small-sized beets, and by trimming up the crown of larger sized beets from the base of such bottom leaf mark, and shall be free from dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun or frost after removal from the ground. A distinct trace of leaf scar is to be left after top tare is taken. The grower further agrees that unless given permission by the company, he will not harvest any beets grown hereunder until the full period of 15 days has elapsed after completion of the last irrigation. The company has the option of rejecting any diseased, frozen or damaged beets, beets of less than 12 percent sugar or less than 80 percent purity, or beets that are not suitable for the manufacture of sugar.

5. All beets grown under this contract and delivered to factories or designated receiving stations, in good condition, in accordance with the terms of this contract, will be paid for by the company on the following basis:

The price per ton (2,000 pounds) of beets delivered hereunder to the company shall be determined upon the average net return per 100 pounds of sugar received by the company from sugar manufactured at all factories of the company located within the States of Colorado and Nebraska, and at Wheatland, Wyo., from the 1935 crop, and sold by the company during the period commencing October

1, 1936, and ending September 30, 1937, or ending at such later time as hereinafter provided in paragraph 6, and also upon the average sugar content of all beets of the 1936 crop grown and delivered by the grower to the company under this contract, in accordance with the following schedule:

Average net return per 100 pounds of sugar	Average percent sugar in beets									
	18.5	18.9	17.5	17.0	16.5	16.0	15.5	14.5	13.5	14.0
\$6.00	\$8.87	\$8.29	\$6.08	\$6.79	\$6.43	\$8.14	\$7.89	\$7.84	\$7.83	\$7.19
\$5.75	8.17	8.91	8.63	8.34	8.05	7.81	7.55	7.33	7.07	6.80
\$5.50	8.77	8.33	8.37	7.98	7.73	7.47	7.28	7.00	6.76	6.50
\$5.25	8.37	8.13	7.89	7.63	7.38	7.13	6.90	6.68	6.48	6.20
\$5.00	7.97	7.74	7.51	7.26	7.02	+6.79	6.57	6.36	6.14	5.90
\$4.75	7.57	7.35	7.13	6.90	6.66	6.44	6.24	6.04	5.83	5.60
\$4.50	7.17	6.96	6.75	6.54	6.33	+6.11	5.91	5.72	5.53	5.30
\$4.25	6.77	6.57	6.37	6.18	5.98	+5.77	5.65	5.40	5.21	5.00
\$4.00	6.37	6.18	5.99	5.83	5.63	5.43	5.25	5.08	4.90	4.70
\$3.75	5.97	5.79	5.63	5.46	5.28	5.09	4.93	4.78	4.59	4.41
\$3.50	5.57	5.41	5.24	5.09	4.93	4.75	4.60	4.45	4.29	4.11
\$3.25	5.17	5.02	4.87	4.73	4.58	4.41	4.27	4.13	3.98	3.83

Payments upon intermediate net returns for sugar and/or sugar content, or on net returns for sugar and/or sugar content higher or lower than those shown in the foregoing schedule, shall be in the same relative proportion; provided, however, that if the said net return on sugar as provided in this contract shall be less than \$3.25 per 100 pounds, the price per ton of beets shall be the price determined as aforesaid, less a deduction of 1 percent of such price for each 5 cents of decrease in net return per 100 pounds of sugar below \$3.25, with proportional deductions from such price for decreases of fractional parts of 5 cents as aforesaid.

The net return on sugar sold as aforesaid during said period shall be determined by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from gross sales price of sugar, in accordance with the company's system of accounting heretofore established, showing net receipts from sugar sold, after deducting also all excises, taxes or charges, if any, imposed on the manufacture, processing, possession, holding for sale and/or sale of such sugar, or any part thereof.

The average percentage of sugar in beets, upon which is also based the price per ton of beets purchased hereunder, shall be determined by dividing the total number of tons of sugar in all beets of the 1936 crop grown and delivered by the grower under this contract, as determined in the factory beet laboratory, by the total number of tons of beets of said crop grown and delivered by the grower under this contract.

6. An initial payment hereunder shall be made by the company on or before the 15th day of November for beets delivered hereunder prior to the 1st day of November, and an initial payment shall be made on or before the 15th day of each calendar month thereafter for beets delivered hereunder during the previous calendar month, which shall be at the highest rate per ton that the company may deem to be justified, taking into consideration anticipated returns from the sale of sugar, and sugar content of beets (as delivered hereunder or for any territory or for any group of its growers at the election of the company). Further payments will be made by the company from time to time in such amounts as the company may deem to be justified by the aforesaid conditions, and the quantity of sugar sold. Final settlement for all beets delivered hereunder shall be made in accordance with the terms of paragraph 5 of this contract not later than October 25, 1937; provided, however, that if by reason of any law, governmental order or regulation the company shall be unable to ship and sell in interstate commerce at any time prior to October 1, 1937, sugar manufactured at all factories of the company within the States of Colorado and Nebraska, and at Wheatland, Wyo., from the 1936 beet crop (hereinafter termed "said sugar"); in such event the company shall make, not later than October 25, 1937, a payment on account of beets delivered under this contract at a rate per ton representing that proportion of the price for said beets computed in accordance with said paragraph 5, and based upon the average net return from the sale of said sugar to September 30, 1937, as the amount of said sugar sold prior to September 30, 1937, shall bear to the total amount of said sugar; and final settlement for

said beets shall thereafter be made in accordance with the terms of paragraph 5 not later than the 25th day of the calendar month next following the time of completion of the sale of all of said sugar, based on the average net return from the sale of all of said sugar; provided, however, that the company shall be entitled to deduct from any moneys that may be due under this contract for beets delivered hereunder, any and all indebtedness whatsoever which may be owing at any time by the grower to the company. It is further agreed that the company, unless notified in writing by the grower prior to October 1, 1935, not to make such deduction, shall be entitled also, at the sole option and election of the company, to deduct from any moneys coming due for beets delivered under this contract not to exceed the sum of 2 cents per ton of all beets delivered by the grower hereunder, and to pay such amount to the Mountain States Beet Growers Marketing Association for the use of said association.

7. The sugar content and purity of the beets grown and/or delivered hereunder shall be determined by tests made in the factory beet laboratory of the company at its own expense and all analyses made by the company shall be accepted as final, it being understood, however, that the grower shall have the privilege of selecting at his expense a check chemist, satisfactory to the company, to check in the beet laboratory the tests made by the factory chemists. The grower shall also have the privilege of selecting at his expense a firm of reliable character, satisfactory to the company, to check the taxes and weights of the beets grown under the contract, at receiving stations where such beets may be delivered.

8. It is further agreed that in the event of a shortage occurs after October 8, causing serious delay to the grower, said grower shall be allowed to fork his beets into piles, providing he does them according to the direction of the company, at the receiving stations where dumps other than the above platforms are established; and no loose dirt shall be removed from the wagon box or truck body until after having been weighed back. All wagon boxes and truck bodies used in delivering beets at receiving stations shall be constructed with tight hinges connecting the side boards with the floor body to prevent the spilling of any dirt when beets are being unloaded.

9. To ascertain the quality of said beets the company shall have the privilege, at various times during the growing and harvesting season of causing the beets to be sampled and polarized.

10. The grower covenants that he is qualified to execute and perform this contract, and agrees not to assign the same without written consent of the company.

11. No agent of the company is authorized to waive, change, or modify any of the terms or provisions of this printed contract.

P. O. Address.....

Grower.

Receiving station.....

Grower.

THE GREAT WESTERN SUGAR CO.,

By

Factory.

Senator KING. What assurance has the Finance Committee that a quota bill will be passed?

Mr. CUMMINGS. Frankly, I do not think you have any.

Senator KING. Then if we have no reasonable assurance of the passage of the quota bill would it be your recommendation that the Finance Committee take no action upon this proposal?

Mr. CUMMINGS. Yes; unless there is some way whereby this could be attached to the proposed sugar bill and both were put in at the same time.

Senator VANDENBERG. Mr. Chairman, may I supplement that statement with this brief observation: Fundamentally and abstractly it seems very unfair to me to pick out sugar as the only food commodity that is to be penalized in this bill. The sugar beet producer has been the victim of a special penalty for several years. He is the only farmer in the United States raising a non-surplus crop who is put under a limitation, to begin with. Now, he already carries that burden.

He is the only agricultural producer in the United States who has had his tariffs reduced in spite of a tariff commission report which indicated that the cost of production in the United States as compared with the cost of production abroad required the maintenance of the original tariff.

Now, he has that burden that no other agricultural commodity has, and yet he is being asked to pay a special excise tax, at least \$15,000,000 of which, as Congressman Cummings says, he has got to absorb. He is the only farmer in the United States who is asked to absorb a special tax.

It seems to me if you are going to pursue the Department of Agriculture's originally announced purpose to put the sugar industry out of business you could not continue any better than to continue as is now proposed. It just seems to me it is about time that the sugar farmer in the United States ceased to be the special favorite for the punitive action of the Congress.

Senator KING. Would you care to express your opinion, Senator, as to the wisdom of passing this act, or this proposed measure, if there is no quota law passed?

Senator VANDENBERG. I would be perfectly willing, so far as I am concerned, to approve any excise tax which is matched by mandate of law with equivalent benefit payment for the growers, not otherwise, because there is no justice in it otherwise, it is sheer discrimination.

Senator KING. How could those payments be obtained?

Senator VANDENBERG. Well, they could be obtained under section 32 of Public, No. 320, Seventy-fourth Congress—the amendments to the Agriculture Adjustment Act of August 24, 1935—as amended by the Soil Conservation and Domestic Allotment Act, if the Secretary is so minded or so directed by law.

Senator KING. Is that broad enough, if he were given a mandate to enforce it, to afford adequate benefit payments to the farmers?

Senator VANDENBERG. I am so advised. But his power and his inclination are two separate things, Senator.

Senator KING. Do you think the 12½ cents which is now the allocation is inadequate?

Senator VANDENBERG. Utterly so.

Senator KING. The Senator from Montana, have you any information to give to the committee?

Senator MURRAY. There was a statement to be made by a representative of the sugar beet growers here. We of course are opposed to this tax. That statement will be submitted later on.

Senator KING. Does he desire to appear in person?

Senator MURRAY. Yes. Is Mr. Kearney here now?

Mr. KEARNEY. Yes, sir.

Senator KING. Come forward, Mr. Kearney.

STATEMENT OF CHARLES M. KEARNEY, PRESIDENT, NATIONAL BEET GROWERS' ASSOCIATION

Senator KING. Do you represent the beet sugar industry of Nebraska and various other western States, Mr. Kearney?

Mr. KEARNEY. I am president of the National Beet Growers Association, which is an association that has members in all States growing beets in the West, the so-called western beet-growing area, in

which all States in the West except one have a membership, and that is Washington.

Senator KING. One moment. Is Congressman Crawford here?

Mr. CRAWFORD. Yes, sir.

Senator KING. Will you permit Congressman Crawford to proceed?

Mr. CRAWFORD. That is all right, Senator, I will be happy to wait until he finishes.

Senator KING. All right, proceed.

Mr. KEARNEY. With reference to the proposed processing tax on sugar at the rate of one-half cent a pound, raw value, we understand this tax to be an integral part of the program of the Secretary of Agriculture with respect to sugar, as expressed in his letter dated May 7, 1936, to Senator Harrison.

If the tax be imposed and no such program be enacted, the sugar-beet farmers of the United States will be penalized, because at least part of the tax will be absorbed in their share of the price of sugar which they receive for their sugar beets. In order to compensate the farmer for this loss, he must have the protection of a proper quota system and supplementary payments as indicated by the Secretary's letter. Without those conditions we would strenuously object to the singling out of sugar, a necessary food of wide common use, for revenue raising purposes.

The Jones-Costigan Sugar Act of 1934, as amended, will expire at the end of 1937, and because of the *Hoosac Mills case* it no longer enables the Secretary to continue payments to farmers. It is therefore inadequate as a basis for a sustained or complete sugar program. These deficiencies should be rectified by immediate legislation. We understand that such legislation is embodied in a proposed bill just printed by the Committee on Agriculture of the House of Representatives, which bill follows in principle the Harrison-for-Costigan sugar bill introduced in the Senate as early as April 1 of this year. [Senate bill 4413.]

Since the tax is proposed in connection with and because of the sugar program, and in its origin is related to the reduction in the tariff, the bill should provide that the tax terminate whenever the sugar program ceases to be in effect, or upon any prior increase in the Cuban tariff.

While the rate of the proposed tax is substantially higher than necessary to provide a sum sufficient to offset payments to farmers contemplated by the Secretary's sugar program, the finance committee may consider the rate justifiable because it appears from the Secretary's letter that such excess replaces in part the loss of revenue due to reduction in the tariff in Cuban sugar.

We sum up our position as follows: We advocate and have been advocating the speedy enactment by Congress of a sugar program. For the purposes of and in relation with such program, we approve a processing tax.

Senator KING. Do you approve this bill that is before us now submitted by the Secretary of Agriculture?

Mr. KEARNEY. Yes; if it be a part of a sugar program.

Senator KING. Without supplemental legislation affecting the quota?

Mr. KEARNEY. No; we do not. As I have said, Senator, and as I will reiterate, we oppose a tax on sugar unless it is part of a general

sugar program, and we take it that it is an integral part of the proposed sugar program.

Senator KING: Suppose no measure were passed by Congress fixing quotas and there was no legislation analogous to this bill, what would be the effect upon the sugar industry of the United States?

Mr. KEARNEY: If no tax were imposed?

Senator KEARNEY: If no tax were imposed and no quota were imposed.

Mr. KEARNEY: Of course, that is in the realm of prophecy but the continental sugar industry would probably be ruined.

Mr. CUMINGS: No, no; it is a sure thing. It would be all gone. There would be no sugar industry in this country, it would be all gone.

Mr. KEARNEY: We are informed that there would probably be an attack on the quotas, and if the quotas broke down, why, without any sugar program to take its place, we would certainly be out of the sugar-producing picture in the United States.

Senator KING: Are there any other witnesses that desire to be heard? Mr. Crawford.

**STATEMENT OF HON. FRED L. CRAWFORD, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. CRAWFORD: Mr. Chairman and gentlemen of the committee: In my district, which is the eighth of Michigan, there are located four beet sugar mills, and in that same district, if I am correctly informed on the allocation of acreage, beets are grown for four additional mills, which makes my congressional district directly interested in the operation of eight beet sugar mills. That, I think is perhaps the record in the eastern territory of the United States for one district.

Senator VANDENBERG: Translate that into the number of farmers who are growing sugar beets.

Mr. CRAWFORD: If we assume an average acreage of about 10 acres per farmer, one of these mills has capacity of about 160,000 tons of beets, and that would be 1,600 farmers. You can figure about 10 tons of beets per acre. So 10,000 acres would give about 100,000 tons of beets, and you could make the calculations on through.

Now then, roughly, as to the number of farmers involved, for those four mills located within the district it would be an average of 1,200 per mill. Now of the four mills located outside of the district, all of the beet territory is not located within my district, therefore you should not calculate the full number of farmers for those three mills outside of the district, but only a part.

Fundamentally I am opposed to a consumption tax, which I interpret this to be in effect, being placed against what I term to be the poor man's food, which is sugar. When he gets down to his last penny, or his last 10-cent piece, he can go into a restaurant and participate in a delicacy, a sweet in the form of sugar, whether it is in the cheapest Baltimore lunchroom or the highest priced hotel in the country. He can almost literally fill his pockets full of sugar and walk out with it. It is on the table, it is a free food. Therefore I personally, seriously, and fundamentally object to a consumption tax being placed on this food.

The farmers in my district, insofar as I have been able to ascertain, are very much in favor of a processing or excise tax being placed on

sugar, provided only that they be paid benefit payments out of that processing tax.

Now then, without going into a lot of detail, we realize the legal difficulty in bringing taxes into the general funds of the Treasury and making appropriations and paying them for local benefits, so we do not need to discuss that here this morning, as I see it.

The question which was brought up here a few moments ago, as to what it will cost the farmers, the beet growers of this country, if 50 cents per hundred pounds is assessed against sugar in the form here proposed is a very interesting one to me, especially in view of the way the sugar-beet contracts between the growers and the mill operators are drawn, which, in substance, provide that the farmer shall receive a specified percentage of the net proceeds from the sale of sugar, pulp, and molasses. Now, in selling this sugar or in invoicing it out, the processor invoices that sugar on the face of the invoice to which he adds, as a separate figure, the amount of the processing tax, we will say 50 cents per hundred pounds.

I raise the question as to why and on what grounds can the farmer be penalized 50 percent, or 25 cents of that total 50 cents and have it charged back against his account if the tax is passed on to the consumer? Wherein does the farmer stand the burden?

If the New York price basis on sugar, we will say, is, as it is today, \$5 for cane and \$4.80 for beet, that is f. o. b. New York, if this law became effective tomorrow it adds 50 cents per hundred to the price of sugar on the New York basis, and at the same time takes off 50 cents per hundred pounds, New York basis, it would still leave sugar at \$5 per hundred, New York basis, with the tax applied, and with 50 cents of that going into the Treasury of the United States then you have a question of the division of net proceeds wherein the tax becomes an element of price.

Now I come back to this proposition, because of the statements that have been made here, and it is something that we must not stumble over. Whether we are in Congress or out of Congress, whether we are on the farm or running mills, we must not stumble on this thing again, after what the Supreme Court has said, by adding a processing tax to an invoice for sugar and passing it on to the consumer and then at the same time charging 50 percent of that processing tax back against the beet grower, because of the provision in the beet contract which says the farmer shall stand 50 percent of the selling price of sugar.

If this is looked at according to the facts of the case, because if it is passed on to the consumer the processor and the farmer are not bearing it.

Senator KING. Not what?

Mr. CRAWFORD. Not bearing the burden. If it is taken out of the price of sugar then the processor, if he has a 50-50 contract, he stands 50 percent and the farmer stands 50 percent. If you use the figure of 200 tons of sugar per ton of beets, you can multiply that by 50 cents and you get \$1.45 per ton of beets, and then if you multiply that by the 10 or 11 million tons of beets you have \$15,000,000 involved. I wanted to get that thought before the committee.

That is all I have to say, Senator King.

Senator KING. If I properly interpret your position, you do not favor this bill unless there is a corresponding measure—probably that is an improper expression—unless there is a quota bill?

Mr. CRAWFORD. I am fundamentally, totally, and absolutely opposed to any kind of quota restriction on the production of sugar in the continental United States, now or hereafter.

Senator KING. Now suppose that you were charged with the responsibility of drafting a bill that would take care of this situation, acute as it is, what would be your method of approach?

Mr. CRAWFORD. My method of approach would be this, speaking as a Member of Congress and not for any group anywhere; but as an individual, I would remove all restrictions on the production of sugar that exists today; that is, on the production of beet and cane sugar in the continental United States. I would keep the consumption tax or excise tax or processing tax off sugar. Then I would amend the tariff laws in such a manner as to give the necessary protection to that continental production, and thereby keep the American beet grower entirely out of the web of benefit payments and processing taxes, consumption taxes or excise taxes, whatever you might want to call them, and then let the industry expand in this country.

Now then, the very minute you say, "I am in favor of a processing tax provided I receive compensatory benefits", directly paid to beet growers, then the question comes up, "Well, is that to be based on a quota?" If it is to be based on a quota at that moment you restrict the production of beet sugar or cane sugar in the United States and you get into deep water.

Now, speaking for my farmers, insofar as I am able to ascertain from them, they are in favor of processing, excise, or consumption taxes, whatever we might call it, being placed on sugar provided they receive compensatory benefits in the form of benefit payments.

Senator KING. Well, it is obvious, is it not, Mr. Congressman, that at this session of Congress it would be impossible for secure legislation of the broad scope to which you refer, that is to have unrestricted production of beets or cane in the United States, and then the imposition of an adequate tariff, or a tariff that will give them ample protection, so that this industry may not only be maintained but developed, I assume that that is impossible. Then what next would you do?

Mr. CRAWFORD. Unless you can put into this bill a distinct proviso that the farmer receive his benefit payments I certainly would not recommend, and I will not go along with a program which imposes a tax on sugar.

Senator KING. How would he obtain his benefits? From the Soil Conservation Act or by the imposition of an excise tax, the proceeds of which were to be properly allocated to the farmers?

Mr. CRAWFORD. Frankly, I do not believe we can impose an excise tax under present laws, or under our present constitution, the collection of which is spread all over the United States, and then paid out locally to beet growers, or any other group of farmers.

Senator KING. You think you would have to treat it as a revenue measure, going to the Treasury and then letting Congress make a direct appropriation?

Mr. CRAWFORD. Yes, sir; that is the way it appears to me. I may be wrong in that.

Senator KING. Thank you for your views. Are there any other witnesses who desire to be heard? I think Mr. Savoy, of the Department of Agriculture, wants to be heard. Mr. Savoy, our time is limited, but we will hear from you if you care to be heard.

Mr. SAVOY. I think, sir, I have no statement to make. I think the Secretary, in his letter proposing the tax, has said all that the Department needs to state.

Senator KING. And that is in the record?

Mr. SAVOY. That is in the record.

Senator KING. Is there anyone else who wants to be heard?

STATEMENT OF CLARENCE R. BITTINGS, UNITED STATES SUGAR CORPORATION, CLEWISTON, FLA.

Senator KING. State your name, residence, and whom you represent.

Mr. BITTINGS. Clarence R. Bittings, United States Sugar Corporation, Clewiston, Fla., and also the Fellsmere Sugar Co., of Fellsmere, Fla., and the small growers.

Senator KING. Of Florida?

Mr. BITTINGS. Of Florida.

Senator KING. That is cane?

Mr. BITTINGS. Cane. We only grow cane in Florida.

The Florida producers and growers object to any imposition of a processing tax or excise tax on sugar. It will do two things: It will raise the price of probably the cheapest source of energy a man has today, and it will also be reflected in lower prices to the grower.

We do not believe in the payment of any benefit taxes, or the payments of any benefits. We believe the industry should stand on its own feet.

We do, however, believe that there should be no restriction on continental production. We are producing today less than 25 percent of our sugar requirements in this country. We have a great deal of unemployment. The production of more and more sugar within continental confines will, in turn, reduce unemployment in the country.

Senator KING. Do you think that the sugar industry could survive without a tariff or without an excise tax?

Mr. BITTINGS. The tariff has never worked to the benefit of the continental grower. The tariff on Cuban sugar has invariably benefited the Puerto Rican and the Philippine producer, and they produce on a wage scale similar to Cuba. By looking over the production statistics you will find that they have grown very rapidly since the war, and the continental production has stood still.

Senator KING. Is there anything else?

Mr. BITTINGS. That is all, sir.

Senator KING. Senator, would you care to say something?

Senator MURRAY. I want to say, in addition to the statement made by Mr. Kearney, he speaks for the sugar-beet growers nationally, that the sugar-beet growers of my State feel that this tax would penalize their industry unless it is made an integral part of the sugar program as suggested by the Secretary of Agriculture. We would necessarily be opposed to it otherwise.

Senator KING. That is, without the quota you do not want any excise tax?

Senator MURRAY. That is right.

Senator GEORGE. Would you be opposed to inserting this in the tax act?

Senator MURRAY. I would be opposed to inserting it in the tax act without the other program enacted at the same time. It would result in a very serious penalty on the sugar people of my State, who have suffered very severely, and are suffering now. The costs of production there are very high, the wages are high, and it is necessary that they should be protected.

Senator GEORGE. So that on the theory that you and the others have presented, Senator, you would be opposed to it as an item in this bill?

Senator MURRAY. Yes.

Senator GEORGE. That comes to this, that this tax would not be a general revenue producer, after all, if the benefits were paid back to particular classes.

Senator MURRAY. No, sir. It would be a futile act.

STATEMENT OF O. J. BOURG—Resumed

Mr. BOURG. Mr. Chairman, I am requested and authorized by the Louisiana growers to protest against any imposition of a processing tax at this time unless there is a new sugar act which either provides no restriction on continental production or such quotas as do not amount to restriction, because under the proposed legislation, even though there were benefit payments provided, the benefit payments to Louisiana growers would be on only 60 percent of their production rather than 100 percent of their production, as is provided for the sugar-beet growers. Therefore, Louisiana is opposed to the tax, and also opposed to the proposed sugar bill.

The American Sugar Cane League represents the sugarcane growers and cane sugar processors of the State of Louisiana and is opposed to any processing or excise tax on sugar for the purpose of raising revenue, unless a similar tax is placed upon other agricultural commodities. We oppose having sugar singled out as a taxable commodity when no tax is proposed on the other agricultural commodities.

If there is to be a processing or excise tax levied on sugar, we submit that the rate of tax should not be any greater than is necessary to raise revenue sufficient to make adequate benefit payments to domestic beet and cane growers. In other words the revenue produced from a processing or excise tax on sugar should not be greater than the amount needed to make benefit payments to growers under other provisions of law.

Presently we have no definite provision of law determining the reasonable expectancy of the domestic grower in benefit payments, except such as may be contained in proposed legislation, namely, the Overton-Kniffin bills, S. 4560 and H. R. 12294, or the Harrison-for-Costigan bill, S. 4413. Under the proposed provisions of S. 4413 we calculate that the maximum payments of 37½ cents per 100 pounds of sugar to be made would require a tax of 21 cents per 100 pounds instead of the 50 cents per 100-pounds rate proposed in the measure before this committee. However, the letter of the Secretary of Agriculture addressed to the chairman of the Finance Committee of the Senate on May 7, 1936, indicates a payment to growers of only 24 cents per 100 pounds, which would mean that the total amount that could be raised by the imposition of a tax at the rate of 14 cents per 100 pounds, would be sufficient.

But the fact remains that Congress is about to adjourn and these proposed sugar bills have not been considered in committee, no hearings have been held, and it is possible that these measures will not be enacted into law, because frankly there are provisions in these proposed bills which are objectionable to some of the sugar producing areas, particularly Louisiana and Florida. Therefore, there is no assurance that the domestic growers will receive any benefit payments, except the 12½ cents per 100 pounds offered under the soil conservation program.

There is no existing provision of law under which a fair and reasonable benefit payment to the domestic grower can be made excepting section 32 of the Agricultural Adjustment Administration Act, as amended, and as reenacted in the recent Soil Conservation and Domestic Allotment Act. But again there is no commitment or assurance that the domestic grower will receive any benefits, because these provisions of law leave the question entirely to the discretion of the Secretary of Agriculture.

Now the growers of the United States are called upon to express themselves with regard to a processing tax on sugar, when they have no commitment or assurance that legislation will be passed to grant them additional payments or that provisions of existing law will be used for the purpose of extending additional benefit payments to them. We submit that the grower is entitled to written assurance in this respect to the effect that he will either be granted benefit payments under a new sugar act, or in the absence of such legislation, that a grant will be made to him under section 32 of the Agricultural Adjustment Act, as amended.

The maintenance of the domestic sugar industry in the United States seems important to us both from the standpoint of national defense and protection to the consumer against foreign control of the domestic sugar market. At the present time there is existing factory capacity in the United States to produce considerably more than 2,000,000 tons of sugar if farmers who grow sugar beets and sugarcane are provided for in Federal legislation on a basis comparable to the programs for farmers who grow other commodities. This can be achieved by a system of benefit payments comparable to grants for other commodities under the Soil Conservation Program, and for this reason we respectfully declare that unless the growers of the United States are to be benefited, there is no justification for any processing tax on sugar; and further we declare that the rate of tax levied should be limited to such rate as will produce sufficient total revenue for this purpose only.

From the standpoint of Louisiana there is a special consideration because the basis of benefit payments being offered under the soil-conservation program and which would be offered by the Harrison-for-Costigan bill if it is enacted into law, is still the 260,000 ton quota for Louisiana and Florida. If the division made under the A. A. A. continues then Louisiana growers would receive benefit payments only on the tonnage of cane which is required to produce 220,200 tons of sugar. In view of the fact that Louisiana alone produced 340,000 tons of sugar in the 1935 crop and every estimate points to a much larger production in 1936, the benefit payments now being proposed to be offered to Louisiana growers, would be restricted to about 60 percent or less of the actual production of sugarcane.

Certainly the Louisiana grower is entitled to the same treatment as the beet grower who will receive payments on 100 percent of his actual production. In addition the Harrison-for-Costigan bill would provide benefit payments to sugarcane growers at a rate per 100 pounds of sugar, instead of the old basis per ton of sugarcane. This change of basis alone would penalize Louisiana growers by approximately 50 percent when compared with the A. A. A. tonnage basis, and therefore if the proposed measures are enacted into law the Louisiana grower would suffer two very large reductions and his benefits would decrease to a point where it would no longer be comparable with benefits made available to any other commodities under any of the programs of the Federal Government. As a result the sugarcane growers of Louisiana are opposed to the processing tax on sugar and also opposed to the Harrison-for-Costigan sugar bill.

If one of the purposes for which the proposed processing or excise tax on sugar is to be levied is to return to the Treasury of the United States the amount of money which has been lost as a result of the reduction of the tariff on sugar, then we are definitely of the opinion that the efficient and historic method of producing revenue is through the tariff.

We respectfully invite the attention of the committee to the fact that the proposed legislation is permanent in its nature and that the Government proposes to levy a tax on sugar as a permanent source of revenue. Contrarily, there is no provision of law presently on the statute books which guarantees or assures our growers of benefit payments on a permanent.

Senator KING. Mr. Miles, we will hear you for a few minutes.

STATEMENT OF H. E. MILES, CHAIRMAN, FAIR TARIFF LEAGUE

Mr. MILES. Mr. Chairman, I did not know of this hearing until 15 minutes before it started, so I am not very definitely prepared, but I have received some very interesting information on sugar gathered by having the help of many experts in the last few months.

Every hearing on sugar it seems to me starts with a lot of presumptions and assumptions, taking a lot for granted, and what they overlook is the essence of the subject. Just the other day Secretary Wallace wrote Senator Harrison saying that we had two taxes on sugar, an excise tax of \$66,000,000 and a duty of \$36,000,000, and the two together, as I understand, \$102,000,000, is the sugar tax to the American people.

I agree that the excise tax is \$66,000,000 and the duty is \$36,000,000, but the Secretary did not mention a monopoly tax. Congress has created a monopoly in giving them power to make their own prices, and the monopoly tax on sugar is in addition to the Secretary's statement of \$102,000,000. I abhor major inaccuracies, as do most folk.

Now there is another item in the sugar tax that is not ever mentioned. I have been giving a couple of months, with the help of the best authorities in America, and there are many of them, to find how a tax reaches the consumer.

I am a protectionist. I do not believe there is a more ardent protectionist in the United States, but I do not agree that you should put the sugar tax on the consumer.

McKinley said in 1890, "There is an almost universal sentiment in favor of the removal of the entire sugar duty upon this article of family use."

Joe Cannon said in 1897, "My principal anxiety is to place sugar on the free list and relieve the people from this great burden of taxation."

Senator Aldrich said about the same time, "This infamous unjustifiable, indefensible sugar levy."

President Hoover said in 1923, "Our whole fabric of living and comfort are dependent upon the import of commodities which we do not and cannot ourselves produce—tin, rubber, coffee, sugar, and a score of others."

Secretary Wallace said to this committee, "I am satisfied that if those who first put on this duty on sugar had known the consequences they would not have done it."

I asked of a former Senator what he thought the sugar tax had cost the American people since 1897. "Oh," he said, "it is a very great figure. Sometimes I thought it might be 4 billion dollars."

Now we have weighed every pound of sugar consumed in the United States since 1897, and the consumer tax on it was \$7,000,000,000, and your laws in the last 2 years have added \$800,000,000, for crops worth \$60,000,000 in these 2 years, international value.

Now, there should be a limit to endurance. The essence of it is, as Secretary Hoover said, that we cannot grow sugar in the United States. It is not a white man's crop. Those who believe they should benefit by it must realize that it is not good business to rob the consumers any more than it is good business for a trustee to rob a widow's estate.

Now, I suppose you have seen the findings of the Agriculture Department recently. Cuba bought from us in 1933 the product of 945,000 more acres of our tilled lands than Cuba used in 1928. They talk of idle acres and idle people. There is no difficulty in making treaties with other nations to give us our sugar at 1 cent to 1½ cents a pound in exchange for our surplus farm products, such as Cuba needs. She would strive for it a little more in payment for her sugar. It is a black man's crop.

Sugar cane in the hot climates grows almost of itself. As soon as it is up a little the leaves are so thick that the shade kills the weeds. It requires exceedingly little labor.

You can buy all the sugar land in the United States with 4 months of the sugar tax. You can buy it and give it to the birds and save the people \$400,000,000 a year. You can buy all the factories with another 3 or 4 months and give them to the bats.

(Mr. Miles submitted the following brief:)

The following table shows how the tax burden and the tariff rate have grown through the years and the time required under each rate to take a billion dollars from consumers' pockets in sugar taxes:

SUGAR

TABLE 1.—The growth of the tax burden upon consumers

Tariff of—	Consumers' average tax per year	Tariff rate per pound, raw basis	Years required to equal \$1,000,000,000
1897-1909 (Republican)	\$109,000,000	Cents 0.69	9.2
1910-13 (Republican)	180,000,000	1.24	6.25
1913-22 (Democrat)	130,000,000	1	7.7
1922-30 (Republican)	263,000,000	1.74	5.8
1930-33 (Republican)	300,000,000	2	5.3
1935 (Democrat)	410,000,000	2.6	2.5
Total consumer burden 1897-1934, \$7,000,000,000, including 1935 and 1936, 7,500,000,000.			

† Until now the consumer tax has been limited to the rate of duty. Now we have wiggled into a corner both of taxes, a duty on Cuban raw of 90 cents per hundred pounds, plus a processing tax or its equivalent under legislation now proposed of 50 cents, plus something entirely new in tariff history, a further monopoly charge of \$1.30 added to their prices by the growers by consent of the Federal Administration. Thus the total tax will average 2.6 cents per pound. While the duty is 10 percent less than under President Wilson the combination tax is 2.6 times higher and 30 percent higher than ever until now. It amounts to 260 percent as near as can be estimated for the 1935-36 crop. At this writing the tax is 2.7 cents per pound with no probability of a decrease.

The sugar tax was costing consumers about \$100,000,000 when McKinley, highest of high protectionists, joined in "the almost universal sentiment of the people" for free sugar.

The annual burden was \$109,000,000 when Speaker Cannon's "principal anxiety was to place sugar on the free list and relieve the people from this great burden." It was then that Senator Aldrich, the most powerful protectionist ever in Congress, called the sugar tax "infamous and indefensible."

The sugar tax was \$260,000,000 when Secretary, later President, Hoover listed sugar with coffee and rubber, pineapples and bananas, "which we do not and cannot produce ourselves" with any respect for economics and social justice.

Of all these men and their associates only President Wilson had the fighting courage to reduce the sugar tax to 1 cent per pound, raw value, with the support of a Congress of like courage and with a provision for the removal of the entire sugar tax by step-rate reductions; not realized because of the intervention of the World War.

When this action was taken the consumers' sugar tax had amounted to about \$3,000,000,000. Now, on their first opportunity, the successors to Wilson's pledges, by new devices unknown to the public, make the import duty 10 percent less than Wilson's. That looks well, but by the new devices they add 0.5 cent, called a processing tax, and (a new thing in our history) contrive that the growers may add, as addition to their prices, 1.2 cents per pound to a further cost to consumers of about \$170,000,000 for the 1935 crop now being consumed. This one item in the sugar tax equals a duty of 170 percent.

The combination of the three taxes totals 260 percent on the international price and \$410,000,000 for the 1935 crop as nearly as can be estimated at this time. Today it is running higher, with no prospect of a decline.

The above table and the next show the drain upon consumers' pockets. Therefore, the fact that some of this money is collected by Government in duties and used for public purposes is not considered. Also this factor is becoming negligible; \$145,000,000 in 1928 and an estimated \$36,000,000 in 1936.

Putting Cuba on more nearly the import basis of the other islands recently has won such public approval as to indicate the desirability of removing the Cuban duty entirely, replacing it with a general excise tax equal to the present duty and requiring Cuba to use her new advantage in the purchase of our foodstuffs as elsewhere suggested. Surely nothing could please Cuba more. The gain to our Treasury would go great.

The above figures applied against the consumers' tax burden shows that the amount privately collected and privately used was only about \$118,000,000 in 1926; far less under President Wilson; now \$364,000,000, of which some \$210,000,000 goes to the islands.

Surely the pending bill is just in its provision that the former processing tax shall become a general excise tax for general public use. The trouble here is that by another pending bill the sugar profiteers intend to get this excise tax handed over to themselves, and they always get what they demand. I am reminded of Chairman Payne, laboring on the Payne tariff. His face flushed with anger and shame, he said to me, "I could change this rate (making it lower) just as easy—if only they would let me." He had to make the rate 1.76 cents against the combination rate, 2.6 cents.

The following table discloses the amount and effect of the present sugar taxes:

TABLE 2.—The sugar monopoly—its cost to consumers in 1935

Its cost above world prices.....	\$410,000,000
Its cost above a single 1-cent tariff as in President Wilson's time.....	253,000,000
Consumers' sugar taxes, 1897-1934, inclusive.....	7,000,000,000
Value continental crop, raw basis, 1935.....	31,400,000
Value continental crops, 1934 and 1935.....	60,000,000
Consumers' sugar taxes, 1934 and 1935.....	800,000,000
Total taxes 1897-1936.....	7,800,000,000

	Cost of sugar to consumers in 1935	Cost with total tax 1 cent per pound as under President Wilson	Cost under free trade as contemplated by President Wilson
Total consumption, raw basis, in New York at world prices ¹	\$126,067,000	\$126,067,000	\$126,067,000
Refining, 1 cent per pound ²	\$129,781,000	113,490,000	113,490,000
Cost, refined.....	253,848,000	239,527,000	239,527,000
Duty, 0.9 cent per pound ³	\$115,189,000	129,781,000
Processing tax, 50 cents per hundred weight.....	63,993,000
Monopoly prices added by growers ⁴	170,478,000
Cost refined.....	603,500,000	359,308,000	240,500,000
Cost of refined, as above.....	253,848,000	239,527,000	239,527,000
Cost of monopoly, taxes, etc., on refined sugar.....	350,000,000	130,000,000	Nothing

¹ Raw sugar was freely sold the world over wherever buyers would take it in 1935 and to date at slightly under 1 cent per pound. Great Britain bought two-sevenths of her requirements at this price, buying the remainder at "preferential" prices from her dominions, far lower than United States prices. Java almost quit production at this price and more especially because so many markets, including ours, were closed against her. If sugar were free in the United States, the offerings would be without limit and around 1 cent, unless competition were restricted by combinations. It is doubtful if a combination could hold a price above 1½ cents raw, so great is the supply.

² Our seaboard refiners are apparently happy with the refining charge of 1 cent per pound under which they handle \$705,000,000. In past years their charge has often been 45 cents, sometimes less. It is estimated in columns 2 and 3 that this would be enough because they would handle \$234,000,000 to \$366,000,000 less in money value, and also profit from increased consumption.

³ Nine-tenths of 1 percent.

⁴ The present duty is 0.9 cent. Under President Wilson it was 1 cent as in column 2 with a proviso for free sugar later, but never effected. 1 cent equals 100 percent on the world price in 1935 and now.

⁵ One-tenth of 1 percent.

⁶ Until the codes were set up, the price of all monopoly goods and of sugar was the world price; plus the duty. Some people, including the writer, thought that the code price would be the world price, raw, 1 cent per pound, plus 0.9 cent duty plus processing tax 0.5 cent, total 2.4 cents. Instead the provisions and the management of the code, restriction of production etc., enabled the producers, with consent of the Government, to add a further \$170,478,000 to their prices.

At least one-fourth of all refined sugar is used in the manufacture of sweetened foods, breadstuffs, confectionery, chocolates, ice cream, soft drinks, etc.
The mark-ups on the sugar content of these products is as follows:

	Cost of sugar to consumers in 1935	Cost with total tax 1 cent per pound as under President Wilson	Cost under free trade as contemplated by President Wilson
One-fourth of refined, as above.....	\$150,000,000	\$22,500,000	\$50,000,000
Manufacturers' mark-up, 50 percent ¹	75,000,000	44,250,000	39,000,000
Manufacturers' selling price.....	225,000,000	138,750,000	90,000,000
Wholesalers' mark-up, 10 percent ²	23,500,000	13,875,000	9,000,000
Wholesalers' selling price.....	247,500,000	152,625,000	99,000,000
Retailers' mark-up, 40 percent ³	99,000,000	61,000,000	39,610,000
Retail price, even figures.....	346,000,000	213,000,000	138,000,000
Cost refined.....	150,000,000	93,000,000	60,000,000
Mark-ups, 130 percent.....	196,000,000	120,000,000	78,000,000
Mark-ups, saving as against 1935.....		76,000,000	118,000,000
Consumers would get one-half of this saving (other half to manufacturers and merchants) ⁴		38,000,000	60,000,000
Saving on refined, as above.....		258,000,000	350,000,000
Total saving as against 1935-36.....		298,000,000	410,000,000

¹ Sugar was used, in 1933 with its low price, in \$2,000,000,000 of sweetened foodstuffs at wholesale prices and as a less-important factor in other commodities of great value. In 1929 the prices of these commodities were from 40 to 50 percent higher. Manufacturers' mark-ups vary from 45 to 60 percent, averaging about 50 percent.

² Merchandise wholesaled in the usual fashion carries a mark-up of 25 percent. The lower percentage in the table allows for retailers' purchases in large amounts directly from manufacturers.

³ These mark-ups vary greatly, from 20 percent or less on loaf bread to 60 percent on fancy stuffs, including candies, chocolates, etc. A weighted average is used.

⁴ Under competitive conditions in general merchandising consumers can depend upon getting every advantage in their prices from lower costs in production and distribution; but in small packages, 5 cents, 10 cents, etc., that sell at fixed prices, soft drinks, ice cream, cough drops, etc., slight changes in cost do not reach the consumer, though the tendency is in his favor, as where three 5-cent packages are sold for a dime. Also, there is so little sugar in a large part of the \$3,000,000,000 of sweetened foodstuffs that in some of these the saving in the sugar content would not reach the consumers. Hence, the above estimate that one-half of the saving would reach the consumers. The other half would help the very many small and big producers and distributors of these foodstuffs.

Cost of sugar monopoly, tariff, bounties, and price-fixing, 1935 crop.....	\$410,000,000
Cost above a 1-cent tariff, raw basis (equal 100 percent), as under President Wilson.....	296,000,000
Cost of sugar taxes, 1935 and 1936.....	800,000,000
Cost to farmers as consumers, 1897-1936.....	2,000,000,000
Value continental crop, 1935, raw basis, world price, Atlantic and Gulf ports.....	31,400,000
Revenue to Government:	
In 1926.....	145,000,000
In 1935.....	40,500,000
In 1936, Secretary Wallace's estimate.....	36,000,000
Excess in consumers' sugar tax now above any previous administrations, 37 percent.....	110,000,000

The poorer we are the more we favor monopolies.

The above table illustrates my abhorrence of the universal practice of public men and others in stating the amount of a tax only in the sums collected by government. It is plain enough that these sums must be stated; but it is horrible not to say of every tax or proposed tax what it will cost the public that pays it.

The Secretary of the Treasury says that the Federal debt will total about 37 billion dollars June 30, 1936, a perfect statement so far as it goes. But the Federal debt is the debt in the sum that the public must pay. The public must pay at least 55 billion dollars to liquidate this debt. That is, the present lien upon every bit of everyone's property; upon this and later generations, upon everyone who buys anything whatsoever. This, because all but income taxes are finally paid with middlemen's necessary additions in consumer

prices for food, shelter, clothing, and all else. Excepting income taxes, the sums levied by taxing authorities are increased in consumer prices by an average of at least 50 percent.

Add to the Federal debt 13 billion dollars of State and local taxes to be paid by consumers in the sum of 20 billion dollars, and we have the total public tax debt 75 billion dollars, a figure worth studying. Some 15 or 20 experts have helped me for many weeks, and with infinite detail to estimate the mark-ups in taxes in consumer prices.

The sugar tax of today is not the 102 million dollars named in the law and stated by an authority. The tax is 410 million dollars.

The following table was prepared in 1934. Conditions have not changed materially since. In some sugar areas sugar land was slightly cheaper last January than in 1932. The tendency must be upward. Sugar acreage in California is given the same value as in Colorado. This excludes the speculative value of California acreage that is close to cities and villages.

TABLE 3.—Some facts about sugar (1932 basis)

Consumers' sugar tax, 1897-1934, inclusive (38 years).....	\$7,000,000,000
Of this, farmers as consumers paid.....	\$1,800,000,000
Annual interest loss on tax at 5 percent.....	\$350,000,000
Consumers present annual tax, including pyramiding in manufactured foodstuffs.....	\$300,000,000
Value of domestic crop, 1932, international price.....	\$25,600,000
Current value of all acreage producing sugar.....	\$78,287,000
(foreclosure and distress sales are much lower)	
Possible value 3 to 5 years hence, add 25 percent.....	\$100,000,000
Book value of mills processing continental product.....	\$136,000,000
Book value of capacity needed (overbuilt 50 percent).....	\$83,500,000
Number of farms in United States (Census 1930).....	6,288,648
Number growing sugar.....	42,000
Proportionate farmers growing sugar, 1 to 143.	
Average size of farms in United States..... acres..	157
Average acres in sugar in 42,000 farms growing sugar.....	70
1 farmer in 143 uses one-eighth of an average size farm for sugar.	
Value of average sugar tract (\$100 per acre in Colorado, \$40 in Louisiana, \$75 east of the Mississippi).....	\$1,640
Consumers sugar tax per average tract.....	\$6,500
Consumers tax per acre, average value \$82.....	\$325
Of each 100 acres in crops in 1929 there was in sugar one-third of 1 acre.	

This table is substantially correct for today, except for the following changes in compliance with present statistics.

Partly upon insistence of the growers, many small renters, not formerly counted, are listed as growers. They correspond to share-croppers elsewhere except that they pay rent instead of a percentage of the crop. From the beginning of beet culture, the mills have done all possible to increase acreage and the count or number of growers, especially since the above disclosure of the inconsequential number formerly listed as growers.

TABLE 4.—Some facts about sugar (1935 basis)

Consumers' sugar tax, 1897-1936, inclusive (40 years).....	\$7,800,000,000
Of this, farmers as consumers, paid.....	\$2,000,000,000
Annual interest loss on tax at 5 percent.....	390,000,000
Average size of farms in United States..... acres..	157
Size of average sugar tract..... do..	10
Value of average sugar tract.....	\$820
Consumers sugar tax per average tract.....	\$4,330
Average value of sugar acreage per acre.....	\$82
Consumers tax per acre.....	\$433

The above consumer-tax per acre is on the assumption, universally held for 40 years, that the tax is for the maintenance of sugar culture in the States. The amount of the tax is determined by continental conditions. Otherwise it would be less by one-half to two-thirds from the protectionists standpoint, and nothing from the standpoint of great protectionist legislators as elsewhere disclosed.

There is nothing big in the above figures except the enormity of the Nation's loss from its experiment in sugar culture begun in 1890. There is nothing small in the figures except in those that disclose the unimportant of the continental sugar crop.

The difference between the table and present conditions is that in the last 2 years 800 million dollars has been added to the 7 billion dollar total at the end of 1934, including in the addition the crop of 1935 to be consumed in 1936.

In President Wilson's time it would have taken 7.7 years for the tax to equal 1 billion dollars. Now, 2.5 years.

The book value of the sugar mills in the mountain States is the Great Western's valuation, and the book value of the four other big corporations applied to all other plants on the basis of their capacity. The value of Michigan plants is estimated from the book value of the Michigan sugar company's plants. These valuations include the book value of plants not used for years and now probably too rusty to use. It includes plants built speculatively. It includes two plants built close together with need for only one, etc.

For the 1935 beet crop only 80 percent of the plants were used. Running at capacity they would have processed the entire crop in 61 days. What are the plants worth that did not run at all? Our beet mills are overbuilt 50 percent. In Louisiana there are 60 mills, many of them badly located. Twenty mills well located would suffice. Possibly 23 or 24 if the Government is going to continue to feed the mill owners principally from tax levies on the poorest of us.

Contrast our mills operating variously from 61 to 70 days per year with Cuba's running 5 to 8 months per year, and easily 8 months if we will exchange our food-stuffs for Cuban sugar.

This exchange would give us (to the extent of the exchange) sugar absolutely without cost, free as water in this sense that we would pay for it with acres now plowed under and kept idle at a rental charge of \$10 per acre paid by the Federal Government.

The gain would be the same to Cuba, except greater because sugar is her main dependence. In both countries thousands of workers would be taken off relief rolls with their self-respect restored.

This does not overlook our island possessions. They and other sugar areas would be dealt with in honor and common sense according to their situations. Sugar is a drug in the world market. It is a crime for white countries to grow sugar if they can avoid it, and to shut out sugar from countries that would delight to produce to the limit of consumption at half the white-man's cost. Experts estimate that world consumption would enormously increase on this basis.

It must not be thought that western Europe produces sugar for any other reason than the prospect of war. For some 50 years after a German chemist found that sugar could be produced from beets no one cared. Then came the Napoleonic wars and England's warships prevented continental Europe from getting its supply from the world's sugar reservoir, the West Indies, now extended to other hot countries where it grows almost of itself, with slight attention from people who like to sleep on the ground, to eat foods that cost almost nothing, and to wear breechelouts, or, if they must, a cotton shirt and trousers, barefoot. If in their climate, our habits would approximate theirs. In Los Angeles, Mexican laborers were transferred from shacks into cottages. Some of them tore up the floors that they might sleep on the ground "as God intended." Let us respect these people. Let us profit with them by the exchange of commodities in a not unnatural way.

The following table shows the effect of the sugar taxes upon our sugar-growing States. How carefully sugar advocates concealed from the people in their States what these sugar advocates are doing to them. Who will tell these people that it is costing them 129 million dollars (column 3) to get a sugar crop worth, raw value, 31.4 million dollars? Within a week a Senator from one of these States told me that he agrees with my position but "represents the sugar people", not his State, but its sugar people.

TABLE 4.—The sugar monopoly—profit and loss to sugar-growing States, 1935 crop

[In thousands of dollars]

Sugar-producing States	Received by growers, (beets at \$0.90 per ton)	Value of crop, international basis United States seaports ¹	Cost of monopoly to consumers, above world price ²		Percentage of tillable land in beets (1930)
			To State	To farmers	
	(1)	(2)	(3)	(4)	(5)
Nebraska.....	\$4,230	\$1,892	\$4,563	\$1,952	0.29
Colorado.....	12,337	4,607	3,433	943	2.67
Utah.....	3,326	1,377	1,093	358	2.27
Idaho.....	3,371	1,731	1,433	629	.84
Montana.....	3,951	1,771	1,792	682	.75
Wyoming.....	3,657	1,636	752	244	
Total Mountain States.....	31,782	14,214	13,766	4,836	1.64
California.....	10,026	4,454	18,924	2,068	1.07
Michigan.....	4,913	3,197	16,141	2,008	.77
Ohio.....	2,384	1,200	22,156	3,377	.0017
All others ³	5,685	2,543	51,185	16,566	
Total east of Missouri River.....	13,253	5,940	89,462	22,530	
Total beets.....	55,091	24,638	122,152	39,454	.08
Louisiana cane.....	16,616	6,790	7,006	2,790	.36
Total.....	71,707	31,428	129,158	42,244	

¹ Column 1 is at the world price delivered at Atlantic and Gulf ports, raw basis, \$1 per hundredweight. Instead of this price, the monopoly control set up by the President by authority of Congress, added to this dollar 90 cents tariff on imports whether the sugar had paid a duty or not; also, 50 cents per hundred-weight processing tax; also an arbitrary \$1.20. This \$1.20 was purely arbitrary and monopolistic. It was in conformity with all monopoly practices that so restrict production and deliveries as to compel the payment of the price set by the monopoly.

² This is the cost to consumers over and above the competitive or world price in column 1.

³ Iowa, Minnesota, Wisconsin, Kansas, South Dakota, and Washington. Production is so small in these States that it is not shown separately in Federal statistics. Nor, by the way, is Florida mentioned about whose production of cane for sugar there was much hitherto in 1930 and since.

⁴ This is the total international value of the continental sugar crop, raw basis, at Atlantic and Gulf ports. To get this crop in their States, the people in those States paid this price and \$40,900,000 besides, to a total of \$71,700,000 per column 1. On the principle that tariffs and like bounties are to secure production in the United States, the American public paid this world price, \$31,400,000, plus \$40,300,000.

It must be noted that the receipts by the growers (table, column 1) are subject to a contract-labor lien that applies to no such major crops as wheat, corn, hay, etc. The sugar grower has substantially the same wage and other expenses as for the major crops. In addition he pays about 30 percent of his receipts to contract laborers for thinning and weeding the sugar rows, for removing the leaves at harvest time, etc. Thus his income for himself and the expenses common to the other crops is about 30 percent less than the receipts per column 1.

With this deduction, and realizing that the sugar mills get one-half of the consumers' tax, we see why our growers have complained for 40 years that the benefits to themselves from the sugar tax have been inadequate. We are reminded of the facetious story of the man who put 10 cents in the missionary box and then \$1, "to get the 10 cents to the missionaries", and, in this case, the missionaries whining at his meanness.

Have those in Michigan who rage for maximum sugar taxes told the people of that State that on the present crop they are paying \$16,000,000 in sugar taxes to get a crop grown there worth slightly more than \$2,000,000? Have they noted how few Michigan farmers will grow sugar and how small is the average sugar tract.

Has any public man told the people of Ohio that it costs them more than \$22,000,000 to get \$2,000,000 grown in Ohio.

Of our 48 States only the 6 mountain States have the slightest profit, as States; from the sugar tax. Of the latter, Nebraska's tax (column 3) is 2½ times the international value of her crop. The loss to Idaho almost equals the real value of her crop (column 2). The figures in Montana and Utah balance. For the sugar they consume they pay the international value plus the value of the entire

crop including for more than half of it that goes to other States. Colorado and Wyoming profit considerably only if we reject the statements of farmers of acreage adjacent to the sugar acreage who say that other crops pay better.

The loss from the tax is to New York State 40 million dollars per year, Illinois 22 million dollars, New England 28 million dollars, others in proportion.

Any everywhere the distress of the poor who pay is great.

The consumers' tax in each 4 months would buy the Nation's total consumption for a year, raw value, at Atlantic and Gulf ports. Or, as was suggested in 1934, with the duty eliminated, the Government could collect for its purposes whatever part it will of the present 410 million dollars. It is struggling for new taxes. This one would not cost the public a single dollar more than now.

The following table shows that if Cuba had used as much of our farm products in 1933 as in 1928, 954,000 acres of our plowed-under land would have been used in serving Cuba, with all that this implies in the reduction of unemployment, the purchase of seed, fertilizer, etc., for these acres.

The year 1928 was chosen for comparison because at that time her purchases of about \$125,000,000 was thought to be the lowest that we could expect. She had previously bought much more, rising to a peak of \$500,000,000 when sugar prices went skyward after our Government had declined Cuba's offer of about 10 cents per pound.

This reminds me that in their eagerness for excuses for their extortion our sugar growers say that we should grow sugar in the States for protection in war times.

Geographically Cuba is a part of the United States. The peninsula of Florida drops below sea level to rise above at Key West. Then it drops to reappear in Cuba. Car ferries carry loaded freight cars from any point in either country to any point in the other, like the ferries across Lake Michigan. There is the same danger of our losing the waterway to Cuba as losing New Orleans or Charleston. We can lose the Philippines and Hawaii, never this waterway.

Military authorities are said to have advised our evacuation of the Philippines instantly in case of war with Japan. We might lose Hawaii. Never the waterway to Cuba.

TABLE 5.—Summary: Estimated acreage required to produce United States exports of agricultural products to Cuba, 1928, 1932, and 1933

Commodity	1928	1932	1933
Animal and animal products:			
Cattle, beef, and beef products.....	Acres 47,414	Acres 68,968	Acres 92,672
Hogs, pork, and pork products.....	1,030,000	322,000	214,000
Dairy products.....	22,132	1,836	820
Eggs.....	28,794		
Total.....	1,188,340	292,802	307,492
Vegetables and vegetable products:			
Grain.....	291,700	106,064	101,631
Fruit.....	2,195	797	711
Vegetables.....	22,610	9,271	6,433
Miscellaneous vegetable products.....	13,295	10,352	11,710
Oils, vegetable.....	116,438	208,483	152,706
Total.....	396,247	334,967	273,191
Grand total.....	1,584,587	727,769	580,683

¹ 88,760 of this total cottonseed.

² 202,785 of this total cottonseed.

³ 149,122 of this total cottonseed.

How worthless, on a money basis, is our trade with the islands is disclosed in the following table. The sugar bund is responsible that the trade is not thoroughly advantageous to ourselves and to each island. Domestic growers and their mills are responsible for the robbing of our poor. And they accept as incidental to their thievery the sending of over 216 million dollars of our sugar taxes to these islands, including Cuba, when a far less sum would be just to the island and to the States.

Instead, as the table shows, we gave Hawaii, Puerto Rico, and the Philippines 149 million dollars in sugar benefits above the value of their sugar the other markets and endured as a part of this their collection of the monopoly tax elsewhere noted.

Crediting our sugar gratuities against their purchases. They got their purchases for 0.25 cent on the dollar.

In addition, we admitted 126 million dollars of their merchandise duty free, unless the Philippines paid some duty as I think they did not.

If this other merchandise (54 million dollars in 1935) by coming in free saved the average rate of duty on dutiable imports in 1935, then this saving added to the saving on sugar gave them their \$201.50 of 1935 purchases for 0.18 cent on the dollar.

Do not this and other tables illustrate the definition of the word steal in the greatest of English dictionaries (The New English): "A corrupt or fraudulent transaction in politics", mostly at the expense of the poorest 70 percent of us.

Our trade was less disadvantageous with Cuba because one-third of the advantages from the sugar monopoly to the other islands was recovered by our Government for public use through the tariff.

TABLE 6.—United States shipments to Hawaii and Puerto Rico, the Philippines and Cuba in 1935¹

	Agricultural (1)	Other (2)	Total (3)	Monopoly advantages, 1935-36 crop ² (4)
Hawaii.....	\$24,268,945	\$54,655,828	\$78,924,776	\$52,372,000
Puerto Rico.....	27,654,214	42,398,744	70,052,958	44,587,000
Philippines.....	6,669	52,508,368	52,515,038	51,962,000
Total.....	51,929,831	149,562,940	201,492,772	148,941,000
Cuba.....	14,509	58,178,593	59,193,802	67,400,000
Total.....	51,944,740	208,741,833	260,686,574	216,341,000

¹ 1935 data are preliminary.

Source: For imports, monthly summary, Department of Commerce.

The monopoly advantages are 0.9 cent tariff for the first three areas and in addition, including Cuba 0.5 cent per pound in processing tax or its later equivalent, plus 1.2 cents added by them to their prices for their own use and benefit; total 2.6 cents per pound raw value, equaling 200 percent added to their prices in open markets.

TABLE 7.—Beet-sugar mills, profit and loss, 1935 crop

[In thousands of dollars]

	Book profit	Monopoly income ²	Net loss ³	Value of capital stock ⁴			
				Preferred		Common	
				High	Low	High	Low
Great Western.....	\$6,680	\$9,652	\$2,972	134	129½	30½	27½
Michigan Sugar Co.....	429	1,708	1,279	7½	3½	1½	½
American Crystal.....	1,667	7,666	6,000	72½	46½	10½	6½
Amalgams ⁵	264	8,116	2,852	3½	½	61	54
Utah, Idaho ⁶	1,140	1,339	973	102	41	30½	9
Holly Sugar Co.....	2,135	4,724	2,589	6½	5.40	2	107½

¹ The mills in the mountain States have always paid for beets a sum that divides the consumer tax equally between the growers and the mills; with the recent processing tax included to make the division still half and half, with the mills' share as noted above.

² Subtracting book profits from monopoly income, we find that the mills made nothing from their operations and lost the sums indicated from their monopoly income.

³ The prices of some of the stocks are for 1934. The Great Western's are of October 1933. This company is the one big profit maker. It processes about 50 percent of all beets grown in the mountain States.

⁴ The financial record of the mills has been deplorable, as a whole, for many years, in good times and bad. No consumer possible tax will enable these very costly mills to make a profit with only 80 percent running from 60 to 70 days per year. They are overbuilt 100 percent. In Louisiana there are 60 mills, many of them badly located, where 20 would suffice, if well located.

I would like to present the amazing and unfortunate histories of the great majority of the mills as disclosed in Moody's and Poor's records. They show why the mills have financed the sugar propaganda using a few farmers as their out-in-front, official weepers, pleaders, and bull-dozers.

In all this I deeply sympathize with many noble men in Congress who believe that it is useless to resist; that it is better to do good in other fields than to resist the organized "sugarbund" without good effect.

Except for the sugar mills, nothing would be easier than to ease the Nation and the growers out of the present situation by a sugar bonus paid directly to the growers in the States, with such other and different consideration as may be proper to the islands that grow sugar substantially as cheaply as anywhere, excepting such sugar fields as are without economic justification as on the high lands in Puerto Rico, some of them so steep that it is said that "they have to be seeded with a shotgun."

Some 22 Senators proposed this plan for the tariff of 1930. They were mostly from sugar States and the growers' best friends.

May I note in conclusion that the mill men are not all bad. The President of the Great Western earnestly tried to limit the duty to 1.35 cents per pound in the tariff that made it 1.7 cent as I remember. He said that 1.35 cents was all that the public would endure or should endure; "but", said his assistant, "when we got 1.7 cents he was satisfied."

The representative of a great farm organization tells me that he told one of the greatest of our Government officials that American farmers would shout for joy if sugar were on the free list. Representatives of more than a million farmers declare to the same effect. You know why they let some others publicly say otherwise.

A committee of Nebraska farmers, all protectionists, denounced the sugar tariff as I do. One of them said, "Better keep the sugar growers in the poorhouse than endure this tariff."

I believe that I am the only representative before you of the consumers interest and the real sentiments of disinterested and informed Americans. That I do not speak better is their misfortune and mine. I represent them the best I can, and with the help of many of the best-informed experts.

Always remember that sugar is a poor man's necessity. Federal studies show that the manual laborer needs 50 pounds more sugar per year than the average consumer. Nothing so quickly and helpfully gives energy and removes fatigue. Therefore sugar or sweetened chocolate is carried in the knapsacks of many armies. The sugar tax is a poor man's tax. Increases in prices will not limit consumption much. I recall hearing a member in the British House of Commons declare that a tax on bread makes poor people eat more bread, not less. It simply deprives him of dimes and dollars that he would otherwise have for more costly foods, meats, and fruits; and for doctor's and like services. His convincing statement was cheered by the House. It is so with sugar. Its cost should be as nearly as possible like the cost of drinking water, nothing.

Respectfully submitted.

H. E. MILES,
Chairman, Fair Tariff League.

Senator KING. Mr. Quintin Paredes, the Commissioner of the Philippine Islands.

STATEMENT OF HON. QUINTIN PAREDES, RESIDENT COMMISSIONER OF THE PHILIPPINE ISLANDS

Mr. PAREDES. May it please the committee, I wish to record a request from the Philippine people and the Philippine government in this matter. I understand that you gentlemen are now considering the proposition of imposing one-half cent, or some such amount, of tax on the first processing of sugar, which includes sugar from every place.

Naturally, we are not pretending to ask for more privileges than any other district in the United States; but we would like to submit for your consideration, gentlemen, the fact that there is some difference between the position of the Philippines I mean the Philippine

people, and that of other districts within the continental United States, for this reason: That, as you know, we were given the independence law by which we were granted a certain amount of sugar that we could export into the United States free of duty. I refer to the limitation of 850,000 long tons in the independence law, the injustice of which has already been recognized first by the President of the United States when he intimated that inequalities in the independence law may be corrected for the benefit of both peoples, and when under a subsequent law, the Jones-Costigan Act, the Philippines was granted a basic quota of 1,049,000 short tons. The imposition of the proposed tax now would violate the spirit of the duty-free provision of the independence law. The Philippine people accepted the independence law, believing, naturally, that this would be changed by removal of its inequalities, and only by common agreement or understanding between the two countries. But, before this law came into effect, a subsequent law was enacted by Congress, the Jones-Costigan law, which imposed limitations upon production of sugar.

The Philippine government, in an effort to cooperate with the policies of the United States, instead of insisting on its right to produce so much sugar as it would or as it was granted under the then-existing law, enacted a law limiting its own production of sugar, so as to fit the policy of the United States Government. Now under the Jones-Costigan law we were granted a quota which we cannot fully take advantage of because of the operation of the limitation of the Independence Act, unless our quota in the Jones-Costigan law be permitted to enter here duty free.

The Congress was generous enough to extend to us the same benefits that were extended to all other regions or districts where sugar production was limited, the benefit payments, so-called, under the A. A. A. law.

Unfortunately, however, this law has been declared, or part of it, unconstitutional, the result being that the benefit payments to our planters, who have been forced to limit their production, have ceased.

That was also the case with the producers in the United States, but Congress immediately passed another law under which practically the same benefits were paid, or will be paid to growers and the Philippine Islands was not mentioned or was omitted in that law.

Senator KING. That is the soil-conservation law?

Mr. PAREDES. The soil-conservation law. So, while we voluntarily limited our production, while we took the limitation of 850,000 tons, perhaps more or less, according to the quota that may be given later, we will find that if we were now to pay the taxes we will not derive any benefit from the payments.

The United States farmer, even if he did not receive a direct benefit payment, will, in the long run, have the same advantages from the payment of this tax, or any other tax, as any taxpayer does from the Government, such as your Public Works program and other public improvements from which benefits are derived by the general taxpayer, while the Philippine farmer will be paying his taxes to the United States Government without receiving any return for it.

This, gentlemen, in a few words, is what I would like to emphasize to you: We would like to request, first, that if you could save us from that one-half cent tax, or whatever it is, on our sugar, because of an implied contract in the independence law, we would welcome that this be done;

but if you gentlemen should believe that it is unfair to give us that advantage, may we at least hope that you will see the justice of our contention, that whatever taxes are collected from this or any other excise tax that is imposed upon Philippine products in the United States, that such taxes be turned over to the Philippine Government, the same as has been done heretofore in internal-revenue taxes or customs taxes. It has been the consistent and steady policy of the United States Congress to turn over to the Philippine Islands whatever taxes, direct or indirect, are collected from Philippine goods, the latest example of this generosity of Congress being in the provisions of the Agricultural Adjustment Act, where, as I understand it, in the conference committees, it was agreed that whatever is collected on excise taxes be turned over to the Philippine Government.

May I insert at this point a letter (marked "Exhibit A") addressed by ex-Senator Hawes to the chairman of this Senate committee on this subject. Every statement made by him in this letter I endorse for your kind consideration.

I do not know, gentlemen, whether it is within the province of this committee to hear something about the oil excise taxes; but inasmuch as you gentlemen are members of the Finance Committee having this question under its consideration, may I also record the request that whatever you do in this tax or the oil taxes, or whatever other taxes are imposed on Philippine goods, directly or indirectly, that you please consider the interests of the government that you have established in the Philippine Islands. We are starting a new government, gentlemen. We need all this money, and more, while the United States does not need that paltry sum of twenty-three, twenty-four, or twenty-five million dollars that will be collected in taxes from Philippine goods. Our success in the Philippine Islands in the next 10 years will depend mainly upon the treatment that Congress will afford to us. If all taxes are taken away from us, our opportunities for economic development will be curtailed. Taxing legislation may not be meant to do it, but will indirectly produce such results.

Gentlemen, we will be very hard pressed in the 10-year period that we are given for preparation to complete independence, unless you continue helping us.

This concludes what I wish to say. If you gentlemen would like to have some data, I will be glad to give you the information. Permit me, however, to insert herein to complete this hurried presentation of our case another letter (marked "Exhibit B") which I have sent to your chairman and every member of this committee.

EXHIBIT A

MAY 12, 1936.

HON. PAT HARRISON,

*Chairman, Committee on Finance, United States Senate,
Washington, D. C.*

MY DEAR SENATOR: On behalf of the Philippine Sugar Association, as its United States counsel, I respectfully submit to your committee the following:

That if, as a result of the deliberations of your committee on the provisions of H. R. 12395 (the revenue bill of 1936) now before you, you determine to insert therein an excise tax on the processing of sugarcane and sugar beets, you include in any such provisions, for reasons subsequently given, the following:

"Provided, That the President, in his discretion, is authorized by proclamation to decree that all or part of the taxes collected from the processing of sugar produced in or coming from the Philippine Islands shall not be covered into the general fund of the Treasury of the United States, but shall be held as a separate

fund, in the name of the Commonwealth of the Philippines to be paid to the Treasury of the Commonwealth of the Philippines: *And, provided further, That any sugar quota fixed by the Secretary of Agriculture for the Philippine Islands in pursuance to the laws of the United States shall enter the United States duty free."*

We understand that the recommendation for a tax on the processing of sugar has been made by the Secretary of Agriculture and take the liberty of calling your attention to the above equitable provision in connection with any such tax.

The proposal is in substance identical with the present provisions of the act of May 9, 1934 (Public No. 213, 73d Cong., known as the Jones-Costigan Act), creating the quota system on sugar. Section 8 of said act amending the Agricultural Adjustment Act, was inserted for the purpose of permitting the Philippines and other areas under the American flag to obtain funds either for rental or benefit payments, to promote the interest of agriculture, or the expansion of markets in the respective areas.

Following the decision of the Supreme Court, invalidating the control phase of the Agricultural Adjustment Act, it was determined that the opinion of the Court did not affect the quota provision of the Jones-Costigan Act with respect to sugar, and while the benefit payments in respect thereto have been discontinued, the quota provisions are still in full force and effect.

Subsequently, Congress enacted the Soil Conservation Act amendments, Public Law No. 461, approved on February 29, 1936, but did not apply the provisions thereof to the Philippine Islands. However, in conformity with the principle enunciated in the Agricultural Adjustment Act in response to the suggestions and recommendations of the administration, as expressed through the Governor General of the Philippine Islands, the Philippine Legislature did on December 4, 1934, or shortly after the enactment of the Jones-Costigan Act, enact what is known as the Philippine Sugar Control Act, which act is still in full force and effect in the Philippines, and which will continue in force and effect in the Philippines during the life of the Jones-Costigan Act.

It is to be noted in section 3 of the Philippine Sugar Control Act it is declared to be the policy of the Philippine Legislature:

First.—To limit the production of sugarcane and sugar in the Philippine Islands to such an amount as would be sufficient to cover the quota allotted to the Philippine Islands under the United States laws and requirements for local consumption, plus such reserves as may be determined from time to time in accordance with the provisions of this act.

Second.—To recognize the United States sugar authority in the Philippine Islands for the control and allotment of sugar to be transported to, processed in and marketed in continental United States under the laws of the United States seeking to effectuate the same, and to harmonize the laws of the Philippine Islands with those of the United States insofar as they affect production, manufacture, and marketing of sugarcane and sugar produced in the Philippine Islands.

The Philippine Sugar Control Act then provides for the specific limitation of the production of sugar in the matter indicated in the declaration of policy.

While the Jones-Costigan benefit payment provisions were in effect, the Philippines received from the United States Treasury the funds collected on the processing of Philippine sugar in the United States.

Under the Soil Conservation Act the receipt by the Philippines of such funds is not provided for or contemplated, whereas, should any such funds be made available to any areas with respect to sugar, the said areas included in the Soil Conservation Act would share equitably in such funds.

Therefore, the Philippine Islands, at this time, find themselves in a unique position with respect to sugar among all the producing areas in that, having cooperated in conforming their laws to the statutes of the United States Congress, they have adopted a self-imposed limitation upon their production of sugar which inures to the benefit of the whole sugar industry, without, at the present time, receiving any compensation of any kind for such limitation.

It is to be noted in this connection that the only large sugar-producing area not under the American flag, Cuba, received its compensation as a result of the quota system through the reduction of the tariff on the sugar from \$1.50 to 90 cents per hundred pounds, which reduction remains to the benefit of Cuba so long as the quota system remains in force.

If a tax were to be levied on the processing of sugar in the United States without the provision hereinabove suggested, all sugar-producing areas under the American flag, would be in a position to share in whatever benefits might

accrue through the operation of the Soil Erosion Act, and Cuba will continue to receive the benefits accruing from the quota system through the lower tariff.

But, without such a provision as hereinabove suggested, the Philippines, although under the American flag and subject to American sovereignty, will, under the self-imposed limitation of production growing out of a spirit of harmony and cooperation with the United States, find itself with a limited quota, entering the United States under the Jones-Costigan provisions without sharing in any manner in the benefits which all other areas enjoy.

In addition to correcting what would otherwise be a manifest injustice to the Philippines, if such a provision were not included, the principle underlying the suggestion made herein is in strict conformity with the traditional policy of the United States Government toward the Philippines as found in the reciprocal free trade provisions of the United States tariff acts, including the present tariff act of 1930 (sec. 301).

After providing for the levy and collection of certain internal-revenue taxes and customs taxes in both the Philippines and the United States with respect to imports respectively, section 301 of the title III of the Tariff Act of 1930 says:

"That from and after the passage of this act all internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general Government thereof and be paid into the Insular Treasury."

Your attention is respectfully called to the provisions of section 301, referred to, by which all products entering the Philippines from the United States are free from tariff duties in the Philippine Islands.

This provision has actually resulted in a tariff protection in the Philippines for 97 percent of United States products entering the islands, according to the report of the United States Tariff Commission.

We respectfully submit, therefore, that for two basic reasons the inclusion of our suggestion is just and equitable should a processing or excise tax on sugar be levied in the United States:

First, because of the traditional policy of the United States Government with respect to internal levies on products of the Philippines; and,

Second, to permit the Philippines, still under the American flag and under American sovereignty, to share equally and equitably with other sugar-producing areas in whatever benefits accrue through the quota system.

As to the latter portion of our suggestion that "any sugar quota fixed by the Secretary of Agriculture for the Philippine Islands in pursuance to the laws of the United States shall enter the United States duty-free" your attention is invited to the fact that, under the Independence Act, the duty-free sugar from the Philippine Islands allowed to come into the United States, during the 10-year transition period, was limited to 850,000 long tons, equivalent to approximately 973,000 short tons, raw value.

The injustice of this provision of the Independence Act has already been recognized. The President, in his message to Congress recommending the enactment of the independence bill, intimated changes in this legislation and stated that "where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples."

The sugar producers of continental United States, Hawaii, and Puerto Rico, after 3 months of conferences and hearings, signed a voluntary marketing agreement in September 1933, under which they conceded to the Philippines an annual quota of export to the United States of 1,100,000 short tons and a reserve of 100,000 short tons, or a total of 1,200,000 short tons available for export to the United States.

In his message to Congress on February 8, 1934, recommending the enactment of legislation stabilizing the sugar industry, the President proposed the Philippines be given a quota of 1,037,000 short tons. In pursuance to the provisions of the Jones-Costigan Act, the Secretary of Agriculture fixed the basic quota for the Philippine Islands at 1,049,000 short tons.

Recently, the Secretary of Agriculture, in revising the quotas for 1936, allotted the Philippines a quota this year of 1,068,057 short tons.

It will thus be seen that in every proposal for a sugar stabilization program, the Philippine Islands has been conceded a basic quota of from 1,037,000 to 1,200,000 short tons, and it is undoubtedly the intention in granting this concession to give the Philippines fair and equitable treatment.

But this intention will be defeated, unless the Philippines will be permitted to bring duty-free into the United States its quota under the Jones-Costigan Act for, while the Philippines received this year an increase in its quota by 62,947 tons, it will have to pay the full duty of 1.875 cents per pound on 63,000 tons of this increase, by reason of the operation of the duty-free limitation in the Independence Act, effective upon the establishment of the Philippine Commonwealth, November 15, 1935.

Prior to the coming into effect of the duty-free limitation of the Independence Act, on November 15, 1935, the Philippines was entitled, under the reciprocal free trade relationship, to send to the United States all the sugar it could have available for export during the years 1934 and 1935, but because of the enactment of the Jones-Costigan Act, after the Philippines had accepted the Independence Act, the Philippines was compelled to reduce its annual exports to the United States for 1934 and 1935 by 500,000 tons, or a total reduction of 1,000,000 tons for the 2 years, since its normal exports for these years, had there been no quota system, would have averaged 1,500,000 tons annually. Thus the Jones-Costigan Act, in effect, caused the Philippine sugar producers a loss to the extent of \$70,000,000, which loss was reflected in the revenues of the Philippine Government, and the curtailment of the purchases of the Philippines for American products.

This loss, however, was partly compensated by the payment of benefits, already above referred to, to thousands of small growers in the islands from the processing tax, which benefits amounted to approximately \$15,000,000, but these benefits did not apply to the Philippine sugar factories, as in other Territories and possessions of the United States, and did not compensate the Filipino laborers for the loss they incurred in the reduced sugar production.

Despite the fact that the Philippine sugar producers have shouldered the main burden of the sugar stabilization program of the Administration, under the Jones-Costigan Act, they have fully cooperated and assisted in accomplishing its objectives. No serious difficulties were encountered, considering the complicated cooperative system of sugar production, involving many thousands of small growers, and no disorders of any kind occurred. Moreover, as already stated, the Philippine Legislature, in response to the recommendation of the Governor General, enacted a limitation law restricting the production of sugar in conformity with the quotas established by the Jones-Costigan Act.

The American people consume approximately 6,800,000 short tons of sugar annually. After allowing for the full production of beets and cane in continental United States, there still remain approximately 4,600,000 tons which must come from offshore areas and, which under the quota system, will be allotted pro rata to offshore areas. Therefore, the Philippine allotment does not affect the interests of continental cane and beet producers.

In view of the foregoing considerations, it seems, therefore, only fair that the Philippines should be permitted to benefit in the same proportionate degree as the other quota areas from any increase in quotas consequent to any improvement in consumption by allowing it to bring into the United States all duty free whatever quota it is allotted under the Jones-Costigan Act or substitute bill, as long as this quota system is in effect. Otherwise, the Philippines cannot derive the full benefits of increased quotas because of the operation of the Independence Act as already indicated.

This suggestion, if approved, will not prejudice any other area; it will be an act of fairness and justice to the Filipino people and will be of material assistance, particularly at this time when they are in great need of every available revenue to meet their added responsibilities consequent to their new commonwealth status.

It will simplify and facilitate the administration of the importation of sugar from the Philippines into the United States which otherwise would present a difficult and complicated problem to customs here and to the Commonwealth of the Philippines, involving, as it does, two laws to administer, the Jones-Costigan Act and the Independence Act, each of which has different provisions as to the control of sugar imports from the Philippines.

We invite your consideration of these matters.

Very sincerely yours,

HARRY B. HAWES,
United States Representative, Philippine Sugar Association.

EXHIBIT B

MAY 23, 1936.

HON. PAT HARRISON,
 Chairman, Committee on Finance
 United States Senate,
 Washington, D. C.

MY DEAR SENATOR: I am informed that a proposal has been made to the Senate Committee on Finance to amend the existing statute with respect to the coconut-oil tax to provide that the revenue from such tax be paid over into the United States Treasury rather than to the Philippine Commonwealth, as at present provided for.

On behalf of my government and the 14 million people who for 30 years have lived in faith and confidence and cooperation in and with American policies, I hope you will oppose any such unjust proposal.

It would destroy the basic reciprocal relationship between the Philippines and the United States which has for years been productive of progress, growth, and prosperity in both the Islands and the United States. It is in direct contravention of every statute passed since the establishment of our reciprocal relationship, including the provisions of the present Tariff Act and previous measure having to do with this subject.

You will recall that when the Philippine Independence Act was passed, we assumed that during the 10-year pendency of that act the relationships established would, with certain inequalities removed, remain in force and effect.

We were confident of this mutuality of understanding, not only because of the friendly attitude of Congress during the consideration of the independence measure but, again, because of the statement of President Roosevelt with respect to the inequalities which might be found in the Independence Act. In approving that act, you will recall, he pointed out the hope of removing these inequalities.

It will be noted that the coconut-oil tax was contained in an act passed subsequent to the Independence Act. And the act was passed over the objection of the Philippine people and its representatives.

The burden of this tax falls heavily upon the vast number of people in the islands engaged in the growth and production of coconuts. The absorption of this tax, or a substantial portion of it, by them was inevitable, and this came at a time when we were entering upon the very heavy and serious responsibility of an extended autonomy preparatory to ultimate independence.

The president of the United States at the time again called the attention of Congress to the inequity of the coconut-oil tax.

The only compensatory feature of this tax is the provision that the revenue derived from the processing of Philippine coconut oil is to be paid over to the Philippine government.

If that compensation is removed, then the tax becomes not only an inequity but an absolute unjust burden upon the second largest industry of our islands—an industry built up largely through the theory of reciprocal relationship with the United States over the past 30 years. It was in the spirit of cooperation that our Philippine people, upon the suggestion of the American Congress, agreed that our markets be thrown open to the free access of the respective countries.

It is inconceivable that the American Congress would at this time remove the only semblance of justice in the entire coconut-oil provision.

I cannot understand how, in the face of a Presidential opposition to the coconut-oil tax itself, there could now be levied upon our people the unthinkable provision of removing the revenue from this tax from our government. Aside from its violation of the long-established principle set forth in the tariff and other acts over many years, it would establish definitely an attempt on the part of the United States to profit financially out of what has been a misfortune to the islands as found in the coconut-oil tax itself.

We were hopeful that your Committee on Finance would, as a matter of fact, remedy the injustice already done and approve the compromise proposal contained in what is known as the Guffey-Dockweiler bill, under which the coconut-oil tax would be limited to oil processed for edible purposes. This would protect the dairy products as well as the cottonseed oil interests and the various other vegetable-oil interests of the United States 100 percent and leave to the Philippine coconut-oil industry the industrial field, wherein the domestic products of the United States are but negligibly consumed.

To find now that a proposal which not only does not contemplate that modicum of relief but is, on the other hand, an aggravation of our troubles, is something

which we are unable, after our long period of mutuality and cooperation, to understand.

Your attention is invited to the reciprocal provision of the Tariff Act of 1930, which is similar, or identical, to the provisions of previous tariff acts from the date of our establishment of our free-trade relationships, to which policy Congress and administrative officials of the United States have always adhered, and to which we respectfully call your attention and consideration.

We invite also your attention to the messages of President Roosevelt (1) approving the Independence Act, House Document No. 272, Seventy-third Congress, second session, and (2) urging the defeat of the coconut-oil tax, House Document No. 388, Seventy-third Congress, second session.

We hope that you and your committee will do what you can to defeat this unprecedented proposal; and, in fact, we confidently hope for your favorable consideration of the relief which we seek through the amendment of the present coconut-oil tax, confining it to those products consumed in the industrial processing field.

Very respectfully yours,

QUINTIN PAREDES,

Resident Commissioner of the Philippines to the United States.

Senator KING. It is not the duty of this subcommittee to hear any testimony concerning the excise taxes on oils. That matter will be taken up probably by the full committee this morning. I do not know whether it will be an open hearing or whether it will be an executive hearing, but you might keep in touch with the clerk.

STATEMENT OF ARTHUR L. QUINN, REPRESENTING THE FAJARDO SUGAR CO., FAJARDO, PUERTO RICO

Mr. QUINN. We are appearing on behalf of the Fajardo Sugar Co., of Puerto Rico, and the Porto Rican American Sugar Refinery, Inc., the first being located at Fajardo, Puerto Rico, and the second at Ponce, Puerto Rico.

We call the attention of the committee to the fact of the proposed excise tax on sugar, which, in accordance with section 712, applies to Puerto Rico and is contrary to the method of taxation heretofore, and contrary to the provisions of the Jones Act, known as the Organic Act of 1917, pursuant to which Congress granted such taxing powers to the legislature of Puerto Rico.

Therefore it is submitted that application of this tax should be limited to sugars which enter continental United States from Puerto Rico.

In any event, if the tax is left as it now stands, the income will go to the treasury of Puerto Rico, and it is submitted that such additions to the funds of Puerto Rico are necessarily within the scope of the Legislature of Puerto Rico, which in this respect is an agency of Congress.

We are fundamentally opposed to such an excise tax. As an excise tax it is a sales tax upon staple food products. Sugar is one of the chief food products; it is even more fundamental in American life than bread; scientifically and historically, that is a fact.

All the sales-tax proposals have uniformly excluded staple food products. A tax upon bread or a tax upon sugar will not be lightly regarded.

If the tax is a processing tax, we are opposed on numerous grounds. In the first place, it is likely to be regarded as oppressive or illegal, or to be characterized in the trade as the same old processing tax in a

new form. Furthermore, it will have a material effect upon consumption, and as a part of the soil-conservation plan, or other structural arrangements, it is not likely to benefit all of the producers, nor to be uniformly effective.

As present we are struggling along under the remnants of the Jones-Costigan law. Probably the only reason there is anything left of the law is that no one has disputed it.

The sugar industry, in view of its wholehearted and uniform acceptance of the regulations of Congress, is certainly entitled to the cooperation of Congress and not to any sales tax or excise tax which discriminates against it as compared to other staple products or any act which creates the use of substitutes or otherwise handicaps the industry, which now accepts the burden of the law in a thoroughly patriotic manner.

If the committee must apply a sales tax, let it be one fair to the great mass of our people; let it be a general sales tax, with the exception of food products.

Senator KING. The hearing will be adjourned.

(Whereupon, at 11 a. m., the hearing was adjourned.)