

92d Congress }
1st Session }

COMMITTEE PRINT

H.R. 8866—SUGAR ACT AMENDMENTS
OF 1971

ANNOUNCEMENT OF COMMITTEE DECISIONS
ORDERING THE BILL REPORTED

COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*



JULY 20, 1971

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1971

64-706 O

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P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
July 21, 1971

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 New Senate Office Bldg.

COMMITTEE AMENDMENTS TO THE SUGAR ACT

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the Committee on Finance concluded its action on the Sugar Act Amendments of 1971. The Committee generally agreed with the principal features of the House bill. These involve an extension of the Sugar Act for an additional period until December 31, 1974; the reallocation of 300,000 tons from the Puerto Rican and Virgin Islands deficits to the mainland cane area; the potential expansion of both the domestic cane area and the beet sugar area by an additional 100,000 tons (the beet expansion to come from the growth of the beet quota and the cane to come from reallocation of foreign quotas); the institution of a new system to regulate sugar imports through changes in the consumption estimates based upon price changes. The following paragraphs describe the Committee action on domestic and foreign quota provisions of the Act.

I. Amendments dealing with domestic allocations

The quotas for the domestic sugar areas under existing law, the House bill, and the Committee amendment are shown in the following table:

SUGAR QUOTAS, DOMESTIC PRODUCING AREAS
(Short tons, raw value)

Area	Present Law	House Bill	Finance Committee Bill
Domestic beet sugar	3,406,333	3,406,000	3,406,000
Mainland cane sugar	1,238,667	1,539,000	1,539,000
Hawaii	1,110,000	1,110,000	1,110,000
Puerto Rico	1,140,000	855,000	855,000
Virgin Islands	15,000	-0-	-0-
Total	6,910,000	6,910,000	6,910,000

This table reflects the Committee concurrence with the House provisions transferring 300,000 tons of sugar from the Puerto Rican and Virgin Islands deficits to the domestic cane growers. In addition, the Committee adopted a number of relatively minor amendments dealing with the operation of the program. These amendments are described below:

(a) Consumption estimate. -- The House bill provided that future consumption estimates will be determined solely by reference to the price objectives of the bill. The Committee concurred with this, but approved a technical change omitting unnecessary language in

the present law which had been overruled and superceded by the price objectives of the House bill.

(b) Virgin Islands and Puerto Rican quota. --Since the Virgin Islands has ceased the production of sugar, its quota of 15,000 tons would be terminated and reallocated to the mainland cane area. In addition, 285,000 tons of the Puerto Rican quota would similarly be allocated to the mainland cane area. The House bill reduced the Puerto Rican quota from 1,140,000 tons to 855,000 tons for 1972 and 1973 but raised it to 1,000,000 tons for 1974. Since there appears little likelihood that Puerto Rico would be able to meet this increase in 1974, the Committee retained the Puerto Rico quota at 855,000 tons for the period for which the Act would be extended.

(c) Sugar refined in Puerto Rico. --Under existing law the Puerto Rican quota includes an allowance for shipments of refined sugar. Under this provision, Puerto Rico may ship within its quota up to an amount equal to 1-1/2 percent of the Secretary's consumption estimate. The House bill would have restricted this concession whenever the Secretary's consumption estimate exceeded 11 million tons, to an amount equal to 0.5 percent of the excess consumption estimate. The Committee bill deleted the House provision and retains the existing law provision on refined sugar from Puerto Rico.

(d) Candy quota. --The Committee adopted an amendment (the text of Amendment 162 by Senator Curtis) which would impose quotas on confections equal to the larger of (1) the average quantity of the various tariff categories of sweetened chocolate and confections entered into the United States during the three prior years, or (2) five percent of the quantity of the various tariff categories of sweetened chocolate and confections sold in the United States during the most recent year for which reliable data are available.

(e) New York and Maine sugar beet factories. --The Committee approved an amendment which would give sugar beet processing factories in New York and Maine, which had been closed, an opportunity to reopen. In the case of the Maine factory, the Secretary of Agriculture would be given discretion to allocate sugar beet acreage required to yield 25,000 tons of beet sugar to the Maine factory only if he is satisfied that the venture could be successful. In the case of New York, the Committee amendment would permit the factory which closed after 1967 to reopen and would provide a sugar history for farmers supplying such factory. The House bill would have limited this privilege to those closed in 1970.

(f) Delete priority to closed facilities. -- In determining whether a new area or an area in which a processing facility was closed during 1970 would receive the necessary allotments, the House bill provided that "priority shall be given" to the closed facility. It further provided that the Secretary in making his determination should base it upon "the proven suitability of the area for growing sugar beets and the relative qualifications of localities." Because this appears to make the priority direction superfluous, the Committee deleted the priority language of the House bill.

(g) The Committee also approved the following changes:

(1) Reduced from a minimum of 4,000 acres to a minimum of 2,000 acres, a test of whether a producer who has lost his market for sugar beets would be entitled to retain his farm history for a three-year period;

(2) Clarified the House bill to insure that the 100,000 ton allocation of beet sugar for new facilities or old plants, applied to the life of the extension of the Act and did not involve successive increases of 100,000 tons in each of the years for which the Act is extended;

(3) Authorized the Secretary of Agriculture to determine and administer proportionate shares in the mainland cane areas differently in Louisiana and Florida;

(4) Corrected a technical error in the House bill to make it clear that if the Secretary exercises his authority to impose quarterly quotas, this authority shall not be applied to reduce the quota of sugar to be imported for any calendar year for any country below its annual quota, including deficits allocated to it for that year;

(5) Made a technical change to require a review of deficits by December 15 preceding the beginning of the quota year. This will provide quota lead-time for supplying nations to plan production and shipment of sugar to fill deficits allocated to them;

(6) Made a technical correction to assure that deficits of Hawaii and Puerto Rico may be filled jointly by the domestic beet sugar area and the mainland cane sugar area, instead of only by either area as provided in the House bill;

(7) Approved provisions in the House bill which provide for the termination of the sugar processing tax and the sugar payments in the event limitations on payments should be enacted during the term of the Act, with technical amendments assuring that the payments would be made with respect to the crop-year immediately preceding the year of termination of the tax but not for the year in which the termination occurs;

(8) Approved an amendment permitting the continuation of the use of existing "dependent" weighmasters, but specified that in the future any additional weighmasters must be "independent" of sugar brokers or refineries.

II. Foreign quotas other than the Philippines

The Committee substituted a pattern of quota distributions to foreign countries substantially different from those contained in the House bill.

Under the general procedure adopted by the Committee, countries in the Caribbean area (including Brazil which has been considered in the Caribbean area for purposes of marketing sugar) would be allocated quotas based on the higher of (a) their five-year average imports or (b) their present act distribution.

Other Latin American countries, not in the Caribbean (Peru, Ecuador, Argentina and Bolivia) would each receive their present act quota distribution less their 5-year average percent shortfall.

In the case of Eastern Hemisphere suppliers, quotas were uniformly distributed on the basis of their 5-year average shipments to the United States.

There were only two exceptions to this general rule. One was the Philippines whose allocation is described below; the other was Venezuela. Under the Committee bill, Venezuela would receive substantially the same quota allocation as Colombia.

The quota distribution under the Committee bill, the House bill, and the present Act are reflected on the following table.

Comparison of Sugar Quota Distributions Present Act, House Bill, and Finance Committee Bill

Production Area	Quota Distribution Under Present Act *	House Version of H. R. 8866 **	Finance Committee Bill ***
. . . . Short Tons, Raw Value			
Domestic Beet Area	3,406,333	3,406,000	3,406,000
Mainland Cane Area	1,538,667	1,539,000	1,539,000
Hawaii	1,110,000	1,110,000	1,110,000
Puerto Rico	355,000	355,000	230,000
Virgin Islands	-0-	-0-	-0-
Total Domestic Areas	6,410,000	6,410,000	6,285,000
Philippines	1,362,120	1,314,020	1,300,264
Mexico	557,748	537,545	590,894
Dominican Republic	545,481	525,737	659,874
Brazil	545,481	525,737	577,905
Peru	435,087	418,982	391,839
West Indies	188,777	192,251	204,520
Ecuador	79,370	80,774	79,084
French West Indies	59,384	-0-	63,858
Argentina	67,102	76,050	67,062
Costa Rica	64,217	65,185	71,110
Nicaragua	64,217	65,185	64,217
Colombia	57,723	73,688	61,047
Guatemala	54,115	55,265	59,835
Panama	40,406	41,567	40,406
El Salvador	39,682	40,151	43,964
Haiti	30,305	30,704	30,305
Venezuela	27,419	36,845	61,026
British Honduras	13,752	33,537	14,874
Bolivia	6,494	17,005	6,193
Honduras	6,494	17,005	6,494
Bahamas	10,000	33,537	10,000
Paraguay	0	15,116	0
Australia	203,785	206,025	196,162
Republic of China	84,910	85,844	81,734
India	81,514	82,494	77,973
South Africa	60,003	60,003	57,745
Fiji Islands	44,719	44,806	43,034
Thailand	18,681	18,844	14,152
Mauritius	18,681	30,150	17,761
Malagasy Republic	9,623	15,075	9,223
Swaziland	7,359	30,150	7,084
Malawi	-0-	-0-	-0-
Uganda	-0-	15,075	-0-
Ireland	5,351	5,351	5,351
Total Foreign	4,790,000	4,790,000	4,915,000
Total	11,200,000	11,200,000	11,200,000

* Assuming requirements of 11.2 million tons and 300,000 tons of Puerto Rican quota transferred to the domestic cane area and domestic deficits of 500,000 tons.

** In 1973 at a consumption estimate of 11.2 million tons and with deficits of 500,000 tons, the quota for Panama would be increased to 62,947 tons and a quota would be established for Malawi of 15,000 tons. Quotas for other countries except the Philippines would be reduced pro rata to accommodate those changes.

*** Assuming requirements of 11.2 million tons, Philippine basic quota of 1,300,000 tons; Domestic area deficits of 625,000 tons shared 40.04 percent (250,264 tons) to Philippines and balance to Western Hemisphere countries.

Under the Committee bill, (a) the quota allocation to the French West Indies would be restored; (b) no new countries would be brought under the Sugar Act; (c) there would be a maximum allocation of 800,000 tons for any country except for the Philippines (and the Cuban reserve) which would be limited to a maximum of 1.5 million tons; (d) the Cuban reserve would be retained as in present law; (e) the authority of the President to distribute deficits in the Western Hemisphere without regard to the formula in the Act if he deems it to be "in the national interest" is terminated; and (f) future growth in the Cuban reserve would be allocated to Western Hemisphere countries whether or not they are members of the O.A.S. These amendments are further explained in the following paragraphs:

Philippine Quota. -- Under present law, the statutory quota for the Philippines is 1,050,000 tons, plus a small allowance for growth which terminated several years ago. In addition, the Philippines are allowed 47.22 percent of all deficits. The House bill would increase the statutory quota to 1,126,000 tons and would reduce the Philippines' share of deficits to 37.6 percent. Applying the formula in the House bill (assuming a consumption estimate of 11.2 million tons and Puerto Rican deficits of 500,000 tons for allocation among foreign countries) the Philippines would be entitled to ship in 1,314,020 tons. The Committee was informed by the Department of Agriculture that the Puerto Rican deficit for 1971 will be larger than originally estimated by at least 125,000 tons.

The Committee retained the 1,050,000-ton statutory quota for the Philippines and provided it with 40 percent of all deficits. On the basis of the higher estimate of the Puerto Rican deficit (a total of at least 925,000 tons, of which 300,000 would be redirected to the mainland cane area, leaving 625,000 tons for allocation among foreign suppliers instead of 500,000 tons, as assumed by the House bill), the quota for the Philippines for 1972 would become 1,300,264 tons, approximately the same as the amount provided by the House bill.

Maximum Limitation on Sugar -- All Countries. -- Under present law, only the Philippines and the Cuban reserve enjoy a quota in excess of 1 million tons. Under its quota, the Philippines actually shipped 1,301,020 tons to this country in 1970. The Cuban reserve amounts to about 1.6 million tons. Mexico, the Dominican Republic and Brazil each shipped in excess of 600,000 tons to this country in 1970.

The Committee approved an amendment which would place an overall ceiling on sugar quotas for the Philippines and Cuba (in the event Cuba rejoins the free nations of the world and regains its quota) of 1.5 million tons in a year. A similar limitation (or ceiling) of 800,000 tons in a year would apply with respect to all other supplying countries.

Under this amendment, the maximum limitation would apply to the total entitlement of the country involved; that is, its basic quota plus its share of the Cuban reserve and of deficits. The limitation would not apply, however, with respect to the discretionary authority provided by the present law, enabling the President to seek sugar from whatever source available in times of emergency.

Under the amendment, in the event any country's entitlement exceeded its maximum limitation, the excess amount would be considered a deficit and would be allocated in the same manner as deficits are allocated under present law.

The Cuban Reserve. -- Under existing law, 50 percent of the imported sugar from foreign countries other than the Philippines comes from the temporary allocation of the so-called Cuban reserve. This amount (somewhat in excess of 1.5 million tons) has been reserved for Cuba in the event it should rejoin the family of free and friendly foreign nations. The House bill would have reduced the Cuban reserve from the 50 percent ratio to U.S. requirements to 23.74 percent and would have allocated the remainder permanently to other supplying nations. The Committee amendment retains the full flexibility which is provided by the Cuban reserve by deleting the permanent allocation suggested by the House bill.

The OAS Amendment. -- Under existing law, whenever consumption estimates exceed 10 million tons, the increase in quota involved in the Cuban reserve is required to be pro-rated to Western Hemisphere countries which are members of the Organization of American States. The House bill would eliminate this feature and allocate future growth in the Cuban reserve to all supplying nations. The Committee amendment would delete the House provision and would substitute for the existing law a new requirement that future growth in the Cuban reserve be allocated to countries in the Western Hemisphere, regardless of whether or not they are members of the Organization of American States.

French West Indies. -- Under present law, in the event the French West Indies should not fill their quota in the European Economic Community but sells the sugar in this country, the preferential U.S. price serves to subsidize the common agriculture policy of the EEC.

The Committee approved an amendment to assess a fee against so much of the sugar imported from the French West Indies as would be required to fill its quota in the EEC, the fee being an amount equal to the U.S. premium. The effect of the amendment would be to recapture for the Federal treasury the amount by which the U.S. sugar program subsidizes the common agriculture policy of the EEC. There would be no loss to the French West Indies farmer, since the common agriculture policy guarantees him a fixed price for his sugar up to the amount of the EEC quota.

Discretionary Distribution of Deficits. -- Under present law, the President is provided with authority to distribute deficits to foreign countries in the Western Hemisphere without regard to the formula in the Act if he deems it to be "in the national interest." This feature was written into the law in 1965 for the purpose of aiding the Dominican Republic. It has been used only with respect to the Dominican Republic. The Committee approved an amendment which would eliminate this authority to distribute deficits in a discretionary manner. The prior discretionary distributions to the Dominican Republic have been taken into account in connection with the formula worked out by the Committee, and the Dominicans now have a permanent quota which reflects the discretionary deficits, thereby making this special provision no longer necessary.

Expropriation Amendment. -- Under present law, whenever a foreign country expropriates U.S.-owned property without paying adequate compensation for the taking, the President is directed to suspend its sugar quota. Despite the mandatory nature of existing law, it has not been applied in instances where foreign countries have expropriated U.S. property without payment of adequate compensation.

The House bill made a number of changes in the expropriation statute. The Committee amendment encompasses most of these, but modifies others. In addition, the Committee amendment limits the existing law (and the House amendments) to takings occurring on or before July 20, 1971, and proposes a new expropriation procedure to apply to takings occurring after July 20, 1971.

House Bill. -- The House bill would modify the existing law to eliminate the mandatory aspects and to authorize the President at his discretion to suspend all or part of a quota, and further at his discretion in those instances where he has not terminated a quota, to impose a fee of up to \$20 a ton on sugar imported from the offending nation. Under the House bill, this fee would be used to compensate U.S. citizens whose property was taken after January 1, 1969.

The Committee made several changes in the House bill. First, it would require the President to impose a fee of up to \$20 a ton (rather than allow him to do so) if he suspends none (or only part) of a foreign country's sugar quota because of an expropriation. Second, the Committee amendment would permit the President to assess sugar fees to compensate for expropriations occurring on or after January 1, 1962, the effective date of the original expropriation amendment. Third, the President would be given authority by the Committee amendment to apply similar relief with respect to takings which occurred in 1961.

The Committee's New Expropriation Procedure

The Committee approved a new expropriation procedure to replace the inadequate provisions of present law. It contains the following new features which will be applicable to expropriation cases occurring after July 20, 1971.

United States Tariff Commission Finding. -- In order to determine whether or not there has been an expropriation or nationalization of American-owned property without adequate compensation, the aggrieved parties, i. e., U.S. citizens who control and substantially own the property in question, or either of the Committees of Congress having jurisdiction over the sugar program (the Committee on Agriculture of the House of Representatives and the Committee on Finance of the Senate), would by petition (in the case of the aggrieved parties) or Committee resolution bring a case of expropriation without payment of compensation to the U.S. Tariff Commission. The aggrieved parties would be required to recite the facts of the taking, alleging that adequate compensation has not been paid or provided for, and demonstrating the fair value of the property taken.

The protest could not be filed until at least six months had elapsed after the taking in order to give time for the arbitration and conciliation provisions of present law to operate. These provisions permit the parties concerned to submit the issue to arbitration or conciliation requiring a full settlement within twelve months after the submission. Thus, in some instances as much as 18 months might elapse after an expropriation before the case is brought to the Tariff Commission.

Upon a filing of a complaint that adequate compensation has not been forthcoming, the U. S. Tariff Commission would make the necessary investigation and report its findings within six months after the filing of the protest.

If it determines within this period that there has been no taking without adequate compensation the case would be closed. If, on the other hand, the Commission finds there has been an expropriation without adequate compensation, the quota for the offending country would terminate by operation of law and, subject to the fee described below, the quota would be reallocated to other supplying nations within the same Hemisphere. The Philippine preference on deficits would not apply.

If the Commission is unable to conclude its inquiry within the six-month period, it would publish in the Federal Register the reasons why it could not reach a decision, and would continue its investigation. The quota for the offending country would not terminate at this point but would be temporarily suspended as of the end of the 6-month period and, subject to the fee described below, would be reallocated on an annual basis to other supplying nations within that Hemisphere. Should the Tariff Commission subsequently find that there has been no expropriation without adequate compensation, the country's quota would be restored to it the following year.

Expropriation Marketing Fee and Payment Procedure. -- When a quota for any nation is terminated because of the expropriation without adequate compensation of U.S.-owned property, the Secretary of Agriculture would be directed to allocate the remaining portion of that country's quota, on a hemispheric preference basis, to other nations who agree to pay a fee for the privilege of providing the additional sugar to the U.S. market. The expropriation fee would be an amount equal to one-half of the U.S. "premium," i. e., the difference between the landed price of sugar in the United States and the world market price. The fund accumulated in this manner would be used to compensate United States persons whose property was expropriated or nationalized without the payment of adequate compensation. The expropriation marketing fee would be collected throughout the period to which the Sugar Act Amendments of 1971 apply and for such further period as subsequent legislation may provide.

There would be no provision for reinstating the quota of any country who has expropriated or nationalized American-owned property without payment of adequate compensation. If a country's quota has not been terminated, but has been suspended and temporarily reallocated because of the Tariff Commission's failure to conclude its investigation in the six-month period provided by the amendment a fee would also be collected, generally to be placed in a fund to be used in the payment of compensation. If the Tariff Commission subsequently determines that there was no taking without adequate compensation, the fees credited to the fund would be paid over to the general fund of the Treasury.

