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H.R. 8866—SUGAR ACT AMENDMENTS OF 1971

SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 8866 AS PASSED BY THE HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

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Summary of the Principal Provisions of H.R. 8866, the Sugar Act Amendments of 1971 as Passed by the House of Representatives

Introduction

H.R. 8866 passed the House of Representatives on June 10, 1971. The roll call vote on final passage was 229 yeas to 128 nays.

The bill proposes a number of changes in the domestic quota provisions, the foreign quota provisions, and the administrative provisions of the Sugar Act. In general, it retains the present distribution of sugar quotas between domestic and foreign areas. Under this distribution, about 62 percent of the first 11.2 million tons of sugar consumed in the United States would be filled within the domestic area. The domestic area comprises the mainland cane area in Louisiana and Florida, the sugar beet area in the mid-western and western states, and Hawaii and Puerto Rico.

Sixty-five percent of total market growth above 11.2 million tons would be assigned to domestic areas as follows: 47.67 percent to the domestic beet area and 17.33 percent to the mainland cane area. (Hawaii and Puerto Rico do not share in market growth.) The remaining 35 percent of market growth would be assigned to the quotas of foreign countries.

Extension of the Act

The bill provides for a three-year extension of the Sugar Act, until December 31, 1974.

Domestic Quotas

The House bill proposes four principal changes in the domestic quota provisions. Most important, it would increase the quota for the mainland cane area by 300,000 tons, in effect by transferring to it 285,000 tons of the Puerto Rican quota and all of the 15,000 ton quota formerly assigned to the Virgin Islands. The Virgin Islands have ceased the production of sugar and no longer require a quota, while production in Puerto Rico has declined sharply in recent years, producing large deficits which heretofore have been filled by the Philippines and Western Hemisphere countries.

The quotas for the domestic areas under present law and the House bill at a consumption estimate of 11.2 million tons is as follows:

Comparison of Domestic Quotas

[Short tons, raw value]

Area	Present law	H.R. 8866
Domestic beet sugar	3, 406, 333	3, 406, 000
Mainland cane sugar	1, 238, 667	1, 539, 000
Hawaii	1, 110, 000	1, 110, 000
Puerto Rico	1, 140, 000	[1] 855, 000
Virgin Islands	15, 000	0
Total	6, 910, 000	[2] 6, 910, 000

[1] Becomes 1,000,000 tons in 1974.
[2] Becomes 7,055,000 tons in 1974.

In addition, the bill would provide for expansion of sugar cane production into additional states, beginning in 1973. For this purpose, a quota of 100,000 tons would be provided, to be offset by corresponding reductions in foreign quotas. The states generally mentioned for new cane sugar production are Texas and California.

In the beet sugar area, the bill contemplates production of 100,000 tons in new localities where processing facilities are being expanded or new ones constructed. Special priority would be given to localities where processing facilities were closed in 1970 or thereafter. Unlike the new cane area quota which would be offset by reductions in foreign quotas, this provision for new beet localities would come by earmarking production allowances within the overall beet quota.

Foreign Quotas

The House bill proposes a number of changes in the foreign quota provisions of the Sugar Act as indicated by the following chart:

Comparison of foreign sugar quotas present law pattern

Production area	1970 actual [1]	1971 present law pattern [2]	1972 House bill [3]	Change from 1971 present law pattern: Increase	Change from 1971 present law pattern: Decrease
Total: Domestic areas	6, 410, 486	6, 110, 000	6, 410, 000	300, 000	
Philippines	1, 301, 020	1, 503, 780	1, 314, 020		189, 760
Mexico	652, 559	588, 249	537, 545		50, 704
Dominican Republic	678, 209	575, 312	525, 737		49, 575
Brazil	638, 210	575, 312	525, 737		49, 575
Peru	455, 991	458, 881	418, 982		39, 899
West Indies	216, 645	199, 579	192, 251		7, 328
Ecuador	92, 860	83, 710	80, 774		2, 936
French West Indies	68, 149	62, 782	0		62, 782
Argentina	78, 509	70, 772	76, 050	5, 278	
Costa Rica	75, 133	67, 728	65, 185		2, 543
Nicaragua	75, 133	67, 728	65, 185		2, 543
Colombia	67, 537	60, 880	73, 688	12, 808	

Comparison of foreign sugar quotas present law pattern—Continued

Production area	1970 actual [1]	1971 present law pattern [2]	1972 House bill [3]	Change from 1971 present law pattern: Increase	Change from 1971 present law pattern: Decrease
Guatemala	63, 314	57, 074	55, 265		1, 809
Panama	39, 500	42, 616	41, 567		[4] 1, 049
El Salvador	46, 420	41, 852	40, 151		1, 701
Haiti	26, 176	31, 962	30, 704		1, 258
Venezuela	32, 079	28, 918	36, 845	7, 927	
British Honduras	15, 782	14, 539	33, 537	18, 998	
Bolivia	7, 599	6, 850	17, 005	10, 155	
Honduras	7, 599	6, 850	17, 005	10, 155	
Bahamas	10, 000	10, 000	33, 537	23, 537	
Paraguay	0	0	15, 116	15, 116	
Australia	206, 270	203, 785	206, 025	2, 240	
Republic of China	85, 946	84, 910	85, 844	934	
India	82, 508	81, 514	82, 494	980	
South Africa	60, 735	60, 003	60, 300	297	
Fiji Islands	45, 265	44, 719	44, 806	87	
Thailand	18, 909	18, 681	18, 844	163	
Mauritius	18, 909	18, 681	30, 150	11, 469	
Malagasy Republic	9, 740	9, 623	15, 075	5, 452	
Swaziland	7, 448	7, 359	30, 150	22, 791	
Malawi	0	0	0	[5] 0	
Uganda	0	0	15, 075	15, 075	
Ireland	5, 351	5, 351	5, 351	([6])	([6])
Total foreign	5, 189, 514	5, 090, 000	4, 790, 000	463, 462	463, 462
Total	11, 600, 000	11, 200, 000	11, 200, 000		

[1] Based on actual consumption estimate of 11,600,000 tons as adjusted for declared deficits.
[2] Based on consumption estimates of 11,200,000 tons and domestic area deficits of 800,000 tons.
[3] Based onconsumption estimates of 11,200,000 tons and deficits of 500,000 tons after reallocating 300,000 tons of the Puerto Rican deficit to mainland cane areas.
[4] In 1973 the quota for Panama at a consumption estimate of 11,200,000 tons would be increased to 62,947 tons, an increase of 20,331 tons over the 1971 law pattern of distribution.
[5] The quota for Malawi would not become effective until 1973.
[6] No change.

Three countries—Malawi, Uganda and Paraguay—which heretofore have not had a sugar quota would be brought into the program and provided with a quota. For Malawi, the new quota would not be available until 1973.

Eleven countris would be provided with significant quota increases.[1] For one of them, Panama, the larger quota would not apply until 1973; for the others, the increases would be available in 1972. Another twelve would have substantial cuts in their quotas, not only to offset the quota increases for foreign countries enjoying larger quotas, but also to offset the increase in quota for the mainland cane area.

The French West Indies would be withdrawn from the sugar program, and its 62,782 ton allowance serves to moderate the reductions for those countries which did not receive increases under the House bill.

The quota for the Philippines, which is stated in tons rather than in percentages, would be brought up to date and restated as 1,126,000 tons; this upgrading would not involve any increase or decrease in the basic allowance for this country.

In fixing quotas for foreign countries, the House bill proposes to reduce the Cuban reserve by 761,861 tons—approximately one-half—and distribute this amount to foreign supplies on a permanent basis. The Cuban reserve is an

[1] Argentina, Colombia, Panama, Venezuela, British Honduras, Bolivia, Honduras, Bahamas, Mauritius, Malagasy Republic, Swaziland.

amount set aside by law for restoration to Cuba in the event that nation rejoins the Free World. In the meanwhile, this amount is assigned to other countries year-by-year on a temporary basis.

The House bill deletes the provision in existing law which requires that the portion of the Cuban reserve determined when consumption estimates exceed 10 million tons be allocated to countries in the western hemisphere which are members of the Organization of American States. The allocation of quotas prescribed by the House bill reflects the OAS provision up to the current consumption estimate of 11.2 million tons, but future growth would be allocated on a world-wide basis.

As already indicated, the bill as passed by the House recommends increases in quotas for the mainland cane area and for certain foreign countries. These would be offset by reductions in other quotas substantially as follows:

The 300,000 ton increase occurring from reallocating 285,000 tons of the unused Puerto Rican quota and the 15,000 ton Virgin Island quota to the mainland cane area would be offset by reductions in the final allowances of the Philippines and the western hemisphere countries which heretofore have filled the Puerto Rican and Virgin Island deficits.

The 100,000 ton allowance for new cane areas (beginning in 1973) would be offset by pro rata reductions in the quotas for all other countries (except the Philippines and Ireland whose quotas are stated in specified amounts, rather than percentages).

The increases provided for eleven countries under the House bill would be offset by reductions in the amount of sugar that may be imported from the "big 5" suppliers—the Philippines, Mexico, the Dominican Republic, Brazil and Peru. In the case of the Philippines, this would be accomplished by further reducing its share of deficit allocations; from 47.22 percent to 37.60 percent. In the case of the other four producers, it would involve cuts in their basic quotas.

The House bill also updates the so-called "Long amendment" which requires foreign countries to give advance assurances that they will supply to this country the quantity of sugar specified in their quota over the period the program is being extended.

Finally, the House bill contains a new feature providing that deficits in a sugar quota incurred by one member of the Central American Common Market (composed of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica) may be used by other members of the group in the same manner by which shortfalls in basic quotas by one member of the group may be used by the other members.

Administrative Provisions

The House bill proposes a number of changes in the administration of the Sugar Act, generally designed to provide an orderly flow of sugar to refiners and to assure stable prices to consumers.

First, it would require the Secretary of Agriculture to estimate consumption for the new year in October of the preceding year, rather than at any time during the last quarter of the year, thereby providing greater lead-time in planning shipments to the United States.

Quarterly quotas (which under existing law may be imposed during the first two quarters of the year to prevent bunching of shipments early in the year) would be allowed after the first quarter of 1972 only if new sugar prices go below (a) 97 percent of the formula price in the 12-month period ending October 31, 1973, or (b) 99 percent of the formula price in the corresponding period ending in 1974 and subsequent years. In such a case, quarterly quotas could be imposed during the first two quarters of succeeding years.

In determining consumption estimates for sugar, the House bill would superimpose on the subjective formula of existing law a requirement that beginning January 1, 1972, price would be the determining factor. The target price used for this purpose would be determined for each month by adjusting the base period price for raw sugar by changes in the simple average of the wholesale price index and the parity index. The base period price would be the simple average of monthly sugar prices during the period September 1, 1970, through August 31, 1971. Changes in the parity index and the wholesale price index would be measured from a base of 1967 (1967=100). Thus, if the average of these indices has increased by, say, 12 percent since 1970, the current price objective under the Sugar Act would be calculated by increasing the base period price by 12 percent. This price objective would then be achieved by fixing consumption estimates at a level sufficient to bring the price of sugar to the objective.[1]

"RAW SUGAR COMPUTATION OF PRICE GUIDE UNDER H.R. 8866

"Under H.R. 8866, the price objective for a given month would be computed by determining the relationship between (1) the average of the parity index and the wholesale price index (both with 1967 equaling 100) for the the 12-month period September 1970–August 1971 and (2) the price objective under current legislation for the same 12-month period and then applying that relationship to the average of the two indexes for the month in question.

"With the average of those indexes estimated at 115.35 and the target price under current legislation of 8.56 cents per pound for the 12-month period September 1970–August 1971 the January 1972 price objective, based on estimated indexes, would be computed as follows:

$$115.35:8.56¢=120.85:x$$

$$x=8.97¢$$

"The price objective for January 1972 under current legislation, assuming the same estimated parity index, would be 9.07¢ or 1.1 percent higher.

	Parity index (1910-14=100)	Parity index (1967=100)	Wholesale price index (1967=100)	Average of indexes (1967=100)	Current raw sugar price guide
September 1970	393.0	115	111.0		8.33
October 1970	394.0	115	111.0		8.35
November 1970	395.0	115	110.9		8.37
December 1970	396.0	116	111.0		8.39
January 1971	399.0	117	111.8		8.46
February 1971	403.0	118	112.8		8.54
March 1971	404.0	118	113.0		8.56
April 1971	407.0	119	113.3		8.63
May 1971	410.0	120	113.8		8.69
(September–May average)	(400.1)	(117)	(112.1)	(114.55)	(8.48)
June 1971 [1]	412.0	120	114.2		8.73
July 1971 [1]	414.0	121	114.5		8.77
August 1971 [1]	417.0	122	114.9		8.84
Estimated 12-month average	404.0	118	112.7	115.35	8.56
September 1971 [1]	419.0	123	115.2		8.88
October 1971 [1]	421.0	123	115.6		8.92
November 1971 [1]	423.0	124	116.0		8.97
December 1971 [1]	425.0	124	116.3		9.01
January 1972 [1]	428.0	125	116.7	120.85	9.07

[1] Indexes estimated on actual rate of increase per month from September 1970 through May 1971.

[1] The Department of Agriculture has submitted the following calculation of the target price for January 1972 under the House bill as compared to existing law:

The Secretary of Agriculture would be directed to adjust consumption estimates whenever raw sugar prices vary by more than 4 percent from the price objective over a period of 7 consecutive marketing days. If prices should go either up or down beyond this, additional sugar would be allowed under (or withheld from) the quota until prices were stabilized within the 4 percent "corridor."

The bill requires the Secretary to determine and allocate deficits more promptly than under present law so that supplying countries can more conveniently plan the shipment to the United States of sugar under their deficit allocations. Specifically, he would be required to determine and allocate deficits when he makes his initial consumption estimate (in October of the preceding year) and at least every 60 days after the beginning of the quota year.

Finally, other minor amendments also made by the House bill provide for:

(1) imports of sugar into Hawaii and Puerto Rico outside the quota for reexport (conforming to rules applicable to the continental United States;

(2) restricts the type of sugar which can be brought in free of quota for religious, sacramental, educational or experimental purposes to direct consumption sugar;

(3) reduces the portion of the Puerto Rican quota which may be filled by direct consumption sugar, and

(4) provides that deficits in direct consumption sugar in Puerto Rico or Hawaii may be filled by exports from the mainland.

Expropriations

Under present law (Section 408(c) of the Sugar Act) whenever a foreign nation which has a U.S. sugar quota expropriates property owned by a national of the United States or discriminates against property or business enterprises of United States nationals and does not within six months act to compensate or arrange for arbitration with the United States national, the President is directed to suspend the sugar quota of such country.

The House bill modifies this feature of existing law in several respects. First, the mandatory application of the provision is eliminated, and the President would be given discretion to suspend all or part of the quota. Alternatively (or in addition to suspension of a portion of a quota) the President would be authorized to impose a levy of as much as $20 a ton on the importation of sugar from such country. Funds collected under this provision would be maintained in a special trust fund to reimburse citizens whose property had been taken or who had been subjected to other forms of discrimination by the country involved. Under this rule the taking of discriminatory action by the foreign country must have arised subsequent to January 1, 1969.

The House bill also makes clear that among the discriminatory acts which may lead to loss of quota or application of the special $20 per ton impost is the act of "limiting or reducing participation in production, export, or sale of sugar to the United States under quota allocation."

Quota on Beet Sugar Molasses

Section 206 of the Sugar Act authorizes the limitation of imports of sugar-containing products if the Secretary determines that such imports "will substantially interfere with the attainment of the objectives" of the Sugar Act.

The House bill proposes to amend this provision to also authorize limitations on imports of beet sugar molasses. This product is used by the drug industry and in the production of yeast for manufacture of bread.

TERMINATION OF FACT

Section 7 III and section 8 of the House bill provide that the quotas, the payments, the excise tax on processing of sugar, and other powers and duties vested in the Secretary of Agriculture shall terminate on December 31, 1974, or on March 31 of the year in which any law limiting payments under the sugar program is enacted.