

SUGAR ACT AMENDMENTS OF 1965

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Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 11135]

The Committee on Finance, to which was referred the bill (H.R. 11135) to amend and extend the provisions of the Sugar Act of 1948, as amended, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

PURPOSE

The purpose of the bill, as amended, is to maintain a healthy and competitive domestic sugar industry; to assure adequate sugar supplies for consumers at reasonable prices; to extend the Sugar Act through December 31, 1971, and to fix foreign quotas for 1966 and 1967; to increase quotas for domestic producing areas; to establish quotas for foreign suppliers; and to provide for the temporary filling of the quota reserved for Cuba.

SUMMARY OF COMMITTEE AMENDMENT

The committee substituted for the House bill, the bill recommended by the administration, context of S. 2567, with the following major modifications:

1. Foreign sugar quotas are to be distributed for a 2-year period only (1966-67) as provided below:

Distribution of foreign quotas

(A) For the following countries in the Western Hemisphere:	<i>Short tons</i>
Mexico.....	390, 135
Dominican Republic.....	422, 512
Brazil.....	272, 013
Peru.....	272, 013
British West Indies.....	122, 017
Ecuador.....	40, 770
Colombia.....	27, 829
Costa Rica.....	34, 780
Nicaragua.....	40, 672
Guatemala.....	35, 321
Venezuela.....	2, 676
El Salvador.....	17, 125
Haiti.....	18, 731
Panama.....	14, 449
Argentina.....	63, 685
British Honduras.....	4, 281
Subtotal.....	<u>1, 788, 015</u>
(B) For the following countries:	
Australia.....	102, 152
Republic of China.....	67, 431
India.....	64, 861
South Africa.....	66, 584
Fiji.....	35, 489
French West Indies.....	42, 970
Mauritius.....	14, 985
Swaziland.....	6, 081
Southern Rhodesia.....	6, 081
Ireland.....	2, 141
Belgium.....	1, 605
Turkey.....	1, 605
Subtotal.....	<u>471, 985</u>
Total.....	<u>2, 260, 000</u>

2. Foreign countries would be required to give commitments in advance that their quotas would be filled.

3. The effective date for the apportionment of deficits was made January 1, 1966.

4. The authority given the President to suspend the quota for any foreign country that expropriates property of the United States (sec. 11(4) of the House bill) was adopted as part of the bill.

5. A provision creating a national reserve of not to exceed 25,000 tons of sugar would be established in the beet area for certain hardship cases—additional marketing quota would be available to certain processors and additional acreage would be available to certain producers. (This modification is similar to provisions in secs. 5 and 10 of the House bill.)

GENERAL STATEMENT

A. Operation of the Sugar Act

The Sugar Act of 1948 is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade. These three objectives are achieved through the adjustment of the supplies of sugar that may be marketed in the United States.

It is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete

on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries.

Therefore, for many years, it has been the policy of the U.S. Government—for defense and strategic reasons—to promote within the United States the ability to produce a substantial portion of our sugar requirements. Sugar is a vital food needed by American consumers, the supply of which worldwide has been alternately scarce or in surplus.

Until 1934 protection was afforded to our sugar producers solely through the tariff. The tariff (formerly 2.5 cents per pound but now 0.625 cent per pound) did assist the domestic producers, but it still left them exposed to price fluctuations of the world sugar market. Moreover, it increased the price of sugar to consumers without assuring them adequate foreign sources of supply.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was enacted into law in 1934. This quota system was revised in 1937 and again in the Sugar Act of 1948.

A tax of 0.53 cent per pound is imposed on all sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugarbeets at a rate which ranges from 80 cents per hundredweight of recoverable sugar produced on small farms to as little as 30 cents per hundredweight of production in excess of 30,000 tons on large farms. To qualify for payments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugarbeets. Revenue from the tax on sugar has exceeded payments to domestic growers during each of the years under the program. Since 1937 the excess has totaled about \$550 million.

There is no price fixing in the program, but the U.S. price in the market place is kept within a desirable range by the management of supply in the operation of the law of supply and demand. The Secretary of Agriculture is authorized to determine how much sugar will be needed to meet continental U.S. requirements during each calendar year. The determination is made late in one year for the following year and may be revised as the needs change. It establishes the quantity of sugar that may be marketed in the United States during the year.

After the Secretary has determined overall requirements, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas in accordance with the provisions of the act. The bill, as reported, preserves the objective of the Sugar Act of 1948 and strengthens the program by recognizing recent changes in the sugar situation and adapting the act accordingly.

The Sugar Act has fostered increased sugar consumption while maintaining reasonable prices for American consumers. Under the program, consumption has increased from 6,574,000 tons in 1934 to an estimated 10 million tons in 1965. Per capita consumption in the United States is three times the per capita consumption around the world. American consumers enjoy lower prices for sugar than consumers in virtually all nations that do not produce their entire sugar needs. On January 1, 1965, the retail price of a pound of sugar in the United States averaged 11.64 cents, in France 12.6 cents, Italy 16

cents, Japan 14.2 cents, United Kingdom 11.1 cents, West Germany 14 cents, Sweden 15 cents, and Yugoslavia 13.3 cents.

B. The Sugar Crisis

The world's sugar economy has been disrupted in the last few years far more than in any other peacetime period in the last 40 years. During the fifties and for a year or two afterward, rising income throughout the world brought about expansion of sugar consumption at about double the rate of population growth, which itself was quite high. Meanwhile, in 1959, 1960, and 1961, replanting of canefields in Cuba was largely neglected. Then, in 1961 the authorities in Cuba, which for generations had been the world's sugar bowl, decided to diversify the economy. As a first step in that direction, all of the sugarcane then growing was cut in preparation for the planting of other crops. Traditionally, Cuba had followed the practice of storing sugar not only in the warehouses but also in most years as sugarcane carried over in the field from year to year. By destroying her canefields Cuba effectively eliminated a large part of the world's sugar reserves.

The Cuban decision resulted in a very large 1961 crop but in much larger production losses for each of the next 3 years. Meanwhile, the 1962 and 1963 European beet sugar crops were well below normal partly because of production restrictions in the first year but mostly because of poor weather. The impact of all these events was dramatic. World inventories of sugar fell from a record level of 16 million tons in September 1961 to only 10 million tons in September 1964, barely enough for 2 months' consumption. This sharp decline in sugar reserves occurred despite the fact that high prices during the period of stock depletion had substantial restraining effects on world sugar consumption. In fact there was no growth whatever in sugar consumption during the 2 years preceding September 1964.

1. *Effect on Prices.*—The drastic changes in the supply and demand pattern for sugar was promptly reflected in prevailing price levels. The world raw sugar price rose from an average of 2½ cents per pound in the first half of 1962 to more than 12 cents per pound in May and again in November of 1963. It has since fallen to an average of less than 2½ cents for the current year, and in September 1965 was as low as 1.65 cents.

High prices in the world market also affected the U.S. price. During the period from February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. Although on a comparable basis, this was 1½ cents per pound below the average of the world market, it was also 1½ cents above the usual price in the United States. Since the summer of 1964, sugar has been in ample supply. In June 1964 the world price dropped below the domestic price for the first time in 15 months. As a matter of fact, the domestic price itself fell slightly below its customary level for the balance of the year. For 1965, the domestic price, which has averaged 6.73 cents per pound, has been in line with the price contemplated in the Sugar Act.

2. *Effect on production.*—The developments just described affected production plans both at home and abroad.

Sugar production had not been restricted in any domestic producing area from 1961 through 1964, except temporarily with respect to the 1963 mainland sugarcane crop. In light of this freedom to plant,

production expanded rapidly in the mainland sugarbeet and sugarcane areas. Both areas were able to meet their quotas during the period of sugar scarcity and to add substantially to their inventories. The availability of domestically produced sugar and the cooperation of numerous foreign suppliers in letting us have sugar at a financial sacrifice to them substantially tempered the impact of the worldwide shortage on sugar prices in the United States. This benefited sugar consumers. Unfortunately, the extra sugar produced in the mainland cane and beet areas could not then and still cannot be sold under the Sugar Act because of quota limitations. This means that both the mainland producing areas are left with large inventories of sugar produced at the urging of the Government, and in some instances with Government financial aid. These areas could not market any of their extra production in either 1963 or 1964 and it has become essential that the surplus inventories be worked down in an orderly fashion over a period of years, commencing with 1965.

When sugar was in short supply, production expanded more quickly in the United States than in other parts of the world. The United States also was the first country to cut back production after the crisis was over. Both of the U.S. mainland sugar crops—beets and cane—are restricted this year. Sugarcane acreage has been cut 13 percent below the 1964 level and sugarbeet acreage 5 percent. Since acreage is guaranteed under the statute to reserve acreage growers in the localities where new sugarbeet factories have been constructed, the 5-percent cut for the sugarbeet area as a whole necessitated an average cut of 10 percent for all other growers who had produced sugarbeets prior to this year. Despite the production cutbacks, inventories will remain very large in both areas and further production cutbacks may be needed.

Production throughout the world has within the last year increased markedly. With lower prices, world consumption once again has started to climb, yet the current 1964–65 crop, estimated at a record 70 million tons, is so large that probably about 7 million tons will be added to inventories. Next year's crop of sugar throughout the world also is expected to be very large and inventories may continue to grow.

THE COMMITTEE BILL

The bill as amended by the Committee on Finance retains many of the features of previous legislation and of the House bill. It provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

A. Consumer protection

Particular attention has been devoted to the interests of consumers. First, both the mainland cane and the domestic beet-producing areas are given larger quotas, thus permitting more of our domestically produced sugar to be marketed during the term of the act. Second, quotas would be allocated to foreign countries generally on the basis of their demonstrated willingness and ability to service our market under the most trying circumstances and even in the face of financial sacrifice. Thus, the committee bill allocates most foreign quotas in accordance with performance in supplying us when sugar was extremely scarce during 1963 and 1964 and higher prices were available

in other markets. The committee believes that this method of allocating quotas is the best means of assuring the needed level of imports not only during extended periods when the United States is a premium price market but also in the exceptional periods when higher prices could be obtained by selling on the world market to other countries. by fixing the bulk of foreign quotas on performance in such a crisis as existed in 1963 and 1964, the committee is convinced that our consumers are afforded the greatest possible protection in the event of future sugar catastrophes. Exporting countries would be encouraged to continue to service our market at all times because nonperformance in any year would be grounds for reducing their quota in future years.

The committee also believes that the two mainland sugar-producing areas should carry significantly larger inventories than was customary prior to the sugar shortage period. The committee is strongly of the view that such higher inventories are needed in order to service adequately the higher quotas established for such areas and in order to provide a greater reservoir of sugar supplies which may be needed on short notice to help fulfill consumer needs. The committee recognizes the difficulties inherent in pinpointing the specific percentages of quotas for these areas which should be held as "effective" inventories on January 1 of a quota year under varying crop and market conditions. An effective inventory amounting to about 75 percent of the beet area quota historically has been held by the beet industry on January 1. The committee believes that this is too low a percentage and that normally the appropriate amount should be within the range of 82 to 90 percent for the beet sugar industry as a whole. When Louisiana produced the major portion of the mainland cane area's quota, the practice was to carry over a rather small effective inventory. Now that production in Florida represents a substantial part of the mainland cane area's quota, the committee believes that a larger effective inventory is necessary. As in the case of the beet area, it is difficult to specify the exact percentage of inventory which should be held in any given quota year under varying crop and market conditions, but it is the committee's view that an effective inventory of 60 to 70 percent on January 1 is proper under most conditions for the mainland cane area.

B. Extra marketing for mainland cane and beet areas

Mainland producers would in effect receive an advance on market growth to enable them to work off their sugar inventories in an orderly manner and with only moderate further curtailment of production. The two mainland areas would receive quota increases totaling 580,000 tons beginning this year at a consumption level of 9.7 million tons. Of this, 375,000 tons are allocated to the beet area, and the remaining 205,000 tons is destined for the mainland cane area. Their quotas would then remain constant at all levels of national sugar consumption between 9.7 and 10.4 million tons before again being accorded participation in market growth. Consumption is expected to exceed 10.4 million tons after 1970.

C. Foreign country quotas

Initially, the increase in domestic quotas would entail a reduction of imports from the level established by the 1962 amendment to the act. However, all market growth would go to foreign countries until

consumption reached 10.4 million tons annually, at which time the balance between domestic and foreign quotas under the present law would be virtually reestablished. Experience indicates that supplying foreign countries as a group can be expected to recover their share of the market by 1971. They would also be assured of a price which usually includes a substantial premium. Thus, under the committee bill foreign countries would achieve both volume and price protection.

The domestic price during the period of world scarcity could not have been held below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them that sold us sugar during 1963 and 1964 sustained substantial financial losses by doing so. At no other time during the life of the Sugar Act has the domestic price been at so great a discount. The allocation of foreign quotas as provided by the committee bill in most instances recognizes the cooperation of our supplying countries. Quotas are allocated essentially on the basis that each country contributed toward our sugar needs in 1963 and 1964 but with the latter year given double weighting. The reason for double credit for 1964 shipments is clear. Although our foreign suppliers sustained a price discount on their imports to the United States in 1963, the price disadvantage to them was much greater in December 1963 and January 1964, when they committed themselves to supply our 1964 sugar needs. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first weeks of 1964, sugar was far scarcer than in early 1963 when that year's imports were committed.

D. Impact on cane sugar refineries

The market for refined cane sugar initially would be curtailed under the bill as compared to present law because of the increase in the quota for beet sugar, which is produced from sugarbeets in a single operation. However, cane sugar refiners' share of the market would increase more rapidly under the bill than under existing law since all market growth would be assigned to foreign countries until consumption exceeded 10.4 million tons. Sugar from foreign countries is the principal raw material for our cane sugar refiners. As sugar consumption increases during the period of the extension, refiners' volume of business would be larger than the average for recent years, and by the end of 1971 it is expected that refiners' proportionate share of the market would be virtually as large as under the present law.

SECTION-BY-SECTION DESCRIPTION

The bill as amended by the Committee on Finance extends the act for 5 years to December 31, 1971, and would generally become effective January 1, 1965. It also fixes foreign quotas for a 2-year period—1966 and 1967.

Section 2. Consumption estimate

The primary device for controlling the supply of sugar is the consumption estimate. Section 2 provides that the determination of consumer requirements be made by the Secretary during the last 3 months in each year (rather than in December under the present law) for the succeeding year, and that he use as a basis for the determination the quantity of sugar distributed for consumption during the 12-month period ending September 30 (rather than October 31). This change is needed to provide time for establishing quarterly limitations

on imports in the first half of the year (as authorized by sec. 3 of the bill) if such action is necessary to stabilize sugar prices.

The committee has been concerned with the fact that the price stability which the Congress intended under section 201 of the act has not been consistently achieved. It is the committee's view that appropriate adjustments in the annual consumption estimate should be made from time to time so as to achieve price stability at approximately the target price resulting from the application of the price relationship formula outlined in section 201 and that the Secretary's responsibility to make such adjustments applies equally to price levels above and below the target price. In indicating that adjustments in the consumption estimate be made from time to time, the committee is not suggesting that the Secretary seek to pinpoint the New York daily raw sugar price but rather that he seek to achieve and consistently to maintain the approximate target price throughout the quota year.

Section 3. Quotas

Section 3 establishes quotas.

A. Domestic quotas.—For the domestic beet sugar area and the mainland cane sugar area quotas are fixed at 3,025,000 and 1,100,000 short tons, raw value, respectively, instead of 2,650,000 and 895,000 short tons, raw value, as under present law. Quotas for these areas would be increased only when consumption requirements are in excess of 10,400,000 short tons. They would be increased by 65 percent of the excess over 10,400,000 short tons. Conversely, they would be decreased by 65 percent of the amount consumption requirements are less than 9,700,000 short tons. The quotas for Hawaii, Puerto Rico, and the Virgin Islands remain unchanged from present law. The basic quotas assigned to domestic areas would be increased by 580,000 tons under the bill as indicated in the following comparison of existing quotas:

[In short tons]

Area	Present legislation	Bill as reported
Domestic beet sugar.....	2,650,000	3,025,000
Mainland cane sugar.....	895,000	1,100,000
Hawaii.....	1,110,000	1,110,000
Puerto Rico.....	1,140,000	1,140,000
Virgin Islands.....	15,000	15,000
Total.....	5,810,000	6,390,000

The domestic quota provisions of the committee bill are identical to the corresponding features of the House bill.

B. The Philippines.—The quota for the Republic of the Philippines is not changed by the bill. It remains at 1,050,000 short tons, raw value. However, for the first time the Philippines would be permitted to share in growth of the U.S. sugar market. Under the bill there would be added to the basic Philippines quota 10.86 percent of the amount, not exceeding 700,000 short tons, raw value, by which the determination of consumption requirements for the United States exceeds 9,700,000 short tons, raw value. This change, together with the new rules for allocating deficits, recognizes the Philippines contribution to our supplies during our sugar crisis.

C. Other foreign countries.—Section 3 also provides specified percentage prorations (based on contributions to our import needs in 1963 and 1964, generally with single weighting for 1963 and double weighting for 1964) for named countries subject to special limitations on growth for Australia, Belgium, the French West Indies, and South Africa; proration of the Cuban quota reserve also would be made on a similar basis to such named countries; and any foreign quota or part thereof suspended by the President would be prorated to Western Hemisphere countries.

The total quantities allocated to foreign countries are identical under both the committee bill and the House bill. The pattern of distribution among countries is different, and under the committee bill, the foreign quotas apply for only 2 years—1966 and 1967. The 2-year extension for the foreign quotas provided by the committee bill (rather than 6 years as under the House bill) is undertaken because of lack of opportunity to make an exhaustive study. The foreign quotas approved in the bill are not intended, in any way, to commit the United States to give any foreign nation a permanent quota.

The Secretary would be authorized to acquire limited quantities of sugar on a first-come, first-served basis from foreign countries if he determines such quantities cannot as a practical matter be obtained by allocation as quotas to quota countries. This provision, substantially similar to a feature of the House bill, should enable the Secretary to obtain supplies quickly in emergency situations and at reasonable prices. The committee believes that the need to invoke this provision should rarely arise. Full apportionment of foreign quotas on a country-by-country basis, together with the penalty provisions of subsection 202(d)(4), should, in most instances, insure that foreign raw sugar will be delivered to this country as needed.

However, the committee recognizes the possibility that high world market prices might cause some foreign producers to divert sugar to the world market during the early part of a year, thus delaying their shipments to the United States in anticipation of a later rise in U.S. prices or a later decline in world prices. The result could be a temporary shortage in the supply of foreign raw sugar offered to U.S. buyers. In this, or similar circumstance, subsection 202(d)(2) would authorize the Secretary, if he finds that the regular procedures for apportioning increased requirements among quota countries would not result in delivery of the sugar when needed, to authorize its entry from whatever country or countries are prepared to meet our needs.

The committee does not contemplate that this subsection would be used except where world prices are so high or threaten to become so high as to interfere with maintenance of the act's domestic price objectives or if very late in the year it is impracticable to obtain needed supplies in the usual manner.

The committee did not believe that it was appropriate to include in this subsection a provision limiting the Secretary's freedom in the emergency situation by requiring that special consideration be given to obtaining sugar from countries purchasing U.S. agricultural surpluses. When this emergency power would have to be utilized, it would be dangerous to price stability if we had to wait to get commitments of the type envisioned in the House bill.

Provision is made for withholding the Cuban quota during the period of suspension of diplomatic relations, and for withholding the

quota or any part thereof for any foreign country when the President determines such withholding would be in the national interest of the United States.

The quotas for foreign countries other than the Republic of the Philippines are prorated as follows:

Distribution of foreign sugar quotas
[Assumed consumption estimate of 9,700,000 tons]

	Senate com- mittee bill	House bill
(A) For the following countries in the Western Hemisphere:		
Mexico.....	390,135	340,925
Dominican Republic.....	422,512	340,925
Brazil.....	272,013	340,925
Peru.....	272,013	272,013
British West Indies.....	122,017	150,397
Ecuador.....	49,770	50,267
Colombia.....	27,829	42,970
Costa Rica.....	34,736	42,169
Nicaragua.....	40,072	38,511
Guatemala.....	35,321	32,836
Venezuela.....	2,076	30,809
El Salvador.....	17,125	30,403
Haiti.....	18,731	28,782
Panama.....	14,449	25,134
Argentina.....	63,685	21,485
British Honduras.....	4,281	19,864
Bolivia.....		4,054
Honduras.....		4,054
Subtotal.....	1,788,015	1,816,513
(B) For the following countries:		
Australia.....	102,152	162,162
Republic of China.....	67,431	67,293
India.....	64,861	64,861
South Africa.....	66,584	29,693
Fiji.....	36,489	24,323
French West Indies.....	42,970	42,970
Thailand.....		19,864
Mauritius.....	14,985	14,188
Swaziland.....	6,081	6,081
Southern Rhodesia.....	6,081	6,081
Malagasy Republic.....		6,081
Ireland.....	2,141	
Belgium.....	1,605	
Turkey.....	1,605	
Subtotal.....	471,985	443,970
Total.....	2,260,000	2,260,000

For purposes of allocating deficits, the French West Indies are not considered to be a country within the Western Hemisphere. The committee bill follows the provisions of existing law in maintaining the so-called Cuban reserve quota at 57.77 percent of the total amount of foreign requirement after deducting the allowance for the Philippines. (The House bill would have reduced this Cuban reserve to only 44.25 percent.) A special feature of the House bill would have provided quotas of 10,000 tons for the Bahamas. This feature was not included in the committee bill.

The committee gave consideration to the differing formulas for allocating growth among foreign countries as the U.S. consumption requirements increased from 9.7 to 10.4 million tons. There are only minor differences in this regard between the House bill and the committee amendment. The House bill would have permitted practically all countries, whether developed or not, to increase their quotas at an equal rate until a 10 million ton consumption estimate was reached,

and after 10 million tons would assign the Cuban share to members of the Organization of American States and permit all to share equally in the remainder. The committee amendment provides for differential growth rates for four sets of countries:

1. French West Indies and Belgium: No growth.
2. The Philippines: Their share of growth is 10.86 percent of increased U.S. consumption. This represents their share of the total U.S. sugar requirements.
3. Australia and South Africa: Growth only at the rate foreign countries as a group had in the 1962 act; i.e., at a rate equal to 35 percent of market growth.
4. All other countries which participate in our sugar system are underdeveloped countries. Their share in the growth of our market will grow faster than the above countries, first, because foreign countries as a group will be given all the growth as our market expands from 9.7 to 10.4 million tons, and, second, because the other countries noted above receive proportionately slower increases.

The committee amendment reflects the philosophy that the benefits of growth of consumption under our sugar program should flow more to developing countries than to developed countries.

The bill also provides that no quota shall be established for any foreign country, except Ireland, for the year following a 24-month period in which the quantity of sugar imported into such country equaled or exceeded exports to countries other than the United States.

D. Reduction of quotas.—Also under section 3, a reduction in subsequent years' quotas is required if any foreign country fails to fill its quota and allocated deficits in any year, unless such failure was due to crop disaster or the intervention of other similar events. This provision includes a requirement designed to encourage foreign countries to carry reserves of 15 percent for the protection of our supplies. Reduction in quotas would be prorated to other countries in the same manner as deficits; that is, 47.22 percent of the amount of the reduction would go to the Philippines and the remainder would be allocated to Western Hemisphere countries.

It is provided that restoration of a quota withheld by the President in the national interest (or restoration of the Cuban reserve share) would be as the President determines, provided he restores the entire quota by the third year after he finds that such restoration is no longer contrary to the national interest. Whenever any quota is reduced to restore a quota withheld for a foreign country by the President in the national interest, or because of a reduction in consumption requirements, any amount of sugar imported or marketed in excess of the reduced quota would be deducted from such quota for the next year. These provisions are identical to comparable features of the House bill.

The bill also includes a provision, not contained in the House bill, which directs the Secretary of Agriculture to withhold the quota from any foreign country to the extent that it fails to provide assurance to the Secretary that it will fill its quota for all of the years for which such quotas are authorized. Any part of a quota for which such assurance is not given would be prorated to other foreign countries in the same manner as quota deficits. Nothing in this provision, however, would operate to limit in any way the reduction in quotas for future years for failure to fill quotas by shipment of the sugar to this country.

E. Quarterly limitations on imports.—Several amendments to sections 202 and 204 of the Sugar Act have been made to insure the integrity of the supply of raw sugar for refiners. The act establishes a delicate balance among the various supplying areas and countries and this balance must be maintained if the quota system established by the act is to work. The Secretary is required to determine and allocate deficits so as to assure availability of the sugar for importation during the calendar year. Further, to the extent then known, the Secretary is required to determine and allocate deficits not later than August 1 of each year.

The primary tool to be used to achieve the purposes of the act is adjustment of the consumption determination under section 201. If such adjustments would not, in the view of the Secretary, achieve these purposes, then under section 3 of the bill, the Secretary is authorized to impose import quota limitations on a quarterly basis.

These limitations may be imposed only during the first and second quarters of the calendar year, and then only if such action is necessary to achieve the objectives of the act. In no event shall such limitations prevent importation during the year of a country's entire quota as well as deficits allocated to it. This provision is necessary to counteract the adverse effect on domestic prices which could result from pushing sugar on this market early in the year when world prices are depressed below the U.S. price as they are at present. There was no comparable provision in the House bill.

Section 4. Deficits

Section 4 of the bill provides that deficits determined by the Secretary in domestic areas and foreign country quotas would be divided between the Philippines and Western Hemisphere countries (other than the French West Indies): 47.22 percent would go to the Republic of the Philippines and the remainder would be allocated to countries in the Western Hemisphere in ratio that they share in quotas. Notwithstanding this formula for allocating deficits the President may allocate any part of the Western Hemisphere share of a deficit to one or more Western Hemisphere countries if he determines such action would be in the national interest. If any of Cuba's quota is restored, the share for the Philippines would be reduced. Known deficits are to be allocated by August 1 of each year.

Section 5. Domestic allotments

Section 5 provides that if allotments of a domestic area's quota are in effect at the time of a reduction in the quota, amounts marketed in excess of the reduced allotment would be disregarded in determining that person's allotment for the next year, and the allotment for such person for the next year would be reduced by the amount of such excess marketings.

This section was amended by the committee to authorize the Secretary to give special consideration to the needs of nonaffiliated single-plant processors of sugarbeets subject to specified tonnage limitations. The House bill contained a similar provision for these small sugarbeet processors.

Section 6. Sugar-containing products

Section 6 prescribes a limit upon the authority of the Secretary to reduce the quantity of a sugar-containing product which may be imported during any calendar year, and requires a determination that

importation of the sugar-containing product would substantially interfere with the attainment of the objectives of the act before limitation may be imposed on the quantity imported.

Confectionery imports.—Section 206 of the Sugar Act provides for the imposition of import limitations on sugar-containing products under certain conditions. The language of the current law, the committee feels, is ambiguous and would be difficult to apply. Therefore, the bill contains a revision of this section.

A number of sugar-containing products, because of their nature, are not conducive to importing. However, a problem exists in reference to confectionery and chocolate. Imports are and have been increasing steadily for some years. In 1964 over 106 million pounds were imported.

Recent world raw sugar spot price quotations have been only slightly in excess of 2 cents per pound. Contrasted to this has been a domestic spot raw price of almost 7 cents per pound. When foreign manufacturers of confectionery manufacture products for shipment to the United States, they are able to acquire refined sugar which reflects the world price for raw sugar. With any such price spread, and even with considerably less of a price spread than now exists, a most serious competitive situation is presented to the domestic confectionery industry; and the committee believes the amendments made by this section of its bill adequately empower the Secretary to establish quotas on imports of confectionery and chocolate. The committee further believes that early action is desirable before imports increase further so as to avoid a contention by foreign suppliers of confectionery to the U.S. market that they have acquired a vested interest in the market.

Section 7. Direct consumption sugars

Section 7 restates the present limitation upon direct-consumption sugar from the Philippines in terms of short tons, raw value. It provides that none of the quota for any country other than the Philippines may be filled by direct-consumption sugar with the exception of the quotas for Ireland, Belgium, and Panama, in the respective amounts of 2,311 short tons, 182 short tons, and 3,817 short tons.

Section 8. Virgin Islands

Section 8 permits a person, to import in any year up to 100 pounds of sugar into the Virgin Islands from any foreign country. (This change conforms to treatment now provided in regulations applicable to imports into the continental United States.)

Section 9. Industrial alcohol

Section 9 recognizes improved technology in the manufacture of industrial alcohol. The present law exempts from quota control, sugar used in the distillation of alcohol. The amendment extends the exemption to sugar used in the production of alcohol by methods other than distillation if the alcohol or resulting products are not to be used for human consumption. There was no comparable provision in the House bill.

Section 10. Import fee

Section 10 repeals section 213 relating to import fees.

Sections 11 and 12. Miscellaneous

Sections 11 and 12 provide for annual hearings to consider the need for farm proportionate shares; for limiting the sugar beet acreage

reserve to the years 1962 through 1966, except for limited acreage for the 1966, 1967, and 1968 crops of sugarbeets to provide additional sugar marketing opportunity for certain small sugarbeet processors; for preserving sugarbeet production history where proportionate share acreage is relaxed; and for utilizing the facilities of the Commodity Credit Corporation to disburse payments to domestic producers of sugarbeets and sugarcane; and for the suspension of quotas or other importation of sugar for countries which expropriate or otherwise discriminate against property in those countries.

The sugarbeet acreage reserve provisions written in 1962 provide for expansion of the beet sugar industry through 1966.

This bill does not continue the reserve from market growth for new beet processing plants because there is a present surplus of beet production and, under the bill, the beet sugar area will not share in marketing growth until the consumption estimate for the United States exceeds 10.4 million tons. Rather than trying to make at this time any provision for expansion of the industry after that consumption level has been reached, the Committee on Finance, like the Committee on Agriculture of the House, believes that this matter should be considered independently and on its merits when U.S. consumption reaches the level where the beet area will once again share in the market growth and a provision for additional facilities would be meaningful.

The bill provides that during the period when the provisions of title II are suspended by the President, the Secretary is required to estimate and publish consumption requirements and foreign country quotas on the basis provided in the act, and if a country fails to import into the United States the amount of such estimated quota, the quota established for such country in subsequent years would be reduced.

The committee amendment includes a revision of subsection (c) of section 408 (relating to the authority of the President to suspend quotas for expropriation of the property of U.S. citizens) to authorize suspension of quotas for various acts contrary to U.S. interests.

The last amendment made by section 12 extends the Sugar Act through December 31, 1971, except that the foreign quotas provided by the bill are to apply for only 2 years—1966 and 1967.

Sections 13 and 14. Effective dates

These sections (1) extend the sugar tax provisions of the Internal Revenue Code through December 31, 1971, to conform to the extension of the Sugar Act, and (2) make the amendments under the bill apply as of January 1, 1965, except that the new deficit rules will not apply until 1966.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SUGAR ACT OF 1948, AS AMENDED

* * * * *

TITLE II—QUOTA PROVISIONS

ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the [month of December in] *last three months* of each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar years as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending [October 31] *September 30* next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term "parity index" as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture.

PRORATION OF QUOTAS

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

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

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

[(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.]

(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar.....	3, 025, 000
Mainland cane sugar.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Total.....	6, 390, 000

(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, there shall be added or deducted, as the case may be, an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas.

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

the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

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

(b) *For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value.*

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

[(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

[(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

Country	Per centum
Cuba	57.77
Peru	6.71
Dominican Republic	6.71
Mexico	6.71
Brazil	6.37
British West Indies	3.19
Australia	1.41
Republic of China	1.24
French West Indies	1.06
Colombia	1.06
Nicaragua	.88
Costa Rica	.88
Ecuador	.88
India	.71
Haiti	.71
Guatemala	.71
South Africa	.71
Panama	.53
El Salvador	.36
Paraguay	.35
British Honduras	.35
Fiji Islands	.35
Netherlands	.35

[(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963.) For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

[(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

[(4)(A) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

[(B) Of the quantity authorized for purchase and importation under subparagraph (A), the President is authorized to allocate to countries within the Western Hemisphere, for the six-month period ending December 31, 1962, an amount of sugar, raw value, not exceeding in the aggregate seventy-five thousand short tons, and for the calendar years 1963 and 1964, an amount of sugar, raw value, not exceeding in the aggregate one hundred and fifty thousand short tons.

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

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

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

[(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred. The provisions of this subsection shall not apply to sugar exported by any foreign country to the United States to fill any allocation made to it under subsection (c)(3)(C).

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

(c)(1) *For foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.*

(2) *For the calendar year 1965, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection, among foreign countries on the basis of the quotas established in sugar regulation 811, as amended, issued February 15, 1965, (30 F.R. 2206).*

(3) For calendar years 1966 and 1967, for individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

(A) For the following countries in the Western Hemisphere—

Country	Per centum
Cuba.....	57.77
Dominican Republic.....	7.90
Mexico.....	7.29
Peru.....	5.08
Brazil.....	5.08
British West Indies.....	2.28
Argentina.....	1.19
Ecuador.....	.93
Nicaragua.....	.76
Guatemala.....	.66
Costa Rica.....	.65
Colombia.....	.62
Haiti.....	.35
El Salvador.....	.32
Panama.....	.27
British Honduras.....	.08
Venezuela.....	.05

(B) For the following countries—

Country	Per centum
Australia.....	3.03
China, Republic of.....	1.26
South Africa.....	1.24
India.....	1.21
French West Indies.....	.80
Fiji Islands.....	.66
Mauritius.....	.28
Southern Rhodesia.....	.12
Swaziland.....	.12
Ireland.....	.04
Belgium.....	.03
Turkey.....	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:

Country	Short tons, raw value
Australia.....	68,478, plus .73 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa.....	28,024, plus .30 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
French West Indies.....	18,080.
Belgium.....	678."

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1) (A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries

named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: Provided, That in no event shall the quota established under this subsection for Australia, South Africa, the French West Indies, and Belgium exceed the following:

Country	Short tons, raw value
Australia-----	93,674, plus 1.00 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa-----	35,560, plus .41 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
French West Indies-	24,890, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium-----	927, less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2)(A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c)(3)(A) on the basis of the quotas then in effect for such countries.

(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term "quota" as defined in this Act shall include a temporary quota established under this subsection.

(2)(A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d)(1)(B): Provided, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter

reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

(3) No quota shall be established for any country other than Ireland for any year following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year: Provided, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

(6) If any foreign country fails to give assurance to the Secretary, on or before December 31, 1965, that such country will fill the quota as established for it under subsections (c)(3) and (d)(1) of this section for years after 1965, the quota for such country for such years shall be reduced to the amount which the country gives assurance that it will fill for such years. The portion of the quota for such country for which such assurance is not given shall be withdrawn for such years and a quantity of sugar equal to such portion shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of applying paragraph (4) of this subsection, any reduction in the quota of a foreign country under this paragraph shall be disregarded.

(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: Provided, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: Provided, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.

PRORATION OF QUOTAS DEFICITS

SEC. 204. [(a) The Secretary shall from time to time determine whether, in view of the current inventory of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area of foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines by prorating to it an amount of sugar which bears the same ratio to the deficit as the quota for the Republic of the Philippines determined under section 202(b) then in effect bears to the sum of such quota for the Republic of the Philippines and of the prorations to foreign countries named in section 202(c)(3)(A) then in effect; and shall allocate an amount of sugar equal to the remainder of the deficit to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): Provided, That no part of any such deficit shall be prorated or allocated to any country not in diplomatic relations with the United States. If the Secretary determines that the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to foreign countries within the Western Hemisphere named in section 202(c)(3)(A): Provided, That no such

allocation shall be made to any foreign country not in diplomatic relations with the United States. In making allocations for foreign countries within the Western Hemisphere under this subsection, special consideration shall be given to those countries purchasing United States agricultural commodities. If the Secretary determines that neither the Republic of the Philippines nor the countries within the Western Hemisphere named in section 202(c)(3)(A) can fill all of any such deficit whenever provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit. (7 U.S.C. 1114(a).)

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

SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries: Provided, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(3)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in section 202(c)(3)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availability of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c)(3)(A) may be allocated to one or more of such countries with a quota in effect of such basis as the President finds appropriate.

(b) The quota established for any domestic area or any foreign country under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section: Provided, That the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure.

ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugar beets or sugarcane, limited in any year when proportionate shares were in effect to processings to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new-sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. *The Secretary is also authorized in making such allotments of a quota for any calendar year to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need for*

establishing an allotment which will permit such marketing of sugar as is necessary for the reasonably efficient operation of any nonaffiliated single plant processor of sugarbeets: Provided, That the marketing allotment of any such processor of sugarbeets shall not be increased under this provision above an allotment of twenty-five thousand short tons, raw value: Provided, further, That the total increases in marketing allotments made to processors in the domestic beet sugar area pursuant to this sentence shall be limited to twenty-five thousand short tons of sugar, raw value, for each calendar year. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made. If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount.

* * * * *

SUGAR-CONTAINING PRODUCTS

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

sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.】

(a) *If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: Provided, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.*

(b) *In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.*

(c) *In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importations relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act.*

DIRECT CONSUMPTION SUGAR QUOTAS

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

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided, That*

one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

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

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

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

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar. The provisions of this paragraph shall not apply to any allocation made to a foreign country under section 202(c)(3)(C)].

(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: Provided, That the quotas for Ireland and Panama may be filled by direct-consumption sugar to the extent of ten thousand short tons, raw value, for Ireland and three thousand eight hundred and seventeen short tons, raw value, for Panama.

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

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

* * * * *

PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota or proration has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugar beets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotment of any quota, direct-consumption portion of any quota, or proration or allocation of any quota, made to them pursuant to the provisions of this Act;

(e) From bringing or importing into the Virgin Islands for consumption therein, [any sugar or liquid sugar] any sugar or liquid sugar in excess of one hundred pounds in any calendar year produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

* * * * *

INAPPLICABILITY OF QUOTA PROVISIONS

SEC. 212. The provisions of this title shall not apply to (1) the first ten short tons, raw value, of sugar or liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year; (2) the first ten short tons, raw value, of sugar or liquid imported from any foreign country, other than Cuba and the Republic of the Philippines, in any calendar year for religious, sacramental, educational, or experimental purposes; (3) liquid sugar imported from any foreign country, other than Cuba and the Republic of the Philippines, in individual sealed containers of such capacity as the Secretary may determine, not in excess of one and one-tenth gallons each; or (4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the distillation of alcohol, including all polyhydric alcohols, or for livestock feed, or for the production of livestock feed, *or for the production (other than by distillation) of alcohol, including all polyhydric alcohols, but not including any such alcohol or resulting products for human consumption.*

* * * * *

[IMPORT FEE

[SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4)(A) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and

release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

[(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objectives set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4)(A) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4)(A) and (5) of section 202(c).]

* * * * *

ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b)(1) [Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.]

(b) (1) *The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an*

informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets and sugarcane.

(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the "national sugarbeet acreage requirement") on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

(3) **[In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar.]** *In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: Provided, however, That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for*

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

(4) The allocation of the national sugarbeet acreage requirement, to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

(5) **【In determining farm proportionate shares.】** *Whether farm proportionate shares are or are not determined,* the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the pro-

visions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(8) *In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallocated to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released.*

(9) *The Secretary is authorized to reserve from the national sugarbeet acreage requirements for the 1966, 1967, and 1968 crops of sugarbeets a total acreage estimated to yield not more than twenty-five thousand short short tons, raw value, for each such crop to provide any nonaffiliated single plant processor of sugarbeets with an estimated quantity of sugar for marketing of not to exceed twenty-five thousand short tons of sugar raw value. The Secretary shall allocate the acreage provided for in this paragraph to farms on such basis as he determines necessary to accomplish the purposes for which such acreages are provided under this paragraph.*

* * * * *

APPROPRIATIONS AND AVAILABILITY OF FUNDS

SEC. 402. (a) There is hereby authorized to be appropriated for each fiscal year for the purposes and administration of this Act the funds necessary to make the payments provided for in title III of this Act and such other amounts as the Congress determines to be necessary for such fiscal year to carry out the other provisions of the Act. (7 U.S.C. 1152(a).)

(b) All funds available for carrying out this Act shall be available for allotment to the bureaus and offices of the Department of Agriculture and for transfer to such other agencies of the Federal Government as the Secretary may request to cooperate or assist in carrying out the provisions of this Act. *The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: Provided, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such programs.*

* * * * *

SUSPENSION OF QUOTAS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section. *During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: Provided, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year.*

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

[(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and bind-

ing decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.】

(c) In any case in which a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property or business enterprise owned or controlled by United States citizens or any corporation, partnership or association not less than 50 per centum beneficially owned by United States citizens or (2) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to the property or business enterprise of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States or (3) imposed upon or enforced against such property or business enterprise so owned or controlled, discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating or otherwise seizing ownership or control of such property or business enterprise or (4) violated the provisions of any biolateral or multilateral international agreement to which the United States is a party, designed to protect such property or business enterprise so owned or controlled, and has failed within six months following the taking of action in any of the above categories to take appropriate and adequate steps to remedy such situation and to discharge its obligations under international law toward such citizen or entity, including the prompt payment to the owner or owners of such property or business enterprise so nationalized, expropriated or otherwise seized or to provide relief from such taxes, exactions, conditions or breaches of such international agreements, as the case may be, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be allocated in the same manner as deficits are allocated under section 204 of this Act.

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TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on December 31, 【1966,】 1971 except that the Secretary shall have power to make payments under title III under programs applicable to the crop year 【1966】 1971 and previous crop years.

INTERNAL REVENUE CODE OF 1954

CHAPTER 37

Subchapter A—Sugar

SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the rate of 0.53 cent per pound of the total sugars therein. The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured. (26 U.S.C. 4501(a).)

(b) TERMINATION OF TAX.—No tax shall be imposed under this subchapter on the manufacture or use of sugar or articles composed in chief value of sugar after June 30, [1967] 1972. Notwithstanding the provisions of subsection (a), no tax shall be imposed under this subchapter with respect to unsold sugar held by manufacturer on June 30, [1967] 1972, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

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SEC. 6418. SUGAR.

(a) USE AS LIVESTOCK FEED OR FOR DISTILLATION OR PRODUCTION OF ALCOHOL.—Upon the use of any manufactured sugar, or article manufactured therefrom, as livestock feed, or in the production of livestock feed, or for the distillation of alcohol, *or for the production of alcohol (other than alcohol produced for human consumption)*, there shall be paid by the Secretary or his delegate to the person so using such manufactured sugar, or article manufactured therefrom, the amount of any tax paid under section 4501 with respect thereto.

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SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

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(e) SPECIAL RULES IN CASE OF MANUFACTURED SUGAR.—

(1) USE AS LIVESTOCK FEED OR FOR DISTILLATION OR PRODUCTION OF ALCOHOL.—No payment shall be allowed under section 6418(a) unless within 2 years after the right to such payment has accrued a claim therefor is filed by the person entitled thereto.

MINORITY VIEWS ON SUGAR BILL

The sugar program for both domestic and foreign suppliers is the most highly subsidized commodity program of all. If this were a rational world, sugar would be grown in the Caribbean (where soil and climate cause costs to be low), imported into the United States, and the funds obtained by Caribbean countries for the sale of their sugar would, in turn, be used to buy American wheat, machinery, equipment, medicines, and other commodities in which we have a great natural advantage over them as they have a natural advantage over us in the production of sugar.

Instead, however, we have a domestic sugar program which pays tremendous subsidies to producers in order that it may be possible for sugar to be grown within the United States at all. In turn, under almost all features of past sugar programs and under both the administration bill and the House bill, foreign producers are, in turn, granted this highly subsidized American price. In effect, this is a tremendous windfall for most foreign producers.

If bananas were grown on Pike's Peak, and if the American Government subsidized the domestic producers in order to make it profitable and if we then, in turn, paid the producers of bananas in the Caribbean this same price, we would have almost an identical analogy to the sugar program.

The sugar program also has direct subsidies which former Secretary of Agriculture Brannon, whose proposals for other commodities have been heavily criticized by almost the same groups who support the sugar program, never dreamed of.

I

First of all, the total consumption for the country is set by the Department of Agriculture at 9.7 million tons a year. High prices are thus assured by limiting the amount of sugar which is available to refiners and consumers.

Second, production quotas are provided for each grower.

Third, production payments in the form of direct payments are made to growers. This amounts to from 30 to 80 cents per hundred-weight, or from \$6 to \$16 per ton depending upon the size of the farm or production unit.

In the 1964 crop year, \$90.5 million was paid in direct payments to producers. The average is about \$15 a ton. In the years since 1937, \$1.6 billion has thus been paid to producers under our domestic program.

Fourth, in addition to all this, marketing quotas are provided in order to limit the amount which is available for consumption. All this results in a domestic raw sugar price which, at present, is 6.85 cents a pound.

Fifth, in order to further protect the domestic producers and to increase the price to the consumer and to make it possible for sugar to

be grown domestically at all, a protective tariff of 62½ cents per hundredweight is assessed against all foreign sugar except for Philippine sugar which now comes in at 50 cents per hundredweight and which will not reach 62½ cents per hundredweight until 1975.

All of these provisions mean that the U.S. price on the average and over the years is considerably higher than the world price, which in the Caribbean is now about 2.1 cents a pound. After paying for freight and insurance, which amounts to about one-half cent per pound, and the tariff costs of 0.625 cent per pound, the price of Caribbean sugar in New York would be raised to 3.225 cents a pound. But, under the arrangements, the foreign shippers receive the highly subsidized American domestic price of 6.85 cents. This amounts to a subsidy of 3.6 cents per pound, or \$72 per ton over the world price—2.1 cents plus 0.5 cent plus 0.625 cent equals 3.225 cents; 6.85 cents minus 3.225 cents equals 3.6 cents per pound; 3.6 cents times 2,000 pounds equals \$72 per ton. For the 15-year period from 1950 to 1964, this bonus to foreign producers has amounted to 1.24 cents per pound, on the average, or \$24.80 a ton.

As a consequence, not only in this year but over a very long period of time, foreign producers have received tremendous bonuses or windfalls amounting to billions of dollars for the sugar they sell in the American market. This is the reason why they are so anxious to sell here and why there is such tremendous lobbying for a slice of this highly subsidized price.

The American consumer, therefore, is not only saddled with this high price, but, in addition, there is a processing tax of one-half cent per pound which is on top of the highly subsidized price and which is passed on to the consumer in the price he pays at retail. Last year this tax cost the American taxpayer and sugar consumer \$95.8 million and in the period from 1938 through 1964 these tax collections have amounted to \$2,144,533,392.

The consumer gets it in the neck. He pays an artificially high price in order that there be any domestic production at all. Foreigners who normally produce sugar at a cost of at least \$24 a ton below this highly subsidized price receive the subsidy also. And then the poor consumer pays through the nose by way of a processing tax.

I

WHO GETS THE SUBSIDY?

The following table gives the allocation of sugar under the proposed program:

	<i>Short tons</i>
Domestic beet.....	3, 025, 000
Mainland cane.....	1, 100, 000
Hawaii.....	1, 110, 000
Puerto Rico.....	1, 140, 000
Virgin Islands.....	15, 000
Subtotal.....	6, 390, 000
Philippines.....	1, 050, 000
Subtotal.....	7, 440, 000
Foreign.....	2, 260, 000
Total.....	9, 704, 000

Roughly 6.4 million tons is allocated to what is termed the American domestic market. The Philippines, under treaty arrangement, receive another 1.050 million tons. Finally, the remainder of 2.260 million tons is allocated to foreign producers.

At present world prices and at the \$72 per ton bonus, foreign suppliers will receive a bonus of about \$160 million a year, or \$800 million over the 5-year span of the House and administration proposals. Since the present world price is probably artificially low, it is perhaps fairer to use the average bonus of \$24 a ton over the last 15 years, which amounts to \$54 million a year—\$270 million over the 5 years of the proposed programs. So far as the consumer is concerned, this is only a small part of the price he pays both to domestic and foreign producers. At the present bonus of \$72 per ton for 9.7 million tons the consumer would pay almost \$700 million a year, or almost \$3.5 for 5 years in the form of total subsidies over the present world price.

One must add to both of these figures the approximate \$95 million per year, or \$475 million over the 5-year span of the program which the consumer pays by way of the processing tax.

These are indeed high prices and high charges with which the American consumer and taxpayer must be burdened for one of his basic needs of life.

III

During the Senate hearings on the bill, the Department of Agriculture spokesman agreed that the following list of 25 companies and the production payments they received for the 1963 crop year were substantially correct. That list follows:

U.S. Sugar Corp., Florida:	\$1,104,613.05.
Hawaiian Commercial & Sugar Co., Ltd., Hawaii:	\$1,074,520.77.
Oahu Sugar Co., Ltd., Hawaii:	\$574,552.89.
C. Brewer Puerto Rico, Inc., Puerto Rico:	\$569,233.42.
Lihue Plantation Co., Ltd., Hawaii:	\$559,892.84.
Waiialua Ag. Co., Ltd., Hawaii:	\$549,392.78.
Okeelanta Sugar Refinery, Florida:	\$548,282.33.
Luce & Co., Puerto Rico:	\$539,645.20.
Ewa Plantation Co., Hawaii:	\$460,721.35.
Pioneer Mill Co., Ltd., Hawaii:	\$444,611.23.
Kekaha Sugar Co., Ltd., Hawaii:	\$399,285.52.
Grove Farm Co., Ltd., Hawaii:	\$368,795.14.
Pepeekeo Sugar Co., Hawaii:	\$362,866.55.
Hawaiian Ag. Co., Hawaii:	\$359,090.02.
South Coast Corp., Louisiana:	\$356,593.10.
Antonio Roig Sucrs. S. en C., Puerto Rico:	\$346,517.03.
Laupahoehoe Sugar Co., Hawaii:	\$344,705.63.
Kohala Sugar Co., Hawaii:	\$332,175.94.
Olokele Sugar Co., Ltd., Hawaii:	\$312,628.01.
Puna Sugar Co., Ltd., Hawaii:	\$298,803.48.
Wailuku Sugar Co., Hawaii:	\$296,631.39.
McBryde Sugar Co., Ltd., Hawaii:	\$294,161.87.
Hutchinson Sugar Co., Ltd., Hawaii:	\$287,647.39.
Suc J. Serralles, Puerto Rico:	\$273,404.51.
Onomea Sugar Co., Hawaii:	\$268,893.31.

We asked the Department of Agriculture to give us the names and amounts received by the next 25 biggest producers. The Department provided the following list.:

Sugar Act payments, 1963 crop

Name	Area	Payment
Southdown, Inc.	Louisiana	\$251,883.25
Hilo Sugar Co., Ltd.	Hawaii	219,527.59
Kahuku Plantation Co.	do	200,247.80
Honokaa Sugar Co.	do	194,321.46
Gay & Robinson	do	178,998.15
Kilauea Sugar Co., Ltd.	do	169,638.86
Hamakua Mill Co.	do	162,312.03
Talisman Sugar Corp.	Florida	154,980.47
Florida Sugar Co.	do	153,802.09
Paauhau Sugar Co., Ltd.	Hawaii	139,861.67
Sterling Sugars, Inc.	Louisiana	136,333.19
Heirs of Gabriel Pla, deceased, et al.	Puerto Rico	123,696.72
Vicorp	Virgin Islands	120,479.24
A. Duda & Sons	Florida	111,248.35
Closter Farms, Inc.	do	109,001.48
Ramon Gonzalez Hernandez	Puerto Rico	108,592.20
Milliken & Farwell, Inc.	Louisiana	104,974.05
A. Willert & Sons L & S Co.	do	99,726.55
M. Mercado E. Hijos (partnership)	Puerto Rico	94,819.57
Osceola Farms Co.	Florida	93,579.29
South Florida Sugar Co.	do	93,306.84
Antonia Cabassa Vda Fajardo et al.	Puerto Rico	92,588.87
Sugarcane Farms Co.	Florida	89,359.00
715 Farms, Ltd.	do	80,105.02
Savoie Industries	Louisiana	77,729.96

These 50 largest producers received almost \$14.7 million, or 16 percent of the \$90.8 million paid to producers under the act in the 1963 crop year.

All this indicates that the bonus subsidies are received by a comparatively few big producers.

It can hardly be argued that in these cases the program supports the small farmer.

IV

It is probably impossible because of the long-time institutional arrangements involved to make any fundamental change in the domestic program at this time. And we in the Senate are never permitted to vote on the sugar program except at the end of a session when there is little or no time left. But there seems to be no justification whatsoever to extend this highly subsidized price to other countries, and we already know how to prevent this.

The following is the list of countries and the quotas that have been recommended for the next 5 years under both the administration bill and the House bill.

DISTRIBUTION OF FOREIGN SUGAR QUOTAS

Comparison of administration recommendation and House committee agreement

(Assumed consumption estimate of 9,700,000 tons)

	Administra- tion recom- mendation	House committee agreement	Change from administration recommendation	
			Increase	Decrease
For countries in the Western Hemisphere: ¹				
Cuba.....				
Mexico.....	390,135	340,925		49,210
Dominican Republic.....	385,854	340,925		44,929
Brazil.....	221,558	340,925	119,367	
Peru.....	240,824	272,013	31,189	
British West Indies.....	122,017	150,397	28,380	
Ecuador.....	49,770	50,267	497	
French West Indies.....	50,841	42,970		7,871
Colombia.....	27,829	42,970	15,141	
Costa Rica.....	34,780	42,159	7,373	
Nicaragua.....	40,672	38,511		2,161
Guatemala.....	35,321	32,836		2,485
Venezuela ²	2,676	30,809	28,133	
El Salvador.....	17,125	30,403	13,278	
Haiti.....	18,731	28,782	10,051	
Panama.....	14,449	25,134	10,685	
Argentina ²	63,685	21,485		42,200
British Honduras.....	4,281	19,864	15,583	
Bolivia ²		4,054	4,054	
Honduras ²		4,054	4,054	
Subtotal.....	1,720,554	1,850,483	287,775	148,856
For countries outside the Western Hemisphere: ¹				
Australia.....	186,772	162,152		24,620
Republic of China.....	67,431	67,293		138
India.....	96,865	64,861		32,004
South Africa.....	98,865	29,593		67,272
Fiji.....	45,489	24,323		21,166
Thailand ²		19,864	19,864	
Mauritius ²	14,985	14,188		797
Swaziland ²	9,098	6,081		3,017
Southern Rhodesia ²	9,098	6,081		3,017
Malagasy Republic ²	7,492	6,081		1,411
Ireland.....	2,141			2,141
Belgium.....	1,605			1,605
Turkey.....	1,605			1,605
Subtotal.....	539,446	400,517	19,864	158,793
Total.....	2,260,000	2,260,000	307,640	307,649

¹ Proposed new quotas.² Netherlands, 0.35 percent; Paraguay, 0.35 percent dropped. Failed to fill quota under 1962 act.

When asked for a justification of these grants, the administration witnesses first argued that this was a form of aid. When such countries as Australia, the Republic of China, South Africa, Belgium, and others, were mentioned to them and when they were asked to justify aid to these countries, they were unable to do so.

They were then questioned as to why both British and French protectorates, possessions, or dependencies were included, as they already are under both the French and British subsidized program. Here it was argued that we have a policy of nondiscrimination and make no distinction between and among countries to receive this largess. It was quickly pointed out to them that both the British and the French in their sugar programs do not practice such a policy of nondiscrimination. In the case of the French, they buy sugar only from their domestic producers or foreign possessions. In the case of the British, 80 percent of their sugar is purchased from their own possessions at a premium price, but the remaining 20 percent is pur-

chased on the world market at world prices which of course are below their subsidized prices.

At one point, it was argued that balance-of-payments considerations played a part in determining which country was on the list. It was shortly pointed out to the administration spokesmen, especially in the case of French possessions, the dollar exchanges they receive will go to the French treasury and, under the present policies of General de Gaulle, will then be used as claims on the American dollar which, in turn, will harm—not help—our balance of payments.

In the case of South Africa, such an argument is absurd for they are the largest gold producing nation in the world and do not need further increases in their balance of payments at out expense.

With respect to the administration argument that the highly subsidized price is helpful to these countries economically, it was pointed out that, in most countries, the payments go to a relatively small number of sugar producers in these countries and that it is only fortuitous if such payments end up in the hands of the workers and consumers of these countries; that in many cases large sums have gone into Swiss banks; and that no conditions of any kind—namely, that the countries use the funds for schools or roads or needed public facilities, or agree to proceed with tax reforms or land reforms, or that they help in any way to support or defend interest of the United States or our common interests in defense and foreign policy—are imposed.

Finally, the administration supporters fell back on the argument that their quotas were based on the fact that the formula they produced gave additional credit to certain countries for helping to supply sugar to us in 1963 and 1964 when supplies were short, at some cost to them. But it was quickly determined by simple calculation that they had already recouped in 1965 for any profits foregone in 1963 and 1964. And that under the projected 5-year program of the House and administration bills and the bonuses which would be provided, each of these countries would recoup in the 5-year period many times any monetary loss they might conceivably have suffered in the 1963-64 period.

V

WHAT SHOULD WE DO?

We believe that the 2.26 million tons which the United States buys abroad should be purchased at the average world price over the last 15 years, or at about 4.22 cents per pound. Shipping costs and the tariff are also a proper cost of laying down sugar in our market. The difference between the average world price and the highly subsidized American price should be recouped by way of an import tax and placed in the Treasury. These funds, in turn, could be used for the Alliance for Progress in order to assure that the premium payments do in fact go to the ordinary people in the Alliance for Progress countries and not to the wealthy overlords. This proposal has several economic and social advantages:

1. First, it would not use the presently depressed world price as a basis for buying the sugar but a fair price based on a 15-year average world price which most observers agree is one which covers the cost of production.

2. While it would not reduce prices to the American consumer, it would nonetheless provide funds for the Alliance for Progress which the consumer as a taxpayer would otherwise have to pay. To that degree it would be a saving to the American consumer and the taxpayer.

3. It would assure that the funds went to the people and not to the big landowners and/or into Swiss banks.

4. It would help to do away with the unseemly lobbying and pressures which have brought this program into disrepute. These pressures and high fees for lobbyists naturally exist when such huge subsidies and windfalls are at stake.

5. The present foreign quotas are basically the old Cuban quota, redistributed among these producers. Countries which receive a quota at the present high prices are naturally not anxious to lose the quota. To this degree, there is less interest than there would otherwise be on the part of those who receive quotas for Cuba to become free again and to regain her old quota at the expense of those who now have a slice of it.

Thus, this proposal would help in our struggle for a free Cuba by diminishing the self-interest on the part of sugar interests elsewhere to keep Castro in power.

Some may argue that we have a special relationship with Latin America and that, if it is our policy to defend the Western Hemisphere against the inroads of communism or a Communist takeover in a particular country, we also have an American obligation to them which, in part, can be made through the sugar program. Even if one accepts this argument, and after Santo Domingo it has real force, surely we have no economic obligation in the form of sugar subsidies to areas outside the Western Hemisphere, and especially the 10 countries outside the Western Hemisphere given quotas under the House bill or the 12 countries under the original administration bill.

Furthermore, we have certainly no special obligation under the sugar program to those British and French possessions in the Caribbean which are already under the British or French programs. This is especially true since the British and French take no sugar at their highly subsidized price from any but British or French possessions.

Finally, we certainly have no obligation to a country such as Haiti with its cruel dictatorship and which could hardly qualify under any of the loose arguments put forward by the State and Agriculture Departments' witnesses.

We believe that we should try our best to do what is best in this program and to impose an import fee on all of the foreign producers. Failing that, we should at least impose such a fee on the sugar we receive outside the Western Hemisphere and from the British and French possessions inside the Western Hemisphere and Haiti.

If the Senate or Congress is unwilling to do any of these things, we believe Congress should postpone the foreign aspects of the bill until such time as the Senate committee and the Senate as a whole have the time to make a determination on this complicated subject in a rational way.

PAUL H. DOUGLAS.
ALBERT GORE.

