

# SUGAR ACT EXTENSION

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1150-3

HEARINGS  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
EIGHTY-FOURTH CONGRESS  
SECOND SESSION  
ON  
**H. R. 7030**

AN ACT TO AMEND AND EXTEND THE SUGAR ACT  
OF 1948, AS AMENDED, AND FOR  
OTHER PURPOSES

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JANUARY 16 AND 17, 1956

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Printed for the use of the Committee on Finance



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# SUGAR ACT EXTENSION

MONDAY, JANUARY 16, 1956

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

The committee met, pursuant to call, at 10:15 a. m., in Room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Frear, Smathers, Barkley, Williams, Flanders, Malone, Carlson and Bennett.

Also present: The Honorable Joseph C. O'Mahoney, United States Senator from Wyoming, the Honorable Herman Welker, United States Senator from Idaho, and the Honorable Henry C. Dworshak, United States Senator from Idaho.

Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The hearing today is on the extension of the Sugar Act, as proposed in H. R. 7030.

The committee is here to consider H. R. 7030.

(The bill referred to is as follows:)

[H. R. 7030, 84th Cong., 1st sess.]

AN ACT To amend and extend the Sugar Act of 1948, as amended, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 101 (d) of the Sugar Act of 1948, as amended, is amended to read as follows:

"(d) The term 'raw sugar' means any sugars (exclusive of liquid sugar from foreign countries having liquid sugar quotas), whether or not principally of crystalline structure, which are to be further refined or improved in quality to produce any sugars principally of crystalline structure or liquid sugar."

SEC. 2. Section 101 (e) of such Act is amended to read as follows:

"(e) The term 'direct-consumption sugar' means any sugars principally of crystalline structure and any liquid sugar (exclusive of liquid sugar from foreign countries having liquid sugar quotas), which are not to be further refined or improved in quality."

SEC. 3. Section 101 (i) of such Act is amended by deleting the parenthetical word "(Clerget)".

SEC. 4. Section 101 of such Act is amended by adding at the end thereof a new paragraph to read as follows:

"(n) The term 'to be further refined or improved in quality' means to be subjected substantially to the processes of (1) affination or defecation, (2) clarification, and (3) further purification by adsorption or crystallization. The Secretary is authorized, in accordance with findings based on public hearings to determine whether specific processes to which sugars are subjected are sufficient to meet the requirements of this paragraph (n) and whether sugars of specific qualities are raw sugar within the meaning of paragraph (d) of this section, or direct-consumption sugar within the meaning of paragraph (e) of this section."

SEC. 5. Section 201 of such Act is amended by striking in the second sentence thereof the words "1947 prior to the termination of price control of sugar" and inserting in lieu thereof "1947-1949".

SEC. 6. Section 202 (a) of such Act is amended by inserting a colon and "(1) For the calendar year 1956" in lieu of the first comma and by adding the following new paragraphs:

"(2) For the calendar year 1956, by apportioning among such areas 50 per centum of the amount by which the determination made pursuant to section 201 exceeds eight million three hundred and fifty thousand short tons, raw value, as follows:

"(A) The first one hundred and eighty-eight thousand short tons, raw value, or any part thereof, by which quotas for the domestic areas are so increased shall be apportioned 45.2 per centum to the domestic beet area; 42.6 per centum to the mainland cane area; 10.6 per centum to Puerto Rico; and 1.6 per centum to the Virgin Islands; and

"(B) Any additional amount shall be apportioned on the basis established in paragraph (a) (1) as adjusted by subparagraph (A) of this paragraph (a) (2).

"(3) For the calendar year 1957 and each subsequent calendar year, by apportioning among such areas four million four hundred and forty-four thousand short tons, raw value, in accordance with paragraph (a) (1) of this section, and by adding thereto 50 per centum of the amount by which the determination made pursuant to section 201 exceeds eight million three hundred and fifty thousand short tons, raw value, apportioned as follows: First, by apportioning in accordance with the provisions of paragraph (a) (2) of this section an amount not in excess of the amount so apportioned in 1956, and second, by apportioning the remainder, if any, in accordance with the final quotas established for the calendar year 1956, pursuant to paragraphs (a) (1) and (a) (2) of this section."

SEC. 7. Section 202 (c) of such Act is amended by striking out "For" after "(c)" and inserting in lieu thereof "(1) For the calendar year 1956, for" and by adding at the end thereof the following new paragraphs:

"(2) For the calendar year 1957 and for each subsequent calendar year for foreign countries other than the Republic of the Philippines, by prorating to Cuba 96 per centum and to such other foreign countries 4 per centum of the amount of sugar, raw value, by which eight million three hundred and fifty thousand short tons or such lesser amount as determined pursuant to section 201 exceeds the sum of four million four hundred and forty-four thousand short tons, raw value, and the quota established pursuant to subsection (b) of this section; and by prorating to Cuba 50 per centum and to foreign countries other than Cuba and the Republic of the Philippines 50 per centum of the amount of sugar, raw value, by which the amount determined pursuant to section 201 exceeds the sum of eight million three hundred and fifty thousand short tons plus the increase in quotas provided for in subsection (a) (3) of this section: *Provided*, (i) that for 1957 the quota for foreign countries other than Cuba and the Republic of the Philippines shall be one hundred and seventy-five thousand short tons, raw value, and the quota for Cuba shall equal the sum of the quotas for foreign countries other than the Republic of the Philippines less one hundred and seventy-five thousand short tons, raw value; and (ii) that for the calendar year 1958 and each subsequent calendar year through 1960 the quota for foreign countries other than Cuba and the Republic of the Philippines shall be increased forty-five thousand short tons, raw value, annually and the quota for Cuba shall equal the sum of the quotas for foreign countries other than the Republic of the Philippines for such year less the quota for foreign countries other than Cuba and the Republic of the Philippines for such year. The quota for foreign countries other than Cuba and the Republic of the Philippines shall be prorated for the calendar year 1957 and for each subsequent calendar year as follows:

"(A) Each country whose average annual importations into the United States within the quota were less than one thousand short tons, raw value, during the years 1953 and 1954 shall receive a proration equal to such average importations.

"(B) Each country whose average annual importations into the United States within the quota were more than one thousand short tons but less than three thousand short tons, raw value, during the years 1953 and 1954 shall receive each year two thousand tons in addition to the basic tonnages prorated under subparagraphs (C) or (D) hereof.

"(C) Each country whose average annual importations into the United States within the quota were one thousand short tons but less than two thousand short tons, raw value, during the years 1953 and 1954 shall receive a proration for 1957 equal to its average importations for the calendar years 1953 and 1954 plus 30 per centum thereof and for each calendar year subsequent to 1957 through 1960 the proration for each such country shall be increased by an additional 30 per centum of its proration under this subparagraph (C) for the immediately preceding calendar year.



“(D) That part of the quota not otherwise prorated in subparagraphs (A), (B), and (C) above shall be prorated as follows:

“Country	Per centum
Dominican Republic -----	37
Peru -----	36
Mexico -----	20
Nicaragua -----	5
Haiti -----	2”.

SEC. 8. Section 202 of such Act is amended by adding the following new paragraph:

“(e) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons fails to fill such quota or proration by more than 10 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.”

SEC. 9. (a) The second sentence of section 204 (a) of such Act is amended by inserting before the period at the end thereof a colon and the following: “*Provided*, That any deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under the provisions of section 202 (a) (2) or the increases allotted under sections 202 (a) (3) shall first be prorated to other domestic areas on the basis of the quotas then in effect”.

(b) The last paragraph of section 204 (a) of such Act is amended by inserting before the period at the end thereof a semicolon and the following: “except that in the case of proration of any such deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under and by reason of section 202 (a) (2) or the increases allotted under section 202 (a) (3), the Secretary shall apportion the unfilled amount on such basis and to such other domestic areas as he determines is required to fill such deficit, and if he finds that no domestic area will be able to supply such unfilled amount, he shall add it to the quota for Cuba”.

SEC. 10. Section 205 (a) of such Act is amended by inserting immediately before the final sentence thereof the following: “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.”.

SEC. 11. (a) Section 207 (a) of such Act is amended by adding after the word “year” the following: “, plus an amount equal to the same percentage of twenty-nine thousand six hundred and sixteen short tons, raw value, that the increase in the quota for Hawaii under section 202 is of one million fifty-two thousand short tons, raw value”.

(b) Section 207 (b) of such Act is amended by striking the period at the end thereof and by adding the following: “which shall be principally of crystalline structure, plus an amount equal to the same percentage of one hundred twenty-six thousand and thirty-three short tons, raw value, that the increase in the quota for Puerto Rico under section 202 is of one million eighty thousand short tons, raw value, which latter amount may be filled by direct-consumption sugar whether or not principally of crystalline structure.”.

SEC. 12. Section 207 (h) of such Act is amended by striking out “The” after “(h)” and inserting in lieu thereof “(1) For the calendar year 1956, the” and by adding the following new paragraph:

“(2) For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided*, That such limitation shall not apply to countries receiving prorations under section 202 (c) of seven thousand short tons or less. The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202 (c) of more

than seven thousand short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954."

SEC. 13. Section 301 (b) of such Act is amended by inserting after the words "(or processed)" the following: ", except for livestock feed, or for the production of livestock feed, as determined by the Secretary,".

SEC. 14. Section 302 (b) of such Act is amended by inserting after "(or processed)" the words "within the proportionate share" and by striking the period at the end thereof and inserting the following: "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. 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."

SEC. 15. Section 405 of such Act is amended by inserting "(a)" at the beginning thereof and by adding the following new paragraph:

"(b) Any person whose sugar processing operations otherwise meet the requirements of section 101 (n) and who subjects to such processes sugar imported or brought into the continental United States under a declaration that it is raw sugar but which sugar subsequently is determined to be of direct-consumption quality and to be in excess of the direct-consumption portion of the applicable quota or proration or allotment thereof, shall forfeit to the United States a sum equal to 1 cent per pound for each pound, raw value, of such sugar in excess of the direct-consumption portion of the applicable quota or proration or allotment thereof, which forfeiture shall be recoverable in a civil suit brought in the name of the United States."

SEC. 16. Section 407 of such Act is amended by adding at the end thereof the following sentence: "The provisions of this section shall not apply to persons whose services are obtained pursuant to section 305."

SEC. 17. Section 411 of such Act is renumbered as section 412, section 412 of such Act is renumbered as section 413 and a new section 411 inserted as follows:

"SEC. 411. The Secretary is authorized to issue such regulations as may be necessary to carry out article 7 of the International Sugar Agreement for the Regulation of the Production and Marketing of Sugar (ratified by and with the advice and consent of the United States Senate on April 29, 1954), restricting importations of sugar into the United States from foreign countries not participating in such agreement, or to carry out the corresponding provisions of any such future agreements ratified by and with the advice and consent of the United States Senate."

SEC. 18. Renumbered section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1956" in each place it appears therein and inserting in lieu thereof "1960".

SEC. 19. A new section 414 is added to such Act as follows:

"SEC. 414. (a) To alleviate the conditions which exist in the continental United States sugar-producing areas by reason of the quantities of surplus overquota sugar produced in such areas, the Commodity Credit Corporation shall carry out loans, purchases, or other operations with respect to one hundred thousand short tons of sugar produced from the 1955 or previous crops in such areas.

"(b) Sugar acquired hereunder shall be disposed of outside the continental United States in such manner as the Corporation determines will not unduly interfere with normal marketings of sugar, including dispositions under the Agricultural Trade Development and Assistance Act of 1954, as amended.

"(c) No borrower shall be personally liable for any deficiency arising from the sale of the sugar securing any loan made under authority of this section, unless such loan was obtained through fraudulent representations by the borrower. This provision shall not, however, be construed to prevent Commodity Credit Corporation from requiring the borrower to assume liability for deficiencies in the quality or quantity of sugar delivered under the loan, for failure to properly care for and preserve such sugar, or for failure or refusal to deliver the sugar in accordance with the requirements of the program.

“(d) Sugar acquired hereunder shall not be subject to the provisions of title II of this Act.”

SEC. 20. Sections 4501 (c) and 6412 (d) (relating to the termination of taxes on sugar) of the Internal Revenue Code of 1954 are amended by striking out “1957” in each place it appears therein and inserting in lieu thereof “1961”.

SEC. 21. Section 4502 (4), chapter 4, subchapter A, “Sugar”, of the Internal Revenue Code of 1954 is amended as follows: Strike out the parenthetical word “(Clerget)” where it occurs in the first sentence and delete the second sentence thereof.

SEC. 22. (a) Section 4504, chapter 37, subchapter A, “Sugar”, of the Internal Revenue Code of 1954 is amended by adding before the period at the end thereof the following: “and except that such tax may be subject to refunds as a tax under the provisions of section 6418 (a)”.

(b) Section 6418 (a) of chapter 65 of the Internal Revenue Code of 1954 is amended by striking out the “(a)” immediately following “section 4501”.

SEC. 23. The amendments made hereby shall become effective January 1, 1956, except as otherwise designated and except that required determinations and regulations may be issued in 1955 for the calendar year 1956.

Passed the House of Representatives July 30, 1955.

Attest:

RALPH R. ROBERTS, *Clerk.*

Senator BENNETT. Mr. Chairman, I would like permission to incorporate in the record at this point the committee print made up at my direction representing the solution of this problem which has been worked out over many months of conferences between the representatives of the domestic producers and refiners and the interested departments of the executive branch of the Government.

The CHAIRMAN. It will be made a part of the record.

(The committee print referred to follows:)

[Committee print, January 13, 1956]

[H. R. 7030, 84th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. Bennett to the bill (H. R. 7030) to amend and extend the Sugar Act of 1948, as amended, and for other purposes, viz: Strike out all after the enacting clause and insert in lieu thereof the following:

That section 101 (d) of the Sugar Act of 1948, as amended, is amended to read as follows:

“(d) The term ‘raw sugar’ means any sugars (exclusive of liquid sugar from foreign countries having liquid sugar quotas), whether or not principally of crystalline structure, which are to be further refined or improved in quality to produce any sugars principally of crystalline structure or liquid sugar.”

SEC. 2. Section 101 (e) of such Act is amended to read as follows:

“(e) The term ‘direct-consumption sugar’ means any sugars principally of crystalline structure and any liquid sugar (exclusive of liquid sugar from foreign countries having liquid sugar quotas), which are not to be further refined or improved in quality.”

SEC. 3. Section 101 (i) of such Act is amended by deleting the parenthetical word “(Clerget)”.

SEC. 4. Section 101 of such Act is amended by adding at the end thereof a new paragraph to read as follows:

“(n) The term ‘to be further refined or improved in quality’ means to be subjected substantially to the processes of (1) affination or defecation, (2) clarification, and (3) further purification by adsorption or crystallization. The Secretary is authorized, after such hearing and upon such notice as he may by regulations prescribe, to determine whether specific processes to which sugars are subjected are sufficient to meet the requirements of this paragraph (n) and whether sugars of specific qualities are raw sugar within the meaning of paragraph (d) of this section, or direct-consumption sugar within the meaning of paragraph (e) of this section.”

SEC. 5. Section 201 of such Act is amended by striking in the second sentence thereof the words “1947 prior to the termination of price control of sugar” and inserting in lieu thereof “1947-1949”.

SEC. 6. Section 202 (a) of such Act is amended to read as follows:

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

	<i>“Short tons, raw value</i>
“Domestic beet sugar.....	1, 800, 000
Mainland cane sugar.....	500, 000
Hawaii.....	1, 052, 000
Puerto Rico.....	1, 080, 000
Virgin Islands.....	12, 000

“(2) To the above total of four million four hundred forty-four thousand short tons, raw value, there shall be added an amount equal to 55 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 eight million three hundred and fifty thousand short tons, raw value. Such additional amount shall be apportioned among and added to the quotas established under paragraph (1) of this subsection for such domestic sugar-producing areas, respectively, as follows: (A) The first one hundred sixty-five thousand short tons, raw value, or any part thereof, by which quotas for the domestic areas are so increased shall be apportioned 51.5 per centum to the domestic beet sugar area and 48.5 per centum to the mainland cane sugar area; (B) the next twenty thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to Puerto Rico; (C) the next three thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to the Virgin Islands; (D) any additional amount shall be apportioned on the basis of the quotas established in paragraph (1) of this subsection as adjusted by subparagraphs (A), (B), and (C) of this paragraph (2).”

SEC. 7. Section 202 (c) of such Act is amended by striking out “For” after “(c)” and inserting in lieu thereof “(1) For the calendar year 1956, for” and by adding at the end thereof the following new paragraphs:

“(2) For the calendar year 1957 and for each subsequent calendar year for foreign countries other than the Republic of the Philippines, by prorating to Cuba 96 per centum and to other foreign countries 4 per centum of the amount of sugar, raw value, by which eight million three hundred and fifty thousand short tons or such lesser amount as determined pursuant to section 201 exceeds the sum of four million four hundred and forty-four thousand short tons, raw value, and the quotas established pursuant to subsection (b) of this section; and by prorating to Cuba 60 per centum and to other foreign countries 40 per centum of the amount of sugar, raw value, by which the amount determined pursuant to section 201 exceeds for the sum of eight million three hundred and fifty thousand short tons plus the increase in quotas provided for in subsection (a) (2) of this section.

“For the calendar year 1957, the quota for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954, and second, by assigning to each such foreign country whose average entries within the quotas during 1953 and 1954 were not less than one thousand nor more than two thousand short tons, raw value, a proration of three thousand short tons, raw value, and third, by prorating the balance of such quota to such foreign countries whose average entries within the quotas during 1953 and 1954 exceeded two thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

“For the calendar year 1958 and for each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954, and second, by prorating the balance of such quota among the remainder of such countries on the basis of the final quotas established for such countries pursuant to this section for the calendar year 1957.”

SEC. 8. Section 202 of such Act is amended by adding the following new subsection:

“(e) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons fails to fill such quota or proration by more than 10 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."

SEC. 9. (a) The second sentence of section 204 (a) of such Act is amended by inserting before the period at the end thereof a colon and the following: "*Provided*, That any deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under the provisions of section 202 (a) (2) shall first be prorated to other domestic areas on the basis of the quotas then in effect".

(b) The last paragraph of section 204 (a) of such Act is amended by inserting before the period at the end thereof a semicolon and the following: "except that in the case of proration of any such deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under and by reason of section 202 (a) (2), the Secretary shall apportion the unfilled amount on such basis and to such other domestic areas as he determines is required to fill such deficit, and if he finds that no domestic area will be able to supply such unfilled amount, he shall add it to the quota for Cuba".

SEC. 10. Section 205 (a) of such Act is amended by inserting immediately before the final sentence thereof the following: "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."

SEC. 11. (a) Section 207 (a) of such Act is amended by adding after the word "year" the following: ", plus an amount equal to the same percentage of twenty-nine thousand six hundred and sixteen short tons, raw value, that the increase in the quota for Hawaii under section 202 is of one million fifty-two thousand short tons, raw value"

(b) Section 207 (b) of such Act is amended by striking the period at the end thereof and by adding the following: "which shall be principally of crystalline structure, plus an amount equal to the same percentage of one hundred twenty-six thousand and thirty-three short tons, raw value, that the increase in the quota for Puerto Rico under section 202 is of one million eighty thousand short tons, raw value, which latter amount may be filled by direct-consumption sugar whether or not principally of crystalline structure."

SEC. 12. Section 207 (h) of such Act is amended by striking out "The" after "(h)" and inserting in lieu thereof "(1) For the calendar year 1956, the" and by adding the following new paragraph:

"(2) For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided*, That such limitation shall not apply to countries receiving prorations under section 202 (c) of seven thousand short tons or less. The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202 (c) of more than seven thousand short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954."

SEC. 13. Section 301 (b) of such Act is amended by inserting after the words "(or processed)" the following: ", except for livestock feed, or for the production of livestock feed, as determined by the Secretary,".

SEC. 14. Section 302 (b) of such Act is amended by inserting after "(or processed)" the words "within the proportionate share" and by striking the period at the end thereof and inserting the following: "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. 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.”

SEC. 15. Section 405 of such Act is amended by inserting “(a)” at the beginning thereof, by striking out “(a)” and “(b)” and inserting in lieu thereof “(1)” and “(2)”, respectively, and by adding the following new subsection:

“(b) Any person whose sugar processing operations otherwise meet the requirements of section 101 (n) and who subjects to such processes sugar imported or brought into the continental United States under a declaration that it is raw sugar but which sugar subsequently is determined to be of direct-consumption quality, shall forfeit to the United States a sum equal to 1 cent per pound for each pound, raw value, of such sugar in excess of that part of the direct-consumption portion of the applicable quota or proration or allotment thereof remaining unfilled at the time of such determination, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.”

SEC. 16. Section 407 of such Act is amended by adding at the end thereof the following sentence: “The provisions of this section shall not apply to persons whose services are obtained pursuant to section 305.”

SEC. 17. Section 411 of such Act is renumbered as section 412, section 412 of such Act is renumbered as section 413, and a new section 411 inserted as follows:

“SEC. 411. The Secretary is authorized to issue such regulations as may be necessary to carry out article 7 of the International Sugar Agreement for the Regulation of the Production and Marketing of Sugar (ratified by and with the advice and consent of the United States Senate on April 29, 1954), restricting importations of sugar into the United States from foreign countries not participating in such agreement, or to carry out the corresponding provisions of any such future agreements ratified by and with the advice and consent of the United States Senate.”

SEC. 18. Renumbered section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out “1956” in each place it appears therein and inserting in lieu thereof “1962”.

SEC. 19. Sections 4501 (c) and 6412 (d) (relating to the termination of taxes on sugar) of the Internal Revenue Code of 1954 are amended by striking out “1957” in each place it appears therein and inserting in lieu thereof “1963”.

SEC. 20. Section 4502 (4), chapter 37, subchapter A, “Sugar”, of the Internal Revenue Code of 1954 is amended as follows: Strike out the parenthetical word “(Clerget)” where it occurs in the first sentence and delete the second sentence thereof.

SEC. 21. (a) Section 4504, chapter 37, subchapter A, “Sugar”, of the Internal Revenue Code of 1954 is amended by adding before the period at the end thereof the following: “and except that such tax may be subject to refunds as a tax under the provisions of section 6418 (a)”.

(b) Section 6418 (a) of chapter 65 of the Internal Revenue Code of 1954 is amended by striking out the “(a)” immediately following “section 4501”.

SEC. 22. Except as otherwise provided, the amendments made hereby shall become effective as of January 1, 1956, except that sections 1 through 4 shall become effective upon publication in the Federal Register of regulations implementing such sections, or six months after the date of enactment of this Act, whichever is earlier.

The CHAIRMAN. Our first witness is the Honorable Allen J. Ellender, United States Senator from Louisiana.

## STATEMENT OF HON. ALLEN J. ELLENDER, UNITED STATES SENATOR FROM THE STATE OF LOUISIANA

Senator ELLENDER. Mr. Chairman, and gentlemen of the committee, I am not going to spend any time describing the technical aspects of this bill. That phase will be discussed in detail by subsequent witnesses.

I appeared before the committee last year when the House bill was before you, and this committee reported a bill which, of course, was not considered by the Senate.

I am glad that this committee has seen fit to undertake hearings without delay. It is imperative that the Sugar Act be amended promptly in accordance with the amendments now being considered by your committee. Failure to grant this urgently needed relief will mean that our sugarcane farmers, who already have lost nearly one-third of their total acreage since 1949, face still further drastic cuts in acreages.

This unfortunate situation has resulted because of technical advances in sugar production put into practice since 1948, the year the present act was adopted. Increased efficiency and greater productivity have resulted in steadily mounting production year after year without a corresponding increase in acreage. As shown in the following table, the mainland cane area has produced more sugar than its basic 500,000 ton annual marketing quota in each crop year since 1951. The average annual production for the period 1952-55 has been over 600,000 tons, despite the fact that total acreage has steadily been reduced. The excess production has been the result of higher yields per acre. The trend in increasing yields is clearly shown in the following table, which demonstrates that per acre yields are up over 44 percent since 1948, despite a net acreage reduction of some 89,000 acres since that year.

And I wish to point out, Mr. Chairman, that this increased production per acre is not peculiar to sugar. It has occurred with respect to most of our crops. As a matter of fact, in the last 10 years on the same acreage, our overall production of food and fiber has increased about 42 percent.

Now this table to which I referred shows that in 1948, when the present Sugar Act was placed on the statute books, the number of acres planted was 336,400 in round figures, and the production in sugar was 477,000 tons.

The acreage, according to this table, has decreased every year with the exception of 1949. In 1956, acreage planted to cane will be only 247,000 acres, in contrast to 336,400 acres in 1948.

But sugar production has increased since 1948 from 477,000 tons to roughly 580,000 tons in 1955. You gentlemen can readily see that with a decrease in acreage of about 50,000 acres, the production of sugar has increased by over 100,000 tons since 1948.

(The table above referred to is as follows:)

Year	Acreage <sup>1</sup> (1,000 acres)	Production (1,000 tons sugar)	Yield per acre <sup>2</sup> (tons sugar)	Year	Acreage <sup>1</sup> (1,000 acres)	Production (1,000 tons sugar)	Yield per acre <sup>2</sup> (tons sugar)
1948....	336.4	477	1.418	1953....	345.7	630	1.822
1949....	340.0	521	1.532	1954....	305.3	611	2.001
1950....	336.0	565	1.682	1955....	283.0	580	2.049
1951....	341.2	419	2.228	1956....	247.0	-----	-----
1952....	338.4	605	1.788				

<sup>1</sup> Acreage of cane for sugar and seed.

<sup>2</sup> Total production divided by acreage of cane for sugar and seed.

Senator ELLENDER. The amount of acreage which mainland cane producers can plant has been drastically reduced by the Department of Agriculture. Acreage restrictions were imposed in 1954; the acreage that year was reduced 11.7 percent below the 1953 acreage. A further cut was ordered for 1955, reducing the acreage 18.1 percent below

the 1953 acreage. A third crippling acreage reduction has been announced for 1956 which will bring the acreage to approximately 29 percent below the 1953 acreage.

Senator GEORGE. Are you speaking of cane?

Senator ELLENDER. Yes.

Senator GEORGE. Or cane and beet?

Senator ELLENDER. My testimony is confined to mainland cane.

Senator SMATHERS. Are all these figures that you cite, Senator, in relation to cane, or cane and beet?

Senator ELLENDER. Cane.

Senator SMATHERS. Just cane?

Senator ELLENDER. Cane acreage; yes. You will have the beet folks testify after a while, I am sure.

But anyhow, the point I am trying to make is that here we have been saddled with fixed quotas since 1948, and as I just indicated, because of technological advances, we have been able to produce much more sugar on 50,000 fewer acres than in 1948.

In spite of these substantial acreage cuts, the mainland cane area's 1955 crop will be about 580,000 tons or 80,000 tons over the area's marketing quota.

During the period in which the mainland cane area's production has consistently exceeded its marketing quota and the area's allowable sugarcane acreage has been progressively reduced, the Nation's consumption of sugar has steadily increased. This is indeed a paradoxical situation.

The sugarcane problem in my area cannot be solved properly by further acreage reductions. The logical solution is to allow the mainland cane area, along with other domestic areas, to provide a fair share of the annually increasing usage of sugar in the United States.

The domestic sugar industry is certainly entitled to the right to grow in proportion to our country's growth. The purpose of the proposed sugar legislation is to grant that right to our domestic sugar industry on a very moderate scale.

There seems to be a great misunderstanding as to the effect on Cuba of the present proposed "growth formula" which provides modest quota increases for domestic areas. The Cubans claim they are being penalized. Such claims are not borne out by the facts.

Under the proposed legislation Cuba's basic quota remains unchanged. United States Department of Agriculture figures show that Cuba's quota, based on the initial estimate of sugar consumption for 1956, which in this bill provides 8,350,000 tons, is 2,808,960. The only changes in that figure will be upward. Mr. Lawrence Myers, Director of the Sugar Division, when testifying on this bill when it was being considered by the House Committee on Agriculture, forecast sugar consumption requirements for 1956 of 8,535,000 tons. If that figure is reached, and well informed trade sources believe that it will be, Cuba would be permitted to sell about 2,889,000 tons of sugar in the United States market in 1956, in other words an increase of some 80,000 tons over the amount allocated to the Cubans under the 8,350,000 consumption on which the bill is based.

All the proposed "growth formula" would do is to give domestic producers 55 percent of our annual increase in consumption, with the other 45 percent going to foreign countries. I do not see how anyone could object to this. Certainly it would be the height of folly to



further enrich foreign sugar interests, many of which are giant American-controlled corporations, by draining away the economic lifeblood of our American farmers.

As this committee knows, the adoption of fixed quotas in the 1948 act for domestic sugar-producing areas, both cane and beet, was never intended to be a permanent thing. On the contrary, the assignment of fixed quotas for these areas was based on a fixed figure, and the bulk of our increased consumption was allocated to Cuba only as a temporary expedient, designed to permit our Cuban friends to adjust their peak wartime production to more realistic levels. The legislative intent behind the 1948 Sugar Act was twofold. As I have said, Congress desired first to permit Cuba to adjust her production to peacetime levels. Second, this adjustment was to be made as quickly as possible, and was to be consistent with the best interests of our own producers.

The record of consideration which accompanied the 1948 enactment was replete with the specific intent that the act should and must be amended if and when the fixed quota provisions proved burdensome to domestic producers.

That time has come. Our domestic sugar industry, particularly mainland cane, is placed in the unfortunate and paradoxical situation of having to accept constantly increasing acreage cuts even as American consumption increases. Our own sugar industry is not being permitted to grow as our Nation grows. I believe that a sober examination of the effect of the 1948 act will demonstrate that, without exception, our own farmers are, in effect, receiving inequitable treatment—treatment which can no longer be defended, much less justified.

The bill presently before this committee is a good bill; it is fair to all concerned. First, our own farmers will be guaranteed the right to grow as our Nation grows, something which they already have been too long denied.

And, may I state that what we seek to incorporate in this bill was in the law prior to 1948, but only in a little different way, particularly with respect to Cuba.

Second, Cuba's basic quota will not be reduced 1 pound; on the contrary, our Cuban neighbors would receive a substantial share of the constantly growing American sugar consumption. Third, the strengthening of our domestic industry, in accord with the traditional congressional concept governing sugar legislation, will assure our consumers of an ample supply of sugar at reasonable prices.

I urge the committee to quickly report this bill, and to free domestic producers from the fixed-quota fetters which experience of the last 4 years has clearly demonstrated to be unfair, inequitable, and contrary to the best interests of all concerned.

The CHAIRMAN. Thank you very much, Senator Ellender.

Any questions?

Senator SMATHERS. I would like to ask one question, Senator. When was the first year that United States cane sugar producers were able to produce up to the quota which had been authorized?

Senator ELLENDER. The first year?

Senator SMATHERS. Yes; when was the first year that they were able to produce up to the quota which they had been authorized?

Senator ELLENDER. Well, let's see. The quota was changed in 1948, as you remember, up to 500,000 tons from, as I recall, an average of 464,000 under the old act. We had a percentage quota, as you know, under the 1937 act.

Now, the first year under the present act was, of course, 1948. In 1949, which is the year when the act first really "took hold," the domestic sugar producers produced 521,000 tons. They have produced over the 500,000-ton basic quota each year, with the exception of 1951.

Senator SMATHERS. So starting in 1950, with the exception of 1951, we have had this surplus domestically, but prior to that time, we did not have a surplus?

Senator ELLENDER. That's right.

Senator CARLSON. Mr. Chairman, right on that same point, and on that same table, Senator, on page 2, I noticed you had a bad year, or something happened. In 1951, you had 341,000 acres and raised 419,000 tons, which in the preceding year was 565,000 and then it went to 605,000. What was responsible for that great drop?

Senator ELLENDER. We had a freeze that year, Senator. That is what caused it. I understand that Florida has a little freeze down there now. I don't wish them bad luck, but that occurred to us in 1951, and that is why there was a decrease in the tonnage.

Senator CARLSON. Despite this decrease in tonnage that year, were you able to take care of the demand?

Senator ELLENDER. Oh, yes, no question about that. We had a carryover, you see.

The CHAIRMAN. Senator Welker would like to ask a question.

Senator WELKER. Mr. Chairman, May I ask my friend from Louisiana one question?

Will you, in simple language, please outline to the committee and to those present, just how our domestic producers are going to be helped by this bill.

Senator ELLENDER. Well, as you know, we are now tied to a fixed quota.

Senator WELKER. I understand.

Senator ELLENDER. Now this bill will simply give us a share in the increased consumption due to increased population.

Senator WELKER. Yes. Can you tell us how much that share will be?

Senator ELLENDER. Well, as I recall, consumption has increased on an average of about 150,000 tons of sugar per year, as I recall the figures.

What will happen is this: 55 percent of that 150,000 tons will be distributed among the domestic producers, which of course includes the beet and cane areas in the United States. This will occur immediately.

You see, the bill as we had it before this committee last year, provided that the domestic growers, principally the cane growers, would get a larger share of the increased consumption for the first year. As I recall, the amount that we had in our own bill was much less than that fixed in the present bill of 8,350,000 tons, and it is supposed that in this year, the consumption as I indicated a while ago will be 8,535,000 tons.

Now the difference between those figures and the 8,350,000 fixed in the bill is about 185,000 tons. Fifty-five percent of that difference would be distributed among the domestic producers as fixed in the bill, with the beet people receiving a certain percentage of it, the cane people a certain percentage of it, and then Puerto Rico a certain amount, and the Virgin Islands a certain amount. Thereafter, as consumption grows, due to increased population, the sugar will be distributed among the domestic cane producers on a basis of 55 percent, and it will be in proportion to what each is allotted under the quota system.

Senator WELKER. Senator Ellender, do you feel that this bill protects the domestic sugar producer sufficiently, or do you feel it is a compromise?

Senator ELLENDER. Well, Mr. Chairman, may I say, if it were left to me I would certainly try to obtain a little more for our domestic producers. I think they are entitled to it. But this, I figure, is a compromise. In essence, it is this or nothing.

I have worked with the Department of Agriculture and with the members of the State Department on this, and this compromise was arrived at.

Although I personally believe that the domestic cane growers ought to get a greater quota than is provided in this bill, in fact quicker relief, I am willing to go along as being the best we can obtain at this time.

Senator WELKDER. Thank you, Senator.

Senator GEORGE. For how long does this bill run?

Senator ELLENDER. Until 1962.

The CHAIRMAN. Thank you very much, Senator.

The next witness is Senator Watkins of Utah.

#### STATEMENT OF HON. ARTHUR V. WATKINS, UNITED STATES SENATOR FROM THE STATE OF UTAH

Senator WATKINS. Mr. Chairman, I have another committee to attend in a few minutes; in fact, it is in session now, and I wanted to appear and present a statement in support of an amendment which I think is in the committee print, which is to be proposed by Mr. Bennett and others to the House bill which is now before the committee.

I ask permission now to insert this statement in the record.

The CHAIRMAN. It will be received, sir.

(The prepared statement of Senator Watkins is as follows:)

#### STATEMENT OF SENATOR WATKINS (UTAH)

Mr. Chairman, I sincerely appreciate the opportunity the Finance Committee has extended to me to appear here this morning in support of the committee print amendment proposed by Mr. Bennett to H. R. 7030, to amend the Sugar Act of 1948. I shall be brief, and, therefore, will limit my testimony to the discussion of but a few major reasons why this committee, the Senate, and the House of Representatives should amend the Sugar Act so as to provide American farmers a larger share of the production needed to meet our growing consumptive sugar requirements.

The demand for sugar, Mr. Chairman, as we all know, has continued to increase as our population has increased. One authority has estimated this increase to be 135,000 short tons, raw value per year based upon an annual 2.5 million addition to total population, which has been the annual increase for several years. Per

capita, sugar consumption has also increased over the years from 18 pounds to 96.2 pounds during the period 1860-1954, which also saw our total population increase from 31.4 million to some 164 million.

So that the committee may have a concise but comprehensive picture of the domestic sugar industry, which will be affected by the action it takes, let me digress just a moment and call these facts to your attention.

1. Sugar beets are grown as a cash crop in 22 of our Western and North Central States on some 27,965 farms. In 1954, the latest year for which reliable figures are available, the total farm value of the beet crop was \$185,-828,000.

2. Sugarcane grown for sugar was grown as a cash crop on 3,908 farms in Louisiana and Florida during 1954 with a total farm value of \$55,713,000.

3. In 1955 there were some seventy-odd sugar beet factories in operation, 57 cane mills, and some refineries. The investment inland, plant and equipment, which this part of the sugar industry represents, totaled over one-third of a billion dollars.

4. Some 30,000 seasonal workers are given employment during the planting and harvesting season; some 70,000 plant workers depend for a livelihood upon the production of domestic sugar; and some 50,000 producers depend upon sugar beets and cane for a large part of their cash income.

5. Domestic consumers have benefited pricewise from the operation of the Sugar Act and domestic sugar production. For example, I should like to point out that whereas sugar cost 13.5 cents per pound in 1870, we consumers paid only 8 cents per pound in 1953. Relative to other food prices, sugar prices have risen less since 1940. According to the Bureau of Labor Statistics wholesale price index the combined 1952 price of all foods was 254 percent of the 1940 prices; sugar by comparison was only 195 percent of the price prevailing in 1940.

Now, Mr. Chairman, I should like to take a minute or two and point out the importance an expanded domestic sugar beet industry has to western agriculture. As you know, one of the major problems which has served to help pile up the burdensome \$7 billion surpluses, which the Commodity Credit Corporation now has on hand, is that a great many farmers lack substantial diversified production opportunities.

They continue to produce the same crop regardless of the price received, regardless of supplies already on hand, and regardless of what it does in the way of mining our soil resources.

In western agriculture, Mr. Chairman, the growing of sugar beets is important in maintaining diversified or rotation farming. This is so because—

1. Sugar beets return everything they take from the soil. They serve to promote soil equilibrium when grown in rotation with hay, grains, and legumes. The extensive root system often reaches 6 or 8 feet deep, and, of course, when the beets are dug the bulk of their root system—a ton per acre it is estimated—is left to rebuild the soil resources.

2. As you know the major agricultural industry of the intermountain area is livestock production. In Utah, farmers derived in 1954 some 70 percent of their income from that source compared to a national average of 55 percent. The byproducts of beet sugar—tops, molasses, and pulp—provide a rich and very necessary source of supplemental feed for livestock in an area generally considered to be a deficit feed area. Experiments carried out at our western State experiment stations show that the byproducts from 1 acre of beets, if properly fed, will produce 300 pounds of meat.

I should like to point out, Mr. Chairman, in this connection that per capita beef consumption has increased some 24 pounds since 1950.

The Department of Agriculture estimates that by 1960 we will need 2 billion more pounds of meat each year if our projected population requirements are to be met. This will require more feeder livestock for finishing in the Midwest and on the west coast. As you know, the bulk of cattle in our area is not slaughter cattle. Rather the great ranges of our mountains and desert areas primarily produce feeder cattle. But in order to build larger breeding herds to meet future needs more feed is going to be required especially for winter feeding. It is in this respect that the byproducts of sugarbeets—tops, pulp, and molasses—play such an important role. Greater amounts will be needed in the future and this requires obviously a larger acreage allotment for the production of domestic sugar beets. I should like also to point out that the bulk of the grains, legumes, and hay produced in rotation with sugar beets in the Western States are likewise fed to

livestock. They do not find their way to Government warehouses in any appreciable quantity.

The present Sugar Act quota provisions, however, Mr. Chairman, restrict the domestic beet area's production to only 1,800,000 short tons, raw value based upon an annual estimated need of 8 million short tons raw value, although the actual distribution required to meet our needs actually exceeded this statutory estimate of 8 million tons in 1952, 1953, 1954, and 1955, respectively, by 104,000 tons, 485,000 tons, 186,000 tons, and 373,000 tons, none of our own domestic areas could supply under the Sugar Act of 1948 any of this sugar needed to meet our actual needs. Unless this quota is adjusted upward, and I am of the opinion that the committee print is a start in the right direction, the following adverse effects upon western agriculture and the Nation as a whole will readily become more apparent:

1. Decline in farm income, a matter I want to discuss further in a moment.
2. Less, not more, diversified agriculture with continued loss of flexibility in planting alternatives and less opportunity for farmers to take advantage of more favorable prices.
3. Continued deterioration of our soil and water resources at a very time when all of us are interested in maintaining soil fertility for future use.
4. Adverse effect upon livestock production for future projected needs.

The present law, then, Mr. Chairman, serves to deny domestic beet and cane producers an opportunity to expand, to grow, and to develop. This restriction upon acreage in the beet areas coupled with technological progress in beet farming has served to work real hardships on farmers at a time when every sector of the economy except agriculture is enjoying unprecedented prosperity and economic growth.

New seed strains, use of fertilizers, better methods of cultivation resulted in an increased yield per acre from 13.6 tons in 1948 to 16 tons in 1954. Expressed another way, the average yield, raw value, per planted acre for the 3 years ending in 1950 was 1.92 tons. For the 3-year period ending in 1954, that yield per planted acre increased to 2.2 tons—a 15-percent gain. The effect of technological development on output is easy to see. For example, the acreage of sugar beets in 1954 was 878,000 acres, yet the production was 1,998,000 short tons, raw value—198,000 short tons in excess of its quota.

This has necessitated a decrease in the acreage allotment required to meet the domestic beet areas quota of 180,000 tons raw value. For example, the beet acreage in 1954 was 944,000 acres and for 1955 it was set at 850,000 acres—a 10-percent decrease.

Because of acreage restrictions, two adverse situations have resulted:

1. Acreage released from sugar beet production have been diverted to the production of other crops many of which were already in surplus and which were under price support during a period which saw the parity ratio fall from 92 percent in December 1953 to 80 in December 1955.
2. Large numbers of farmers have simply had to stop producing beets because their allotments are so small that it is not economical to produce them. Labor costs are too high if the beets must be hoed, thinned, and topped by hand, and it doesn't pay to buy expensive mechanical equipment to do these jobs unless it can be applied to the optimum sized land area which can reduce per unit costs of output to the lowest possible point.

Yet on the other hand, acreage restrictions and low prices for other alternative crops has created a great demand by farmers for an adequate proportionate share of the domestic sugar beet quota, in excess of the size they can get under the quota now allotted to the beet area.

When farmers have crop production alternatives, farmers choices are largely determined, other things being equal—resources, know-how, etc.—by the price relationship between these various alternatives. When one examines these relationships in terms of the farm price as a percentage of the parity price it is not too difficult to see why farmers in our domestic beet areas are demanding, and I believe rightly so, an opportunity to grow beets.

For example, while the price of sugar for the years 1948-54 has averaged 93 percent of parity as of November 1955 the price of sugar stood at 98 percent of parity. Compare this with the parity prices of other crops grown in rotation with sugar beets:

1. Barley: Parity price has declined from 81 to 69 percent of parity 1954 to 1955.
2. Oats: Parity price declined during the same period from 88 to 74 percent of parity.

3. Grain sorghums declined from 87 to 69 percent of parity.

4. Potatoes: Parity price has declined from 70 percent in 1954 to 57 in 1955.

5. Beans from 93 to 73 percent of parity.

Certainly, Mr. Chairman, this committee can recognize the need in light of the sober facts I have presented this morning to permit American farmers to supply a larger percent of our domestic sugar needs than that permitted by the Sugar Act of 1948? Farmers caught in a cost-price squeeze as they have been since soon after the end of the Korean war, ought to have the greatest possible freedom and flexibility to produce those commodities in growing demand, which offer the best income alternative. The production of sugar beets as these figures indicate is one such bright alternative.

I believe, Mr. Chairman, that the least the Congress can do to assist these farmers is to provide for the modest increases in the domestic quota provided by the committee print. This provides, as you know, that 55 percent of the amount by which the Secretary of Agriculture's annual estimated needs exceeds 8,350,000 short tons, raw value shall be added to the basic quota now provided in the Sugar Act of 1948 as follows:

1. Of the first such 165,000 tons; 51.5 percent is to be added to the basic sugar quota of 1,800,000 tons of the beet area, and 48.5 percent to the basic quota of 500,000 tons of the cane area.

2. The next 20,000 tons is to be added to Puerto Rico's basic quota of 1,080,000 tons.

3. The next 3,000 tons to the Virgin Islands basic quota of 12,000 tons.

4. If any remains of the 55 percent of the amount by which the Secretary's estimated needs exceeds 8,350,000 tons it is to be apportioned on the basis of the basic quotas of the domestic suppliers.

Thank you for your attention and your courtesy.

Senator WATKINS. Thank you very much.

The CHAIRMAN. The next witness is the Honorable Mrs. Joseph R. Farrington, Delegate from Hawaii. Mrs. Farrington, we are very glad to have you appear before the committee.

#### STATEMENT OF HON. ELIZABETH P. FARRINGTON, DELEGATE TO CONGRESS FROM THE TERRITORY OF HAWAII

Mrs. FARRINGTON. Mr. Chairman, my name is Elizabeth P. Farrington. It is my privilege to represent the Territory of Hawaii as Delegate to Congress.

I wish to register my support of the position taken by the domestic sugar producers before your committee in favor of the amendment to H. R. 7030 by Senator Bennett set forth in committee print dated January 13, 1956, now under consideration by your committee.

In anticipation of any questions that you gentlemen may have following my statement, I would like to say that I am not an expert in the field of sugar technology, but there are those here in the audience to answer those questions, if you care to have them answered.

The Territory of Hawaii has need to participate with the other elements of the domestic sugar industry in the increased growth of sugar consumption in this country. During this past year, 1955, Hawaii produced 1,140,000 tons of sugar which is 43,000 tons over the combined mainland and local sugar quota permitted to be marketed under the Sugar Act of 1948, as amended.

It is anticipated that this year's crop will be larger than that of last year, and, as of this date, is estimated to produce 1,170,000 tons. This production has been attained in spite of the fact that in the Territory of Hawaii there is almost no opportunity for expansion of sugarcane

acreage. In fact, the actual acreage has shrunk in the past two decades. The total area planted to sugarcane in 1935 was 246,491 acres. In 1954 the acreage in sugarcane was down to 220,138 acres. The increase in total production is mainly due to the advances in sugarcane technology and availability of new higher yielding cane varieties which have resulted in more efficient agriculture and increased per acre production. Furthermore, the complete adjustment to mechanization of field operations has now been in large part effected and is reflected in increased yields.

The high level of agricultural efficiency in Hawaii is demonstrated by the fact that during the period from 1935 to 1954 sugar yields per acre increased from 7.82 to 10.02. It is this demonstrated ability of the Hawaiian producers to take advantage of the results of the outstanding research of its own experiment station that has enabled the industry not only to survive, but to provide its employees with the higher standard of living which comes from the payments of the highest year-round wages of any agricultural area. The average daily earnings for nonsupervisory employees in 1955 was \$10.64 per 8-hour day. If Hawaii is to continue to have the advantage of improved technology through research and through the development of outstanding new varieties, which will result in an increased per acre production, it can do this only through sharing the growth of the American sugar market as provided in the bill.

I should like to take this opportunity, Mr. Chairman, to point out that in recent years there has developed a corps of some 2,000 independent sugarcane farmers in Hawaii. This favorable development has been encouraged by the plantation producers.

In Hawaii sugarcane agriculture is based on a 2-year crop. This means that sugarcane fields being started at this moment will not be harvested until 1958. Because of the complexity of sugarcane agriculture, particularly on a 2-year cycle, it is imperative that Hawaiian sugarcane farmers have the advantage of as early legislation as possible to enable them to soundly make their plans.

Mr. Chairman, I recognize the critical inventory situation which prevails in the other domestic areas. We realize that their immediate need for relief is pressing, and when those immediate needs are met, Hawaii itself needs, and expects, to share pro rata with its sister areas in the domestic industry in the increase in the sugar market as provided in the amendment to H. R. 7030 now under consideration, and I wish to place myself on record in support of its passage.

The CHAIRMAN. Thank you very much, Mrs. Farrington, for your contribution.

Any questions?

(No response.)

The CHAIRMAN. Our next scheduled witness, the Honorable True D. Morse, the Under Secretary of Agriculture, has been detained at the White House Cabinet meeting. We shall, therefore, proceed to the next witness, the Honorable Henry F. Holland, Assistant Secretary of State.

**STATEMENT OF HENRY F. HOLLAND, ASSISTANT SECRETARY OF STATE FOR INTER-AMERICAN AFFAIRS; ACCOMPANIED BY LAWRENCE MYERS, DIRECTOR, SUGAR DIVISION, UNITED STATES DEPARTMENT OF AGRICULTURE, AND PAUL E. CALLANAN, INTERNATIONAL RESOURCES DIVISION, DEPARTMENT OF STATE.**

Mr. HOLLAND. Mr. Chairman, my name is Henry Holland. I am Assistant Secretary of State for Inter-American Affairs.

I am here to testify on behalf of the document that has been identified as a committee print, prepared at the request of Senator Bennett. My statement is as follows:

Sugar is of such great importance in United States relations with a number of foreign countries, particularly the Latin American countries, that the State Department is especially appreciative of the opportunity to comment on the legislation which you are now considering.

The Department's general position on sugar legislation is contained in its report on S. 1635, which was filed with the chairman of the committee on June 22, 1955. As certain sections of that report are no longer applicable, I shall not take the time of the committee by reading it into the record. I do request, however, that it be made a part of the record, and I hope that the members of the committee may be able to find time to read it.

As the committee is aware, the present Sugar Act provides fixed quotas for domestic sugar-producing areas and the Philippines. These total 5,424,000 tons. The difference between this total and the total amount of sugar which we consume in the United States is supplied by foreign countries other than the Philippines. These countries might be called the residual suppliers. Among the residual suppliers, Cuba's share is 96 percent; that of the others, 4 percent. That is under the existing law, Mr. Chairman. The present act is now scheduled to expire January 1, 1957.

When sugar legislation was under consideration by the House Committee on Agriculture, the executive branch made the following recommendations with regard to quotas:

1. That the provisions of the present act apply up to the level of 8,350,000 tons.

2. That beginning January 1, 1956, increases in consumption above the level of 8,350,000 tons be divided 55 percent to domestic producers and 45 percent to Cuba and other foreign countries, excepting the Philippines, whose fixed quota was established under the Philippine Trade Act. These foreign countries other than Cuba and the Philippines are commonly referred to as the "full-duty" countries, inasmuch as the full tariff duty is paid on all sugar imported from them.

3. The executive branch recommended further that beginning January 1, 1957, the expiration date of the present act, the Cuban share in that portion of increased United States consumption allocated to foreign suppliers be reduced from 96 percent to 60 percent, and that the share of the full-duty countries be increased from 4 percent to 40 percent.

4. Finally, the executive branch recommended that the relative share of the major full-duty countries be determined on the basis of



their participation in our imports of sugar from such countries during the period 1951-54.

The bill approved by the House of Representatives differs in several important respects from the recommendations of the executive branch. I should like to comment briefly on these.

1. Dividing increases in consumption between domestic producers and foreign producers: The bill approved by the House would divide increases in consumption 50-50 between domestic and foreign producers. The State Department supports the recommendation which the executive branch made to the House Agriculture Committee, and is making to this committee, that domestic producers should share to the extent of 55 percent in increases in consumption above the level of 8,350,000 tons.

I should like to emphasize one very obvious point in this connection, however, and to point out two of its implications. The 55-45 division between domestic and foreign producers allows foreign countries to supply less sugar than would the 50-50 division approved by the House. This means that it is especially desirable, from the foreign policy viewpoint (1) that the Senate accord as favorable treatment to foreign producers in other respects as was accorded by the House; and (2) that it is even more necessary than it was in the House that the division of the foreign share of increases in consumption among foreign producers be made on the basis of an equitable standard which can be applied as uniformly as possible among the interested countries. The problem of allocating quotas among foreign countries is, at best, a very complex one and involves choices as to base periods and standards that are subject to differences of viewpoint. The simpler and more understandable the standards, the more likely it is that these differences will not become serious.

2. Dividing the foreign share of increases in consumption between Cuba and the full-duty countries: As was indicated earlier, the executive branch recommended that 60 percent of such increases be allocated to Cuba and 40 percent to the full-duty countries. The bill approved by the House would give the full-duty countries a statutory quota of 175,000 tons for 1957 and would allocate to them an additional 45,000 tons out of increases in consumption each year thereafter. The difference, if any, between the foreign share of increases in consumption and the annual increment of 45,000 tons going to the full-duty countries would go to Cuba. This would, on the average, probably be about one-third the amount received by the full-duty countries. Cuba's share in some years might prove to be nothing, and the Department of State firmly believes that Cuba should not be placed last in line for a share which may or may not materialize.

It is the view of the Department that it would be unwise to allocate to the full-duty countries more than 40 percent of the foreign share of increases in consumption during the period of the bill. The Department is opposed to any larger increase, especially in view of our normal dependence on Cuba for emergency supplies of sugar and the current depressed economic situation of the Cuban sugar industry, and also the fact that Cuba is the country which is most directly affected by the increase in the domestic share.

I should like to call your special attention to the fact that to adopt legislation less favorable to Cuba than that recommended by the

executive branch would mean a further worsening of economic conditions in Cuba. Cuba's sugar production has already been reduced from 8 million tons in 1952 to 5 million tons in 1955. Cuba, a small country with a population of about 6 million is financing a surplus of sugar well in excess of 1 million tons in addition to necessary carry-over. The Cuban Government estimates that, because of the cutback already made in its sugar production, salaries in the industry have had to be reduced by approximately 13 percent. The take-home pay of workers has been reduced by a further 27 percent cut during the "dead season" which is, of course, now of longer duration because of the cutback in production. Care is obviously required to avoid action which would materially worsen Cuba's present economic position, particularly since Cuba has always been our largest source of sugar as well as our most readily expansible source of additional sugar in event of emergency.

And I might add, Mr. Chairman, that it is probably known to you and to the members of the committee that Cuba is our sixth best customer in the world for United States exports. It is, I believe, the major customer for a number of our agricultural products, including beans, ham, lard, bacon, rice, and certain others that don't come to my mind at this time.

It is the policy of our Government to seek by every effective and proper means to assist our partners in the hemisphere in strengthening their economies. We feel that the full-duty countries are entitled to the economic benefits of increased participation in the United States market. The executive branch has recommended that their participation in the foreign share of increased consumption over 8,350,000 tons be increased from the 4 percent allowed by the law now in effect to 40 percent. We must be careful, however, that in seeking to benefit the full-duty countries, we do not cripple the economy of Cuba, who is likewise an important partner in the hemisphere.

3. Dividing the share of the major full-duty countries among such countries: As was indicated earlier, the executive branch recommended that the relative shares of the major full-duty countries be determined on the basis of their participation in our imports of sugar from these countries during the period 1951-54. So far as is known, the bill approved by the House follows no uniform standard in allocating the quotas among this group of countries. The allocation appears to have been based initially on their relative participation in exports of sugar to the world, including the United States, rather than on exports of sugar to the United States. Adjustments appear to have been made from this base, however, which substantially increase the quotas of some countries and reduce the quotas of other countries. The basis for these adjustments is not known to the Department.

I should like to urge this committee to support the following recommendations of the executive branch which we understand have been incorporated in a committee print: (1) That beginning January 1, 1956, domestic producers should benefit to the extent of 55 percent and foreign producers to the extent of 45 percent from increases in consumption above 8,350,000 tons rather than on a 50-50 basis, as is provided in the House bill; (2) that beginning January 1, 1957, Cuba should receive 60 percent of the foreign share of increases in consumption. The House bill gives to Cuba whatever excess in the

foreign share may remain after giving to the full-duty countries 175,000 tons in 1957 and an additional 45,000 tons each year thereafter; and (3) that the relative shares of the major full-duty countries be determined on the basis of their relative participation in our importation of sugar from such countries during the most recent 4-year period, 1951-54, rather than on the undefined basis provided for in the House bill. As I have suggested earlier, these recommendations would provide for a smaller participation by foreign countries, and a larger participation by domestic areas, in increases in consumption than are provided for in the House bill. They would, however, in the opinion of the State Department, provide for a more reasonable and a more defensible distribution of the foreign quota among foreign countries.

I believe that the recommendations of the executive branch regarding sugar legislation reflect one of the finest bipartisan aspects of United States policy in this hemisphere, that is, our desire by every practical means to expand and strengthen inter-American trade. As you know, the major part of our sugar imports come from Latin America. The enormous trade now being carried on between the nations of this hemisphere is one of the principal factors which account for the amazing economic progress that is going on in Latin America. It is also an important factor in our own prosperity. Twenty-seven percent of all our exports are sold in Latin America, more than in any other comparable area of the world. Thirty-four percent of all our imports come from the Latin American Republics. About 37 percent of all United States direct investment abroad is in this area. The benefits to all of us of protecting and increasing this great volume of trade are obvious.

Wherever it is possible, consistent with our national interest, we must resolutely resist all attempts to reduce inter-American trade or, speaking more broadly, international trade, whether by increased tariffs, reduced quotas, or other restrictive devices. But, in our own interest, we must do more than merely protect existing levels of inter-American trade. We must undertake to expand and strengthen it. This means that we must find ways to increase our imports of Latin America's products. This is true because the level of our imports is the limiting factor in our inter-American trade. The dollars that Latin America earns by selling its products in our markets are the same dollars that she uses to pay for our exports. Therefore, as we import more there is a balancing increase in our exports.

The proposal of the executive branch protects the existing access of every Latin American sugar-producing country to our market, and provides that their sales in this market shall grow in the future right along with those of our own domestic producers.

May I, in closing, again thank you for the opportunity to appear before you to express the views of the State Department on the very important legislation which you are now considering.

The CHAIRMAN. Thank you very much, sir, for your testimony. Any questions?

Senator FREAR. I have some, Mr. Chairman, when my turn comes.

The CHAIRMAN. Proceed.

Senator FREAR. Mr. Holland, it is nice to see you before this committee this morning. I think the Latin American countries are

very happy that you take care of them as far as our State Department is concerned, in the position which you hold with the State Department, and I think that it is a great advantage to this country to have you in that position.

I assume that in your position with the State Department you have worked closely with the Department of Agriculture on this sugar bill; is that true?

Mr. HOLLAND. I have conferred with representatives of the Department of Agriculture on a number of occasions; yes, Senator.

Senator FREAR. So that in making your recommendations of allocation, that is consistent with the views of the Department of Agriculture.

Mr. HOLLAND. I believe so. There will be an Agriculture witness here before you this morning.

Senator FREAR. Our exports to Latin American countries, as you state, are paid for in dollars by our exports to those countries.

Mr. HOLLAND. By dollars that they earn through their exports to us, that is what the Senator means? Yes, sir; I believe that is generally true.

Senator FREAR. Sir, do you think that it would be wise to restrict or limit the production of sugar in this country that would, by doing that, benefit our Latin American countries, by earning more dollars to buy more of our exports?

In reality what the question means is that we could deplete or reduce the dollars earned by our domestic farmers in sugar and beet production, but increase the dollars earned by perhaps the manufacturing industry in the United States.

Mr. HOLLAND. That was a rather long question. I will try to answer it as directly as I can by saying this:

Under the legislation presently in effect, our domestic producers of sugar are limited by a fixed quota. The Department of State supports the committee print to which I have referred, and which contemplates that hereafter our domestic producers will receive the benefit of 55 percent of all future increase in consumption of sugar in the United States above the figure of 8,350,000 tons.

I am unable to agree, Senator, if your suggestion is that the Department of State is suggesting the restriction of our domestic industry, because I believe that the facts to which I have just referred are inconsistent with that suggestion, and I believe, though I am not certain, that the domestic industry likewise supports the proposal that is set out in this committee print.

Senator FREAR. Well, you are concurring with the desires and the wishes of the domestic producers, so far as the State Department is concerned.

Mr. HOLLAND. I am concurring with the desire of all domestic producers who support this committee print, Senator, and I am not trying to be evasive.

There are witnesses for them here as well this morning, and I would be a little presumptuous if I were to try to speak for them.

Senator FREAR. Perhaps this isn't the proper question to ask you as a representative of the State Department, and it might be better to ask it of the representative of the Department of Agriculture, but in the State Department, you are aware, as you mentioned in your testimony here, that we do impose a duty on the importation of sugar into this country, do we not?

Mr. HOLLAND. Yes, sir; that is true.

Senator FREAR. About what in dollars do we receive by way of duty on imported sugar?

Mr. HOLLAND. I will have to ask for help on that one.

Senator FREAR. That is all right, we will wait on that one.

Mr. HOLLAND. Mr. Lawrence Myers, Director of the Sugar Division of the Agriculture Department is a walking encyclopedia of accurate information of that character. He is here, and if he will help me.

Mr. MYERS. It is about \$10 a ton, sir, I believe offhand, so on imports of 3 million tons it would amount to \$30 million.

Senator FREAR. What happens to the \$30 million that our Government receives, what happens to that \$30 million?

Mr. MYERS. The \$30 million, Senator, goes into our Treasury Department for all of the general expenses of the Government, along with our income taxes.

Senator FREAR. It is not earmarked for any specific outlay, then?

Mr. MYERS. No, Senator. You may be having in mind a reference to the processing tax on sugar which is one-half cent per pound, an excise tax, but that is separate from the tariff.

Senator FREAR. Yes. What happens to that, then?

Mr. MYERS. From the proceeds of that tax, which amounts to about \$82 million a year, about \$69 million is used to pay for the Sugar Act payments and the administration of the Sugar Act.

Senator FREAR. What are the Sugar Act payments?

Mr. MYERS. Last year they amounted to \$67 million.

Senator FREAR. Just what are the Sugar Act payments? Who is the beneficiary?

Mr. MYERS. They are payments that are authorized to be made to domestic sugar producers, as part of the protection given to them, and a basis for insuring compliance on their part with the terms of the program.

Senator FREAR. Is it a subsidy?

Mr. MYERS. It depends on how you wish to term "subsidy."

Senator FREAR. In your opinion, is it a subsidy?

Mr. MYERS. So far as I personally am concerned, I would say that every bit of protection in any way, shape, or manner is a subsidy. That happens to be my particular brand of economics. But there are others who may disagree with that.

Senator FREAR. Do you agree with that statement, Mr. Holland, that it is a subsidy?

Mr. HOLLAND. I will adopt Mr. Myers' answer, which seems to me to be a very reasonable one.

Senator FREAR. Now, if we go along with this bill that you have recommended, will it increase or decrease the subsidies to domestic producers, assuming we use this term as a subsidy?

Mr. HOLLAND. If you adopt that definition of a subsidy, Senator, it would increase it to the extent that the domestic production of sugar increases through the increased participation in our domestic consumption.

Senator FREAR. Then, since you recommend this, I assume that you are in favor of subsidies.

Mr. HOLLAND. I am in favor of the provisions of this particular committee print, Senator, and I would prefer to comment on a specific case, rather than to say that in general I favor subsidies.

Senator FREAR. Then you favor subsidies for the domestic sugar producers.

Mr. HOLLAND. I favor the subsidy as defined here, that is specified in this committee print.

Senator FREAR. In our relations on the State Department level with our neighbors to the south, the Latin American countries, we also act somewhat through the United Nations, do we not?

Mr. HOLLAND. The United Nations as an organization is active in this area of the world, yes, sir; and we act through the United Nations to the extent that we are one of the United Nations; yes, sir.

Senator FREAR. Well, is it the policy of the State Department, if this is a fair question to you, to try to use the United Nations whenever it is feasible or whenever it seems in the best interests in our relationships with the South American countries.

Mr. HOLLAND. No, sir; I would not say that we used the United Nations under any circumstances.

Senator FREAR. I don't mean abuse the United Nations, I mean use the facilities that the United Nations offers.

Mr. HOLLAND. No, sir; I would not say that we use their facilities, Senator, and I am not trying to be evasive.

We participate as one of the United Nations in United Nations' activities that exist in this hemisphere, and we do not use the United Nations. We simply participate as a member in their activities conducted in this hemisphere.

Senator FREAR. You are interested in any relationship that our country has with Latin America through the United Nations. You have a particular interest in that?

Mr. HOLLAND. I have an interest in everything that we do in this hemisphere, yes, sir; and that would include the area that you refer to.

Senator FREAR. I apologize to the chairman for infringing on the time of the Sugar Act, but there is a question which I would like to ask, if I may, Mr. Chairman, since the United Nations was brought up.

The CHAIRMAN. Yes, sir.

Senator FREAR. Mr. Holland, are you familiar with the appointment by the United Nations of Mr. Anatoli Y. Melnikov, who is to administer the Child Welfare Funds in the United Nations Child Welfare Fund in South America?

Mr. HOLLAND. I have heard that there was such an appointment, and I have requested that precise facts with respect to it be furnished to me. I expect to get those very shortly, and I shall be happy to insert them in this record for you if you feel it is pertinent.

Senator FREAR. I will be delighted with that, and it will save a lot of time because I do think it is rather important in our relations with South America, and I thank you for going along as well as you could with the questions.

Mr. HOLLAND. I am happy to do so, Senator.

Senator FREAR. That is all.

(The following was later received for the record:)

Following are the facts requested with respect to Melnikov's appointment to the United Nations Children's Fund (UNICEF):

1. Announcement of first Union of Soviet Socialist Republics contribution to UNICEF in July 1955.
2. Soviet request for appointment of a Union of Soviet Socialist Republics national as UNICEF staff member made in early fall, 1955.
3. Prolonged conversations between UNICEF and Union of Soviet Socialist Republics delegation during fall on possible Soviet candidates.

4. First open post occurred in December 1955 as a result of transfer of the Latin American desk officer to be UNICEF representative in Mexico.

5. Announcement of Melnikov's appointment to this post in December 1955.

6. Decision by Executive Director of UNICEF in January 1956 to reassign Melnikov to a special assistant position in the office of an Assistant Executive Director which subsequently became available. In this capacity Melnikov will work on internal matters in the headquarters office of the Children's Fund.

7. Melnikov is expected to report for duty in February 1956.

The CHAIRMAN. Any further questions?

Senator SMATHERS. Mr. Chairman, I would like to ask 1 or 2 questions with respect primarily to the 45 percent for what we call off-shore countries. During World War II, where did the United States get the bulk of its sugar?

Mr. HOLLAND. From Cuba, Senator.

Senator SMATHERS. And at that particular time, were we able, here in this country, to produce a sufficient amount of sugar to take care of our own needs?

Mr. HOLLAND. No, sir.

Senator SMATHERS. Do you recall how much we paid to the country of Cuba for the sugar which we got during World War II? Was it the world price or was it a stipulated price?

Mr. HOLLAND. It was a stipulated price, less than the world price.

Senator SMATHERS. In other words, during World War II we bought from Cuba sums of sugar at a price lower than they could have gotten on the world market.

Mr. HOLLAND. That is correct, they sold us sugar at less than they could have gotten on other markets.

Senator SMATHERS. Why did they do that? Do you have any idea?

Mr. HOLLAND. Certainly one of the factors forming that decision on their part was their desire to make a contribution to our war effort through a means that was accessible to them.

Senator SMATHERS. If we were to become involved in another emergency—of course, we pray that we do not—but where again would we have to look for our source of sugar?

Mr. HOLLAND. Certainly one of the sources to which we would have to look would be Cuba.

Senator SMATHERS. Has Cuba been heretofore the largest producer of sugar of any of the countries with whom we have been trading?

Mr. HOLLAND. Yes, sir.

Senator SMATHERS. Would you say that Cuba is a multiple-crop country, or would you say it is a one-crop country?

Mr. HOLLAND. Well, I would have to answer you this way. They have been and they are a one-crop country. They are making a courageous attempt to diversify their economy, and they are achieving some success. But the present situation there is still one that you would have to refer to as a one-crop economy.

Senator SMATHERS. And even though they are a one-crop country, and that crop is sugar, they nonetheless are fifth or sixth, the fifth or sixth best customer of ours?

Mr. HOLLAND. They are the sixth best customer in the world for United States exports.

Senator SMATHERS. How much money do they spend in dollars in the United States?

Mr. HOLLAND. Rather than shooting from the hip, let me get the exact figure. The answer has been suggested 430 million, Senator. If I find that is incorrect, I will correct it in the record.

Senator SMATHERS. And where do they get these 430 millions?

Mr. HOLLAND. I thought it was nearer 500 million.

(The following was later supplied for the record:)

United States exports of goods to Cuba in 1954 amounted to \$428.2 million. In addition, Cuban tourist expenditures amounted to about \$17 million.

Senator SMATHERS. I thought it was, too.

Mr. HOLLAND. But that is in the same ball park. They get that money, those dollars, through their exports to the United States. The principal commodity is of course sugar.

Senator SMATHERS. Do you recall, or have any idea how this \$430 million is spent? Is it spent mostly for industrial machinery, things of that nature, or how is it spent?

Mr. HOLLAND. I have seen a study which indicates, if my memory does not trick me, that Cuba imports products that benefit some 42 of the 48 States.

I have indicated already that Cuba is not the sixth, but the first foreign customer for a number of our agricultural exports, and I enumerated those that I could recall. There are certain others that I have forgotten. Cuba is also, of course, an important customer for industrial products, as well as agricultural products.

Senator SMATHERS. Do you know whether or not the sugar producers of Cuba today have a surplus of sugar on hand?

Mr. HOLLAND. In my direct testimony, Senator, I believe that I said that they are financing today a surplus of more than a million tons, aside from their normal carryover.

Senator SMATHERS. Now this proposal which you are now making, how much would that cut Cuba?

Mr. HOLLAND. Cuba presently gets 96 percent of all increases in consumption.

Senator BARKLEY. All what?

Mr. HOLLAND. All increases; this is under the existing law, 96 percent of all increases in consumption.

The proposed legislation would reduce her participation from that figure to 60 percent of 45 percent, which is, by my own mental arithmetic, 27 percent.

So she would drop from 96 percent of all increases to approximately 27 percent of increased consumption.

Senator SMATHERS. Do you consider that a major cut in the sugar production of Cuba?

Mr. HOLLAND. Senator, it is a drop from 96 to 27 percent. I think it clearly is a major cut; yes, sir.

Senator BENNETT. Will the Senator yield?

Senator SMATHERS. Yes.

Senator BENNETT. That is a cut in future prospects. Under this legislation, Cuba will not lose a single ton that it is presently producing.

Mr. HOLLAND. I would like to go further, Senator Bennett, and recall to the Senator the remark in my direct testimony that the proposed legislation protects the existing access of every foreign supplier of sugar to this market.

In other words, when we use these figures of 96 percent and 27 percent, we are talking of participation in future consumption or future growth above existing levels.

Therefore, I repeat, the proposed legislation, as Senator Bennett indicates, will not deprive Cuba of any of the market that she presently



enjoys, and upon which she presently relies in planning or in conducting her economy. It will, however, reduce Cuba's participation in future growth above existing levels in the dimensions that I have indicated. That is, I believe, a precise answer to your question, sir.

Senator BARKLEY. May I ask one question right there?

Senator SMATHERS. Yes, sir.

Senator BARKLEY. What is the present percentage of Cuba, leaving out any question of increase, the proportion of the offshore supply?

Mr. HOLLAND. Of the offshore supply? The figure that is in my mind, and corroborated by Mr. Myers, here, is 33 percent. If I find that to be inaccurate, I will correct it in the record.

Senator BARKLEY. Can you, offhand, give me what the proportion is that 3 or 4 other countries have of offshore access? For instance, Mexico.

I won't delay the committee. There is probably some witness who has those figures.

Senator SMATHERS. Mr. Chairman, I think that is very material, because this committee is going to have to decide on how to distribute this 45 percent offshore, and I think we might as well get those figures in the record now.

Mr. HOLLAND. Senator, that will take a little computation.

Senator BARKLEY. You will put them in. And also you might put in the record the proportion of, not Cuba and Mexico, but 3 or 4 other countries who are shipping it to this country.

Mr. HOLLAND. We will do that, Senator.

(The following was later received for the record:)

*Entries and marketings of sugar in continental United States from all areas, 1930-55*

[Percent]

Year <sup>1</sup>	Domestic beet area	Mainland cane area <sup>2</sup>	Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba <sup>3</sup>	Dominican Republic	El Salvador	Haiti	Mexico	Nicaragua	Peru	Other foreign countries
1930.....	19.3	3.2	13.0	12.1	0.1	11.9	39.6	0.2	( <sup>5</sup> )	( <sup>5</sup> )		0.1	0.3	0.2
1931.....	19.9	3.1	14.8	11.8	( <sup>5</sup> )	12.9	36.8	.1	( <sup>5</sup> )		0.3			.2
1932.....	20.8	2.5	16.6	14.9	.1	16.3	28.4	.2			.1			.1
1933.....	21.5	5.0	15.6	12.5	.1	19.7	24.8	.1		( <sup>5</sup> )	.3		.3	.1
1934.....	23.8	4.0	14.4	12.3	.1	16.6	28.4	.3			( <sup>5</sup> )		.1	( <sup>5</sup> )
1935.....	23.5	5.1	14.8	12.6	( <sup>5</sup> )	14.6	29.2	( <sup>5</sup> )					.1	( <sup>5</sup> )
1936.....	20.0	6.0	15.0	13.3	.1	14.4	30.8	( <sup>5</sup> )				( <sup>5</sup> )	.1	.3
1937.....	18.1	7.2	14.4	13.1	.1	14.4	31.4	.4				( <sup>5</sup> )	.8	.1
1938.....	21.9	6.8	13.7	12.2	.1	14.8	29.3	.1		( <sup>5</sup> )		.1	.9	.1
1939.....	24.1	7.8	13.3	15.1	.1	13.0	25.8	.2				.1	.5	( <sup>5</sup> )
1940.....	24.0	6.3	14.6	12.4		15.2	27.2	.1					.2	( <sup>5</sup> )
1941.....	24.4	5.1	11.3	12.4	.1	10.6	33.7	.9		0.1			1.4	( <sup>5</sup> )
1942.....	30.7	7.3	13.5	15.0		.4	32.3				( <sup>5</sup> )			.7
1943.....	23.6	7.1	13.5	9.9	( <sup>5</sup> )		44.3	.1		( <sup>5</sup> )	.3		( <sup>5</sup> )	1.2
1944.....	16.6	7.4	11.6	10.7	( <sup>5</sup> )		52.1	.7		.2				.6
1945.....	17.4	7.0	12.3	15.1	.1		46.7						.6	.8
1946.....	24.4	7.9	11.2	15.3	.1		40.3						.8	
1947.....	20.3	4.9	10.9	12.5	( <sup>5</sup> )		50.8						.5	( <sup>5</sup> )
1948.....	23.3	6.4	10.1	14.3	.1	3.6	41.3	.2	0.1	( <sup>5</sup> )	.1	( <sup>5</sup> )	.5	
1949.....	19.5	7.3	10.1	14.3	.1	6.9	41.0	.2	( <sup>5</sup> )	( <sup>5</sup> )	.1	.1	.3	( <sup>5</sup> )
1950.....	21.1	6.3	13.8	12.7	.1	5.7	39.5	.2		( <sup>5</sup> )	( <sup>5</sup> )	.1	.4	( <sup>5</sup> )
1951.....	22.2	5.9	12.1	12.2	.1	9.1	38.0	.2		( <sup>5</sup> )			.2	
1952.....	19.5	6.9	12.1	12.3	.1	10.7	37.6	.2		( <sup>5</sup> )	.1	.1	.4	( <sup>5</sup> )
1953.....	21.1	6.2	13.1	13.5	.1	11.2	33.4	.4		( <sup>5</sup> )	.2	.1	.6	.1
1954.....	21.9	6.1	12.6	13.1	.1	11.8	33.0	.4		( <sup>5</sup> )	.1	.1	.7	.1
1955 <sup>4</sup> .....	21.3	6.0	12.5	12.9	.1	11.6	34.1	.4		( <sup>5</sup> )	.2	.1	.7	.1

<sup>1</sup> Calendar year basis, 1930-55.

<sup>2</sup> Crop-year production, 1930.

<sup>3</sup> Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; 1947, 230,000 tons.

<sup>4</sup> Preliminary.

<sup>5</sup> Less than 1/10 of 1 percent.

Senator BARKLEY. As I understand you, then, in the past and up to now Cuba has had about 33 percent of the American market for offshore sugar?

Mr. HOLLAND. 33 percent of the sugar consumed here in the United States has been supplied by Cuba.

Senator BARKLEY. Well, what percentage of the offshore sugar that has been sent in has Cuba sent in?

Mr. HOLLAND. May I compute that exactly and put it in the record, Senator?

Senator BARKLEY. Yes.

I have been told—it may be utterly inaccurate—that of the offshore, the 45 percent total, if that is the percentage of offshore sugar sent in, that Cuba had about 96 percent of that.

Mr. HOLLAND. That is not accurate, Senator, because Cuba has supplied 96 percent of the increases under the existing law. That would, mechanically, mean that she would not supply 96 percent.

Senator BARKLEY. She would not have 96 percent of the total consumption?

Mr. HOLLAND. Total supply.

Senator BARKLEY. Total supply; only of the increase from year to year?

Mr. HOLLAND. That's right.

Senator BARKLEY. What this bill does is to cut her participation in that increase from 96 percent down to about 60?

Mr. HOLLAND. Down to 27 percent.

Senator BARKLEY. 27; yes.

Mr. HOLLAND. That's correct.

The CHAIRMAN. The American producer does not get any of the growth at present?

Mr. HOLLAND. Under the existing law, the United States producer gets no percentage of the growth. Under the proposed legislation, the American producer would get 55 percent of the growth.

The CHAIRMAN. And under the present situation, Cuba gets 97 percent, and the other 3 percent is divided among Mexico——

Mr. HOLLAND. 96 and 4.

Senator BENNETT. 96 and 4.

The CHAIRMAN. 96 and 4.

Mr. HOLLAND. Under the present legislation——

The CHAIRMAN. What other countries does the 4 percent go to?

Mr. HOLLAND. The 4 percent which has existed heretofore would be increased tenfold to 40 percent, and would go——

The CHAIRMAN. I know. But I am speaking of the present situation.

Mr. HOLLAND. It goes to such countries as the Dominican Republic, Mexico, Nicaragua, Peru, Haiti, Costa Rica. There are very small quantities furnished by other countries, but those are the principal of the——

The CHAIRMAN. In the aggregate, that amounts to 4 percent of the growth?

Mr. HOLLAND. That is correct, heretofore.

The CHAIRMAN. Heretofore.

Senator SMATHERS?

Senator SMATHERS. Now, right on those points, Mexico, of course, is one of our very best customers, are they not?

Mr. HOLLAND. That is correct; I believe our fourth best customer in the world.

Senator SMATHERS. Now, how much sugar has Mexico been producing up to this point?

Mr. HOLLAND. They have been producing, I am advised, about 150,000 tons. Their quota under the existing law had been about 12,000 tons. Under the proposed legislation, it is contemplated that it would increase to about 250 percent of the present figure.

I have been corrected. Their total production has been in excess of 1 million tons. Their total exports have been approximately 75,000 tons. Their quota in the United States market has been about 12,000 tons, and our best estimates are that this 12,000-ton quota would, during the period of the contemplated legislation, be increased to well in excess of 30,000 tons.

Senator SMATHERS. So if this bill is passed, as you recommend, Mexico's quota would jump from 12,000 tons up to approximately 30,000?

Mr. HOLLAND. Something in excess of 30,000 tons over the period of the bill.

Senator SMATHERS. Do you know whether or not Mexico has a surplus supply of sugar today?

Mr. HOLLAND. The fact that she exports a portion of her production means that she has sugar for sale over and above her domestic needs.

Senator SMATHERS. But do you know whether or not there is a backlog of sugar in Mexico that is nondisposable sugar?

Mr. MYERS. Nothing serious.

Mr. HOLLAND. There is no substantial unmarketable surplus being carried.

Senator SMATHERS. What percent of increase would this bill provide to Mexico with respect to her exportation of sugar to the United States? From what figure to what figure?

Mr. HOLLAND. I have just given them, Senator.

Senator SMATHERS. I know; but what percent?

Mr. HOLLAND. That would be something more than 2½ times. It would be between 250 and 300 percent of the present quota.

Senator SMATHERS. Of an increase to Mexico?

Mr. HOLLAND. Yes, sir.

Senator SMATHERS. Now, let us take Peru, for example. How much has she been shipping to the United States?

Mr. HOLLAND. Their quota has been about 56,000 tons, and in the course of the period of the bill, it is contemplated or estimated that this would likewise increase to something better than 137,000 tons.

Senator SMATHERS. Now, this recommendation all the way through, without going into each one of these individual countries, Latin American countries which you have named, Is it a fact that all of these countries with the exception of Cuba would have a substantial increase in the percentage that they could ship to the United States, with the exception of Cuba?

Mr. HOLLAND. Cuba would increase very slightly. All of the full-duty countries, Senator, particularly if you speak percentagewise, would receive increased quotas in excess of 250 percent of their present quotas. Cuba, as the recipient of a 27-percent increase, would likewise receive an annual steady increase, but percentagewise it would be quite small.

Senator SMATHERS. How many of those countries which you call the offshore full-duty countries are countries which have one crop, and that crop is sugar, aside from Cuba?

Mr. HOLLAND. The importance of sugar, of course, varies among the full-duty countries. But in none of the full-duty countries would it be—none of the full-duty countries is a one-crop country, and therefore sugar does not occupy the position of significance in any of them that it does in Cuba.

Senator SMATHERS. You do not consider the country of Haiti a one-crop country, and that crop is sugar?

Mr. MYERS. I think they have some other crops.

Mr. HOLLAND. Among the full-duty countries, Haiti is a country where the importance of sugar is greater than that which it occupies in a number of the other countries. But Haiti has crops produced for export which are of real significance in the country, coffee, cocoa; they are getting into the banana business.

Senator BENNETT. Mr. Chairman, I wonder if the Senator from Florida would yield for a suggestion.

Senator SMATHERS. Surely.

Senator BENNETT. On page 4 of Mr. Holland's testimony, he says that the relative shares of the major full-duty countries will be based on their participation in the 4-year period 1951-54. I think it would be helpful to the committee if they could furnish us a table showing the actual tonnage estimated against an increase of 150,000 tons, and using that as a base, show what tonnage changes there would be. That is one set of figures I have never seen.

Mr. HOLLAND. I am advised that a table of that nature, Senator, will comprise a portion of the testimony of Mr. Morse; is that right?

Mr. MYERS. Yes.

Senator BENNETT. That is fine, as long as we have it coming to us.

Senator SMATHERS. That is a very helpful suggestion. We will have that, as I understand it?

Mr. HOLLAND. Yes, sir.

Senator SMATHERS. Mr. Chairman, I have no other questions at this moment.

The CHAIRMAN. Are there any other questions?

Senator BARKLEY. Mr. Chairman. I was deprived of the privilege of hearing your testimony in chief, because I was called away to another committee. Maybe you covered this. If you did, you need not repeat.

Is it true that the domestic producers in the United States are substantially satisfied with this bill, and it is largely a matter of allocation of the offshore sugars among the countries that product it? Is that correct or not?

Mr. HOLLAND. They have spokesmen here, but I believe that I am accurate, and if I am not, they will surely correct me, when I say that—

Senator BARKLEY. They will. If you are inaccurate, they will do that.

Mr. HOLLAND. Yes, sir. I think that they support the proposed legislation that has been identified as Senator Bennett's committee print, which covers all of the subjects that you referred to.

Senator BARKLEY. And to what extent does that committee print amend the House bill? Maybe you covered that, too.

Mr. HOLLAND. I did, Senator. I would be glad to——

Senator BARKLEY. I will read your testimony. You need not bother.

Mr. HOLLAND. Fine.

The CHAIRMAN. Senator Welker asked permission to ask a question. If there is no objection, Senator Welker will ask a question.

Senator WELKER. Mr. Secretary, the sugar people of my State, as you know, had this problem before them last year. They had the feeling in my State that perhaps the State Department was a little slow in arriving at the basis of your testimony today which precluded the 1955 producer and processor from taking any advantage whatsoever of our increased production and sales.

Can you give me any idea as to why it took so long for the State Department to come here and help us?

Mr. HOLLAND. I think the basis for your question is erroneous, Senator, because I testified before this committee—you were not present—last year, and supported precisely the same position that I have supported here today, and throughout a very substantial part of last year's session, according to my recollection, the executive, of which the State Department is a portion—and in this case, we were a very active portion—supported precisely these views. So I think a person who says that the State Department has obstructed the submission of this position to the Congress is under some misapprehension.

Senator WELKER. Mr. Secretary, perhaps I was not present when you testified, but I was present when you were not here——

Mr. HOLLAND. I am sure you have been, Senator.

Senator WELKER (continuing). Many times, when the sugar industry of our United States presented their case, and it was stated very forthrightly that the State Department was holding up this legislation.

Now, I want to clarify that, and I do not want to try to embarrass you or the State Department or anyone else.

Mr. HOLLAND. You are not embarrassing me in the least, Senator. I testified, and you were not there—apparently we have not coincided—I testified before the House Agriculture Committee last year—if I recall, I was the first witness, or the second—and I testified to exactly the same position that I have supported here today.

Senator WELKER. Do you remember when you testified before?

Mr. HOLLAND. I cannot tell you the date.

Senator WELKER. One other question, and I will not bother you any more. I believe you testified that Cuba had 1 million tons of sugar that she could not sell; is that correct?

Mr. HOLLAND. She is financing a normal carryover and in addition an inventory of better than 1 million tons; yes, sir.

Senator WELKER. Do you have any information available as to how much the domestic sugar producer in the United States is financing?

Mr. HOLLAND. I think ours is substantially larger, and that is one of the reasons justifying the increase in the participation of the domestic producer in future increases of consumption in the United States.

Let me see if I can give you the exact figure.

Senator WELKER. I wish you would, sir.

Mr. HOLLAND. Do we have it?

Mr. MYERS. Senator, there is a big problem on that. The figures do not mean exactly what they seem to say, because in the case of beets, we have just finished harvesting our crop, and therefore the carryover in beets would be at a peak of 1,629,000 tons at the beginning of 1955. Mainland cane has a carryover of 396,000 tons.

Now, that approximately 400,000-ton carryover of mainland cane was far bigger, relative to normal, than the 1,600,000 of beets. Puerto Rico has a moderate carryover, 163,000 tons, or did have, but I believe—and I am shooting from the hip now and using memory—that the beet carryover is about 150,000 tons above normal at the beginning of 1956, whereas the mainland cane carryover was closer to 250,000 tons above normal.

Senator WELKER. My concluding question, Mr. Holland—thank you, sir—I think you stated that Cuba was one of the major purchasers from the United States of America. Its principal export to us is sugar.

Mr. HOLLAND. Correct.

Senator WELKER. Am I fair in this conclusion, that they receive money from us for the sugar to buy that which we send over to them?

Mr. HOLLAND. Correct.

Senator WELKER. Notwithstanding the fact that many of our domestic producers feel that they are in dire trouble?

Mr. HOLLAND. You are asking me whether Cuba receives money for her exports of sugar to the United States notwithstanding the fact that many of our domestic producers feel that they are in dire trouble?

Senator WELKER. That is right, Mr. Holland.

Mr. HOLLAND. Cuba receives money for her exports to the United States, whatever may be the state of mind of producers in the United States. The administration, and I believe the domestic industry, are taking into consideration the factor that you have just mentioned with respect to the attitude of mind of the domestic producer, and are here before this committee today recommending that the share of the domestic producer be changed from a participation measured by a fixed quota to a participation in which they will receive 55 percent of all future increases in consumption of sugar in the United States above the figure of 8,350,000 tons.

Senator WELKER. In conclusion, Mr. Secretary, I have in the hearing room many of the producers and processors from my State, which is a major sugarbeet-producing State, and I can say to you that they are very unhappy with the allocation that is proposed in this bill. They do not figure it goes far enough to help them, and you caught that when I asked Senator Ellender whether or not this was not a compromise.

Thank you very much.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. If not, thank you very much, Mr. Holland.

Senator MALONE. Mr. Chairman, Senator Carlson has a question, and then I have some.

Senator CARLSON. Mr. Chairman, I have one or two questions.

Mr. Secretary, you mentioned the importance of Cuba for our surplus of export commodities, and one of them, of course, happens to be flour, that we have had quite an interest in Cuba in the last few years, and I notice that our flour exports are dwindling. I assume

you can put in the record—and I do not have the figures—the amount of flour that is being exported. But I notice within the last few years, we, through special concessions such as elimination of income taxes and duties and several other preferential treatments, have established a mill at Habana, Cuba. They are milling flour, one-half of it from the International Wheat Agreement, which has greatly reduced the amount of wheat that we can export in flour.

Now, I understand that consideration is being given to the construction of another mill under these same preferential treatments at Santiago.

Now, can we assume that our Cuban friends are going to be as interested in giving us as favorable consideration and concessions as we have been to them in this sugar field?

Mr. HOLLAND. Senator, you have caught me on a subject upon which I am not prepared. I will be very happy to assemble any information that is accessible to me with respect to the wheat or flour situation in Cuba and make it available in this record.

I am sorry, I do not have that information with me.

Senator CARLSON. Mr. Secretary, I would be very happy if you would for the record. I believe the statement I made is accurate, and I would like to have some information on it before I vote on this legislation.

Mr. HOLLAND. I will be very happy to prepare a statement for you, Senator, and put it in the record. Specifically, you want to know what will be the attitude of the Cubans with respect to the importation of flour from the United States; is that it?

Senator CARLSON. And what we can expect from other Latin American countries if we are going to continue this program and continue the increasing or giving these concessions; haven't we a right to expect some consideration from their side? That is the point.

Mr. HOLLAND. Yes, sir.

(The following was later received for the record:)

STATEMENT SUBMITTED TO THE SENATE FINANCE COMMITTEE IN RESPONSE TO  
SENATOR CARLSON'S REQUEST TO MR. HOLLAND

With regard to the flour mill established in Habana in 1952, the Department understands that it was constructed in the interest of diversifying the country's economy, a course which has long been considered important if Cuba is to reduce its dependence on a one-crop system. There has been some preliminary discussion of the possibility of opening another mill in Santiago, Cuba. The Department of State is not aware, however, that a definite decision has been reached. Recent figures of the Department of Agriculture indicate that Cuba's imports of both wheat and wheat flour have increased in fiscal year 1955, the latest date for which figures are available. In fiscal year 1955, Cuba imported 1,597,000 bags of wheat flour valued at \$7,369,000 as compared with 1,309,000 bags of wheat flour valued at \$6,888,000 in the preceding fiscal year. There was also an increase in imports of wheat from the United States during the same period as 1,621,000 bushels, with a value of \$3,600,000, were imported, compared with 1,442,000 bushels of wheat valued at \$3,101,000 during the preceding fiscal year. As was pointed out in Assistant Secretary Holland's testimony, Cuba, a small country with a population of only 6 million people, ranks sixth in the entire world as a consumer of our agricultural products. For many individual products, such as lard, beans, pork, onions, and dried peas, Cuba is our best consumer.

Cuba's proximity to the United States, the strong friendly ties which have existed between our two countries since the days of Cuba's independence, the preference shown by Cubans for United States products, and the important role which Cuban sugar plays in the United States market, are all factors which have influenced Cuba consistently to consider the United States as its most important

source of agricultural products. There is every reason to believe that this situation will continue. It is to be expected, therefore, that the United States exporters and the United States firms and individuals doing business in Cuba will continue to receive facilities and treatment equal to those extended by Cuba to other nations or persons doing business in that country. The very fact that the United States direct investments in Cuba total more than \$700 million would seem to be testimony of the kind of treatment which our investors have received.

Senator CARLSON. That is all, Mr. Chairman.

SUGAR—WORLD PRICE VERSUS DOMESTIC PRICE

The CHAIRMAN. Senator Malone.

Senator MALONE. What is the world price of sugar?

Mr. HOLLAND. Three and one-fourth cents a pound f. o. b. Cuba, I am advised by Mr. Myers.

Senator MALONE. Is that the domestic price here?

Mr. HOLLAND. That is the world price.

Senator MALONE. What do we get?

Mr. HOLLAND. The comparable domestic price, Senator, is approximately 5 cents.

Senator MALONE. One cent and a half difference? However, I had understood that it was 6 cents per pound or 2½ cents difference.

Mr. HOLLAND. 1.75 cents difference.

Senator MALONE. I did not mean particularly Cuba. That obtains on all of the imports. That applies to all of the countries under this act.

Mr. HOLLAND. Yes, sir. That is the world price.

Senator MALONE. The world price in Costa Rica would be the same, approximately 3½ cents?

Mr. HOLLAND. As far as our price is concerned, it would be affected by the point of origin.

Senator MALONE. But the world price, a comparable price, would be 3½ cents?

Mr. HOLLAND. It would be approximately 3.25, or 3¼ cents.

Senator MALONE. And we pay all these producers what price?

Mr. HOLLAND. The domestic price of sugar, as nearly comparable as you can calculate it, is approximately 5 cents.

Senator MALONE. Five cents—it figures 6 cents.

Mr. HOLLAND. Mr. Myers tells me that is without calculating the tariff and shipping costs, to get it on a comparable basis with the figure that I just gave you.

Senator MALONE. I am not quite clear yet, but it is not so important.

We pay 3½ cents for sugar in Cuba and ship it here ourselves?

Mr. MYERS. No. We pay about 5 cents for sugar here—

Senator MALONE. No. I beg your pardon. Strike that out. I am talking about the world price. In the domestic price, we pay about 5 cents, according to your statement?

Mr. HOLLAND. Without calculating tariff and shipping costs.

Senator MALONE. Then we pay the freight?

Mr. MYERS. Yes.

Senator MALONE. Then what is the tariff?

Mr. HOLLAND. A half cent.

Senator MALONE. A half cent?

Mr. HOLLAND. Yes, sir.



Senator MALONE. Now, we do the same thing with Mexico, Peru, and Santo Domingo, and all the rest?

Mr. HOLLAND. That is right.

Senator MALONE. The Philippines?

Mr. HOLLAND. There is no tariff on the Philippine sugar, although the Philippine Trade Act contemplates a gradual increase in the tariff on their sugar.

Senator MALONE. Well, there is no tariff, then?

Mr. HOLLAND. Presently none.

Senator MALONE. How does it increase?

Mr. HOLLAND. It increases by a formula. I think it is 5 percent, 5 percent, and 5 percent, each of the first 3 years.

Senator MALONE. Mr. Secretary, 5 percent of nothing would be nothing. So what do you start with?

Mr. HOLLAND. The percent relates to the full-duty rate; 5 percent of the full-duty rate.

Senator MALONE. What is the full-duty rate?

Mr. HOLLAND. A half cent; is it not?

Mr. MYERS. The full-duty rate is 62½ cents.

Mr. HOLLAND. 62½ cents is the full-duty rate per 100 pounds.

Senator MALONE. And then 5 percent per year of 62½ cents per hundredweight for how many years?

Mr. HOLLAND. The formula extends over a 20-year period. It is not uniform throughout the 20-year period. My recollection is that it is 5 percent of the full-duty rate during each of the first 3 years. But I would be afraid to try to quote the statute from memory beyond that point, Senator.

Senator MALONE. Do we have a treaty with the Philippines which establishes that situation for 20 years?

A VOICE. Yes; the Philippine Trade Act.

Senator MALONE. You made the treaty, your State Department?

Mr. HOLLAND. It is called the Philippine Trade Act. It is an act of Congress.

Senator MALONE. We passed the Philippine Trade Act?

Mr. HOLLAND. Last year; last spring.

Senator MALONE. And we extended it for 20 years?

Mr. HOLLAND. That is correct.

Senator MALONE. Now, how much of our sugar comes from Hawaii, how much from Cuba, and how much from the Philippines, and each of these exporters to the United States at the present time?

Mr. HOLLAND. Do you want that quantitatively, Senator?

Senator MALONE. Percentagewise.

Mr. HOLLAND. We have agreed a moment ago to furnish it percentagewise.

Senator MALONE. Then give it quantitatively.

Mr. HOLLAND. For 1956, it is estimated that the Philippines will supply 980,000 tons; Hawaii, 1,052,000 tons; Puerto Rico, 1,080,000 tons; Virgin Islands, 12,000 tons.

Are there other suppliers whose figures you want me to give you, Senator?

Senator MALONE. Well, Dominican Republic and Peru.

Mr. HOLLAND. You had said, the Philippines and the Hawaiian Islands. I will go through the whole list.

Senator MALONE. Yes; whoever exports sugar to us.

Mr. HOLLAND. Cuba, 2,886,000 tons; Dominican Republic, 29,892 tons; Mexico, 12,398 tons; Nicaragua, 8,472 tons; Peru, 56,224 tons; Haiti, 2,892 tons; Costa Rica, 1,084 tons; Formosa, 1,114 tons; Netherlands, 1,123 tons; Panama, 1,114 tons; Belgium, 182 tons; British Guiana, 85 tons; Canada, 631 tons; Hong Kong, 3 tons; United Kingdom, 516 tons.

Senator MALONE. Now, what does this table show? What is it prepared to show?

Mr. HOLLAND. It shows the estimated supply of the suppliers whom I have listed for the calendar year 1956.

Senator MALONE. Is this under the proposed act, or under the old act?

Mr. HOLLAND. That is under the proposed act.

Senator MALONE. Now, what would it be under the old act?

Mr. HOLLAND. We can give it to you for 1955, Senator. We would have to compute it for following years.

Senator MALONE. Then give it for 1955, together with what it would be for 1955 under the new act. We have to have some comparable figures.

Mr. HOLLAND. Why don't you just let me compute 1956 under the existing act, and then you will have figures that are directly comparable to those that I have read to you?

Senator MALONE. When will we have them for the record?

Mr. HOLLAND. We ought to be able to get that done today. Surely, we can put that in this record today.

Senator MALONE. So that when it is typed tonight, it will include that record?

Mr. HOLLAND. Surely.

Senator MALONE. Thank you.

Now, Mr. Chairman——

Mr. HOLLAND. I can do better than I said I could. I can give it to you under the present act for 1956. I have just been handed the figures. Shall I read them to you, Senator?

Senator MALONE. Yes.

Mr. HOLLAND. Domestic beet——

Senator MALONE. For the old act, this is, now, for 1956?

Mr. HOLLAND. Correct. These are foreign suppliers, or offshore suppliers and foreign suppliers:

Hawaii, 1,052,000 tons; Puerto Rico, 1,080,000 tons; Virgin Islands, 12,000 tons; Philippines, 980,000 tons; Cuba, 2,808,000 tons; Dominican Republic, 29,000 tons. I am omitting tons less than 1,000. I would be glad to read those, too, if you want them.

Senator MALONE. Put them in the record.

Mr. HOLLAND. All right.

El Salvador, 4,000 tons; Haiti, 2,800 tons; Mexico, 12,000 tons; Nicaragua, 8,000 tons; Peru, 54,600 tons; unspecified countries, those with that three, five hundred, and so on, 5,852 tons.

Senator MALONE. Now, Mr. Chairman, why could we not have this set of tables from which the Secretary has been testifying all morning put in the record, because some of us would like to see these tables for comparison purposes and not have it continually strung out through testimony?

Mr. HOLLAND. Senator, we will fix it for you just any way you want it.

Senator MALONE. That is the way I want it.

Mr. HOLLAND. I have testified that Mr. Morse, who will follow me, had made as a part of his record——

Senator MALONE. Will you have those side by side, so that you can see what the differences are?

Mr. MYERS. I think, Senator, that the tables show it.

Senator MALONE. This does not show it. This table to which you have just referred does not show it. There are two different tables.

Mr. HOLLAND. The table that you want, that is, comparing 1956 supply under the existing act and under the proposed amendment, side by side, will be made today and made a part of the record before the Senate adjourns, or will be offered by us as a part of the record before the Senate adjourns.

Senator MALONE. So that it appears in this typed record in the morning, so that we can refer to it?

Mr. HOLLAND. Yes, sir.

Senator SMATHERS. Mr. Chairman, may I ask a question, if the Senator will yield right there?

In addition to supplying it for the record, will you make some extra copies, so that all of us can see it? We probably will not see this record for a month or so.

Mr. HOLLAND. Senator, we will be very happy to.

(The following was later received for the record:)

*1956 sugar requirements*

(1) At the 8,350,000 short ton, raw value, level, as promulgated by the Secretary of Agriculture on December 16, 1955.

No difference between provisions of present act and proposed legislation, viz:

	<i>Short tons, raw value</i>
Domestic beet area.....	1, 800, 000
Mainland cane area.....	500, 000
Puerto Rico.....	1, 080, 000
Hawaii.....	1, 052, 000
Virgin Islands.....	12, 000
 All domestic areas.....	 <u>4, 444, 000</u>
Republic of the Philippines.....	980, 000
Cuba.....	2, 808, 960
Peru.....	54, 668
Dominican Republic.....	29, 064
Mexico.....	12, 051
Nicaragua.....	8, 237
El Salvador.....	4, 355
Haiti.....	2, 813
Unspecified countries.....	5, 852
 All Foreign Areas.....	 <u>3, 906, 000</u>
 Total.....	 <u>8, 350, 000</u>

(2) The Secretary of Agriculture issued no formal estimate of sugar consumption in 1956 (in contradistinction to the beginning requirements determination of 8,350,000 tons). However, in tables prepared solely to illustrate the effect of legislative proposals, 8,535,000 tons have been used for 1956. This amount would be contributed as follows:

## SUGAR ACT EXTENSION

[Short tons, raw value]

	Under the present act	Under proposed legislation
Domestic beet area.....	1,800,000	1,852,401
Mainland cane area.....	500,000	549,349
Hawaii.....	1,052,000	1,052,000
Puerto Rico.....	1,080,000	1,080,000
Virgin Islands.....	12,000	12,000
All domestic areas.....	4,444,000	4,545,750
Republic of the Philippines.....	980,000	980,000
Cuba.....	2,986,560	2,888,880
Full-duty countries.....	124,440	120,370
Dominican Republic.....	30,902	29,892
Mexico.....	12,813	12,394
Nicaragua.....	8,758	8,472
Peru.....	58,123	56,224
Haiti.....	2,991	2,892
El Salvador.....	4,631	4,478
Unspecified countries.....	6,222	6,018
All foreign countries.....	4,091,000	3,989,250
Total.....	8,535,000	8,535,000

Senator BARKLEY. Senator, may I break in right there?

Senator MALONE. Yes.

Senator BARKLEY. As I recall from my memory, the reading for these figures for 1956 under the present law and under this bill, I did not observe any very great difference between the figures.

Mr. HOLLAND. There was not a very great difference.

Senator BARKLEY. It seems that some of them were identical.

Mr. HOLLAND. There is no great difference because, you see, the proposed legislation contemplates a distribution of annual increases. When you are dealing with the first year, you have only 1 year of increase which is disbursed over the different suppliers in accordance with the provisions of the proposed legislation; therefore, the difference in any particular supplier would not be so great. The greatest difference in the first year is obviously in the domestic producers, because their 55 percent of the contemplated, or the assumed, increase, is allocated to domestic suppliers.

Therefore, it would produce a more noticeable difference or increase in their share than would be the case among the foreign suppliers, where 45 percent is disbursed over a large number of suppliers.

Senator BARKLEY. Thank you, Senator. I did not mean to interrupt you.

Senator MALONE. That is all right.

Mr. Secretary, you noted in 1952, Cuba—was it Cuba that had 8 million tons import, or did I misunderstand you?

Mr. HOLLAND. That is correct. I so testified. She produced 8 million tons. That was her production.

Senator MALONE. That was her production in 1952?

Mr. HOLLAND. Yes, sir.

Senator MALONE. And in 1955 she produced 5 million tons?

Mr. HOLLAND. That is correct.

Senator MALONE. Now, do you have a table that shows—the reason I am going to ask you this is because we only consider the sugar bill periodically, and while we used to have a sugar plant at Fallon, Nev., 40 years ago, it has not been there for a considerable time; therefore, my interest is merely in fair legislation to these States that do produce sugar.

I am primarily interested in the United States of America, in the case of cane sugar and beet sugar alike, whatever these States can logically produce, that they be afforded the opportunity. After that, then we are interested in our relations with other countries.

Now, do you have a table here which shows the production, that is, our consumption of sugar, for some considerable time, including the first Sugar Act?

Mr. HOLLAND. 1934, Senator.

Senator MALONE. All right. The first Sugar Act was passed in 1934. Say from 1930 to the present time, our consumption of sugar, do you have a table that shows that consumption? Will it be easy for you to get it?

Mr. MYERS. Surely. It will be very easy to get it.

Senator MALONE. Now, I am going to ask you for some more figures, all this for a matter of comparison. We are busy people that can only give a part of our attention to this bill.

Mr. HOLLAND. Surely.

Senator MALONE. How much did we produce in the United States for these same years, beet and cane sugar, and then how much did we import and from where? Would that be too much trouble?

Mr. HOLLAND. Not a bit. You want a table showing beginning in 1934, when the first act was adopted——

Senator MALONE. Well, say beginning in 1930, before the act.

Mr. HOLLAND. All right. Beginning in 1930, that will show separately and by years cane and beet production of sugar in the United States, and our acquisitions of sugar from other sources, dividing that consumption among the different suppliers?

Senator MALONE. And the consumption.

Mr. HOLLAND. And the consumption.

Senator MALONE. For all those years.

Mr. HOLLAND. That will be prepared for you and offered by us for the record, Senator.

Senator MALONE. Fine.

(The following was later received for the record:)

Entries and marketings of sugar in continental United States from all areas, 1920-55

[Thousand short tons, raw value]

Year <sup>1</sup>	Total	Domestic beet area	Mainland cane area <sup>2</sup>	Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba <sup>3</sup>	Dominican Republic	El Salvador	Haiti	Mexico	Nicaragua	Peru	Other foreign countries
1920	6,341	1,165	180	550	413	13	146	2,881	92	9	2	31	8	104	747
1921	5,419	1,091	334	541	469	6	165	2,590	129	4	5	12	8	10	55
1922	6,813	722	302	568	360	6	275	4,527	2	3		21	10	3	14
1923	5,827	943	168	519	342	2	238	3,426	38	7	4	14	9	50	67
1924	6,463	1,166	90	677	393	2	339	3,692	8	3		33	6	32	22
1925	6,934	977	142	755	600	11	493	3,923		2		2	9		20
1926	7,024	960	48	747	559	6	380	4,280		4		6	9		25
1927	6,809	1,170	72	777	574	6	531	3,650		1			6		22
1928	6,691	1,135	136	478	674	11	575	3,249	6	5			8		14
1929	7,587	1,089	218	882	507	3	711	4,149	1	6		4	3		14
1930	6,683	1,293	115	868	809	6	794	2,645	11	3	2		6	19	12
1931	6,741	1,343	206	998	796	2	872	2,482	10	1		17			14
1932	6,313	1,319	160	1,048	940	5	1,028	1,791	11			7			4
1933	6,342	1,366	315	990	793	5	1,249	1,573	8		3	18		16	6
1934	6,574	1,562	268	948	807	5	1,088	1,866	18			1		8	3
1935	6,277	1,478	319	927	793	2	917	1,830	3					6	2
1936	6,833	1,364	409	1,033	907	4	985	2,102	3				1	6	19
1937	6,860	1,245	491	985	896	8	991	2,155	26				3	54	6
1938	6,620	1,448	449	906	815	4	981	1,941	6		3		5	57	5
1939	7,466	1,809	587	996	1,126	6	980	1,930	18				4	39	1
1940	6,456	1,550	406	941	798	0	981	1,756	7					16	1
1941	8,009	1,952	411	903	993	5	855	2,700	72		8			109	1
1942	5,555	1,703	407	751	836	0	23	1,796				1			38
1943	6,466	1,524	460	866	642	3	0	2,857	7		3	22		2	80
1944	6,942	1,155	515	802	743	3	0	3,618	49		16				41
1945	5,997	1,043	417	740	903	4	0	2,803						36	51
1946	5,657	1,379	445	633	867	5	0	2,282						46	
1947	7,759	1,574	383	842	969	3	0	3,943						41	4
1948	7,098	1,656	455	714	1,013	4	252	2,938	15	6	1	9	2	33	
1949	7,607	1,487	558	769	1,091	4	525	3,118	12	1	1	9	5	26	1
1950	8,288	1,749	518	1,145	1,053	11	474	3,276	20		2	2	6	31	1
1951	7,796	1,730	460	941	959	6	706	2,966	14		1			13	
1952	8,013	1,560	553	972	983	6	860	3,011	18		1	10	6	32	1
1953	8,291	1,750	513	1,087	1,116	12	932	2,766	30		3	13	8	56	5
1954	8,246	1,802	501	1,040	1,082	10	974	2,722	30		3	12	8	56	6
1955 <sup>4</sup>	8,402	1,800	500	1,052	1,080	10	977	2,864	33		3	13	8	56	6

SUGAR ACT EXTENSION

<sup>1</sup> Calendar year basis 1920-55.  
<sup>2</sup> Crop year production 1920-30.

<sup>3</sup> Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; 1947, 230,000 tons.  
<sup>4</sup> Preliminary.

Senator MALONE. Now, you might give us a short digest of the first Sugar Act. How many Sugar Acts together with amendments have we had?

Mr. HOLLAND. Four; the original and three amendments, was it not?

Mr. MYERS. 1934, 1937, and 1948. Those are the three basic acts.

Mr. HOLLAND. And another in 1951.

Mr. MYERS. That was an amendment.

Mr. HOLLAND. The three, 1934, 1937, and 1948, are the acts, and the last was in 1951, effective January 1, 1953.

Senator MALONE. Can you give us 2 or 3 paragraphs or a short résumé of each one of the acts, as amended in 1951, was it?

Mr. HOLLAND. Yes, sir, amended in 1951, effective January 1, 1953; yes.

Senator MALONE. Can you give us a digest?

Mr. HOLLAND. Yes.

(The following was later received for the record:)

#### SHARES OF SUPPLYING AREAS IN THE UNITED STATES SUGAR MARKET, 1934-54

##### PURPOSE

The purpose of this article is to show how the shares of the various areas which supply sugar to the United States have changed since a quota system was inaugurated with the Jones-Costigan Act in 1934. Bills providing for the amendment and extension of the Sugar Act have recently been introduced into both Houses of Congress.

##### BACKGROUND

Prior to 1934, the United States relied only on a tariff duty to protect the domestic sugar industry. The experience of the early 1930's demonstrated that our principal foreign supply area, Cuba, was forced to accept the United States price minus tariff and freight, regardless of how low the returns fell. The price of sugar in Cuba declined to only a fraction of the American tariff. Domestic sugar producers could not get "fair exchange value" for their sugar crops and Cuba could no longer buy American goods in any substantial volume.

##### THE JONES-COSTIGAN ACT

In recognition of this, Congress, in 1934, enacted the Jones-Costigan Act, which restricted the supply of sugar in the United States market to a total amount to be determined each year by the Secretary of Agriculture. The shares of the mainland beet and cane areas in the total requirements were laid down in the act itself (table 1). The beet area received a basic quota of 1,550,000 and the mainland cane area, in which sugarcane growing was just recovering from mosaic disease, received a quota of 260,000 tons.

*Basic quota provisions of the Sugar Acts of 1934, 1937, and 1948*

Area	Jones-Costigan Act, approved May 9, 1934		
	Average quantity of sugar brought into continental United States for 3 most representative years during period 1925-33. The 3 years used for the average to be determined from time to time by Secretary of Agriculture. The quantities so determined to be adjusted for changes in continental United States consumption requirements.		
Domestic beet.....	1,550,000 (+30 percent of continental United States requirements above).		
Mainland cane.....	260,000 (6,452,000 short tons, raw value).		
Hawaii.....			
Puerto Rico.....			
Virgin Islands.....			
Philippines.....			
Canal Zone.....			
American Samoa.....			
All foreign countries.....			
	1937 act, effective Sept. 1, 1937, percent of total quota	1948 act	
		Effective Jan. 1, 1948	Effective Jan. 1, 1953
		<i>Short tons, raw value</i>	<i>Short tons, raw value</i>
Domestic beet.....	23 19	1,800,000	1,800,000
Mainland cane.....	6. 29	500,000	500,000
Hawaii.....	14. 04	1,052,000	1,052,000
Puerto Rico.....	11. 94	910,000	1,080,000
Virgin Islands.....	. 13	6,000	12,000
Total, domestic areas.....	<sup>1</sup> 55. 59		
Philippines.....	<sup>2</sup> 15. 41	952,000 tons of sugar, as made.	952,000 tons of sugar, as made.
Cuba.....	28. 60	98.64 percent of remainder of continental United States requirements. <sup>3</sup>	96.00 percent of remainder of continental United States requirements. <sup>4</sup>
"Full duty" countries.....	. 40	1.36 percent of remainder of continental United States requirements.	4.00 percent of remainder of continental United States requirements.
Total, foreign countries.....	<sup>1</sup> 44. 41		

<sup>1</sup> Domestic areas are guaranteed a minimum quota of 3,715,000 tons.

<sup>2</sup> The Philippines are guaranteed a minimum quota of 952,000 tons of sugar, as made.

<sup>3</sup> Cuba is guaranteed a minimum quota (including deficit reallocations) not less than what would have been her quota under sec. 202 (b) of the 1937 act.

<sup>4</sup> Cuba has a guaranteed minimum share (including deficit reallocations) of either 28.6 percent of market requirements or 2,116,000 tons, whichever is less.

The basic quota for the beet area was influenced by the production of sugar from the 1933 beet crop, although it amounted to about 200,000 tons less than that production. The mainland cane quota was set at the approximate level of the 1932 and 1933 production.

The Secretary was given some discretion in determining the shares of all offshore areas, both domestic and foreign. He was authorized to determine which 3 years during the 9-year period, 1925-33, were to be the "most representative" years which would serve as a basis for the quota of each offshore area. For Puerto Rico, the Philippines, Cuba, and "full duty" countries the most recent 3 years of the 9-year period; namely, the years 1931-33, were determined as most representative. For Hawaii, the years 1930-32 were used. Only for the Virgin Islands and for some individual country proration of the full-duty country quota were some earlier years used. The significant feature of the quota system was its heavy reliance on the record of the immediately preceding years.

Since 30 percent of any market requirements in excess of 6,452,000 short tons, raw value, also were allotted to the 2 mainland areas, their 1934 quotas were slightly in excess of their basic quotas.



## THE ACT OF 1937

In the 1937 act, each area's share in the market was apportioned in percentages. These percentages were approximately equal to each area's relative marketings under the 1934 act. The principal change that took place between 1934 and 1937 was the increase in the quota for the mainland cane area, due to expanding production in Florida and recovery from mosaic disease in Louisiana. In 1934, quota charges for that area were about 4 percent of the total; in 1935, the area gained by supplying a shortfall which had occurred in the beet area and its share of marketings rose to about 5 percent. In 1936, a combination of a beet area deficit and increased total requirements had the effect of boosting the area's share to about 6 percent of total marketings. The area's market share under the 1937 act was fixed at 6.29 percent.

## DOMESTIC QUOTAS UNDER THE 1948 ACT

In the 1948 act, tonnage quotas for each domestic area were substituted for the percentage quotas of the 1937 act. Except for the cutback in the Virgin Islands' quota to a level more nearly approximating its marketings, the tonnage quotas of the 1948 act gave each domestic area roughly the same percentage share of the market as the 1937 act, assuming that total annual requirements were 7.8 million tons. As it turned out, annual requirements averaged approximately 7.8 million tons during the 5-year life of the original 1948 act.

The 1951 amendment to the act, which became effective in 1953, increased the Puerto Rican and Virgin Islands' tonnage quotas, but left unchanged quotas for the other domestic areas. Taking total requirements at 8.2 million tons—approximately the average for the first 2 years under the 1951 legislation—the present basic tonnage quotas give the domestic areas together 54.2 percent of the market, that is, 1.4 percentage points less than what would have been their percentage share under the 1937 act. The Puerto Rican share is up about 1.2 percentage points while the shares of the mainland beet area and Hawaii are down 1.2 percentage points each.

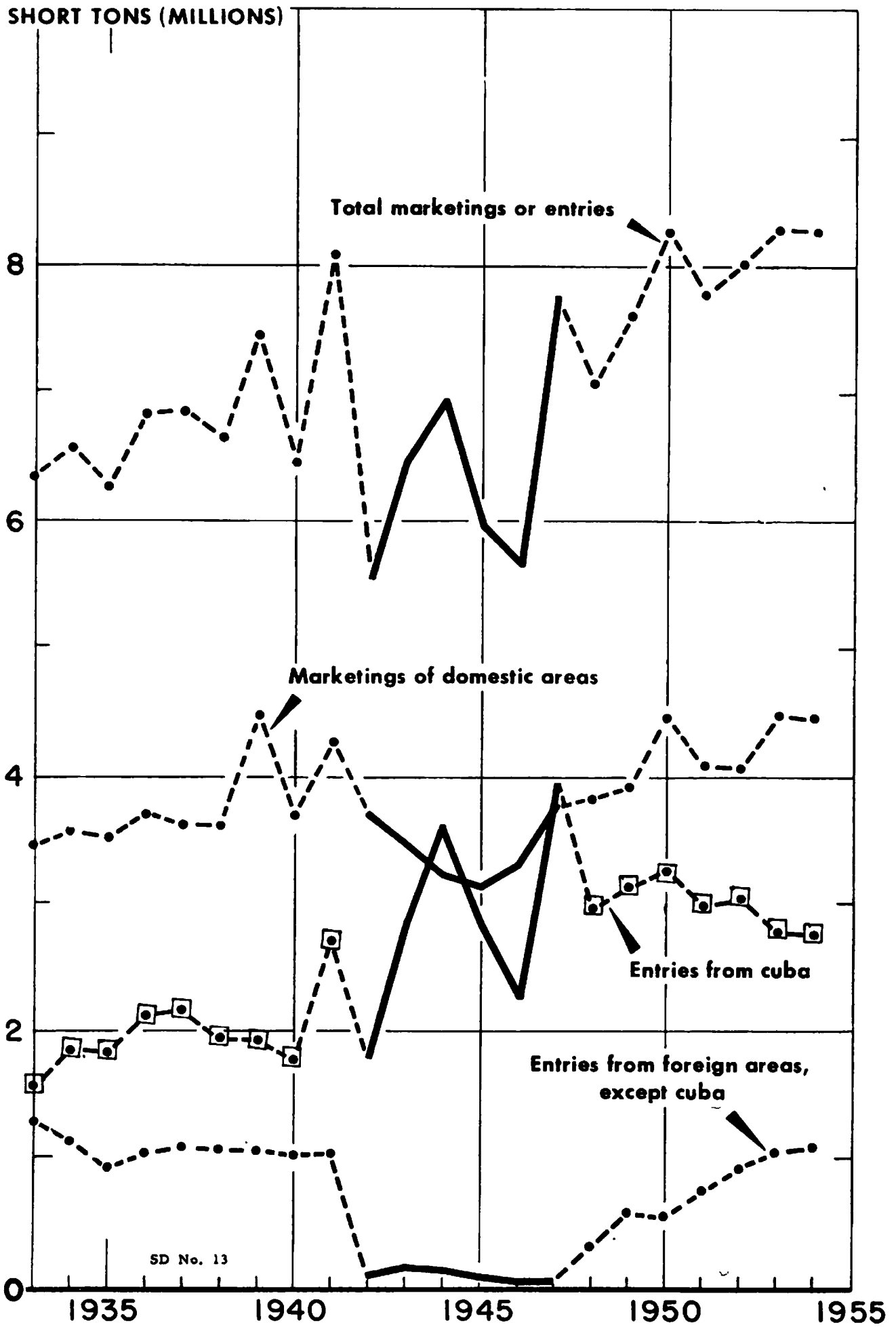
## THE EMERGENCY PERIOD, 1942-47

Quotas were suspended from 1942 to 1947. No Philippine sugar could be imported. Production in Hawaii and in the mainland beet area was reduced due to manpower and equipment shortages. In this emergency, Cuba supplied the United States with an average of 2.9 million tons of sugar per year. In addition, an annual average of about 200,000 tons of sugar equivalent in the form of invert molasses was produced and shipped instead of raw sugar at the request of the United States. Cuba supplied about 1 million tons more of sugar per year during this period than during the 1937-41 period (figure 1). Average annual sugar marketings were maintained at about 6.6 million tons (including sugar equivalent of invert molasses) as compared with about 7 million tons during 1937-41. Cuba furnished about 47 percent of all marketings from 1942 to 1947 as compared with about 30 percent during 1937-41.

## FOREIGN QUOTAS UNDER THE 1948 ACT

In the 1948 act, the fixed tonnage quota of the Philippines Trade Act of 1946 was substituted for the percentage quota of the 1937 act. This change had the effect of reducing the Philippines share by 2.9 percentage points with total requirements at 7.8 million tons, and by about 3.6 percent with total requirements at 8.2 million tons. Cuba and the "full duty" countries became the residual suppliers of the market. Cuba's share was increased from 28.6 percent under the 1937 act to 32.3 percent with total requirements assumed at 7.8 million tons under the 1948 act, and to 32.6 percent with total requirements assumed at 8.2 million tons under the 1951 amendment. The amendment approximately trebled the share of the "full duty" countries.

# SUGAR MARKETINGS IN THE CONTINENTAL UNITED STATES



## THE EFFECT OF DEFICIT REALLOCATIONS

The reallocation of deficits to other areas has influenced the relative shares of the various supplying areas in several important aspects (figs. and tables 2 and 3):

(1) As observed earlier, the mainland cane area could increase its share from 4 percent to 5 percent between 1934 and 1935 due to a shortfall in the beet area. Another beet area shortfall in 1936, together with increased total requirements, boosted the share of the mainland cane area to slightly over 6 percent. This percentage has been retained for that area ever since.

*Basic and adjusted quotas and marketings by supplying areas*

[1,000 short tons, raw value]

Areas	Average for period				
	1933	1934-36	1937-41 <sup>1</sup>	1948-52	1953-54 <sup>2</sup>
<b>FINAL BASIC QUOTAS</b>					
Domestic areas:					
Domestic beet.....		1,553	1,711	1,800	1,800
Mainland cane.....		297	464	500	500
Hawaii.....		936	1,035	1,052	1,052
Puerto Rico.....		811	881	910	1,080
Virgin Islands.....		5	10	6	12
Subtotal.....		3,602	4,101	4,268	4,444
Foreign areas:					
Philippines.....		1,021	1,125	981	974
Cuba.....		1,906	2,069	2,556	2,647
Full duty countries.....		20	29	35	110
Subtotal.....		2,947	3,223	3,572	3,731
Total all areas.....		6,549	7,324	7,840	8,175
<b>FINAL BASIC QUOTAS ADJUSTED FOR DECLARED DEFICITS</b>					
Domestic areas:					
Domestic beet.....		1,483	1,695	1,669	1,711
Mainland cane.....		304	442	508	509
Hawaii.....		969	960	913	1,066
Puerto Rico.....		835	880	1,023	1,099
Virgin Islands.....		4	9	7	12
Subtotal.....		3,595	3,986	4,120	4,397
Foreign areas:					
Philippines.....		996	988	577	924
Cuba.....		1,931	2,185	3,087	2,742
Full duty countries.....		27	165	56	112
Subtotal.....		2,954	3,338	3,720	3,778
Total all areas.....		6,549	7,324	7,840	8,175
<b>ACTUAL MARKETINGS</b>					
Domestic areas:					
Domestic beet.....	1,366	1,468	1,549	1,636	1,778
Mainland cane.....	315	332	439	509	509
Hawaii.....	990	969	934	908	1,064
Puerto Rico.....	793	835	875	1,020	1,099
Virgin Islands.....	5	4	4	6	11
Subtotal.....	3,469	3,608	3,801	4,079	4,461
Foreign areas:					
Philippines.....	1,249	997	952	563	952
Cuba.....	1,573	1,933	2,138	3,062	2,748
Full duty countries.....	51	23	95	56	115
Subtotal.....	2,873	2,953	3,185	3,681	3,815
Total all areas.....	6,342	6,561	6,986	7,760	8,276

<sup>1</sup> Excludes 1939 when quotas were suspended.<sup>2</sup> Data for 1954 are preliminary.

(2) When the 1937 act quotas were in effect, the Philippines refused to supply sugar to the United States market in excess of the duty-free quota under the Philippines Independence Act. They did not wish to establish a precedent for the levying of a duty on Philippines articles imported into the United States. Consequently, a Philippines deficit was prorated to full duty countries in all years but one during the period 1937 to 1941. These deficit prorations had the effect of at least trebling the full duty countries' quotas in each of the 4 years.

*Basic and adjusted quotas and marketings by supplying areas*

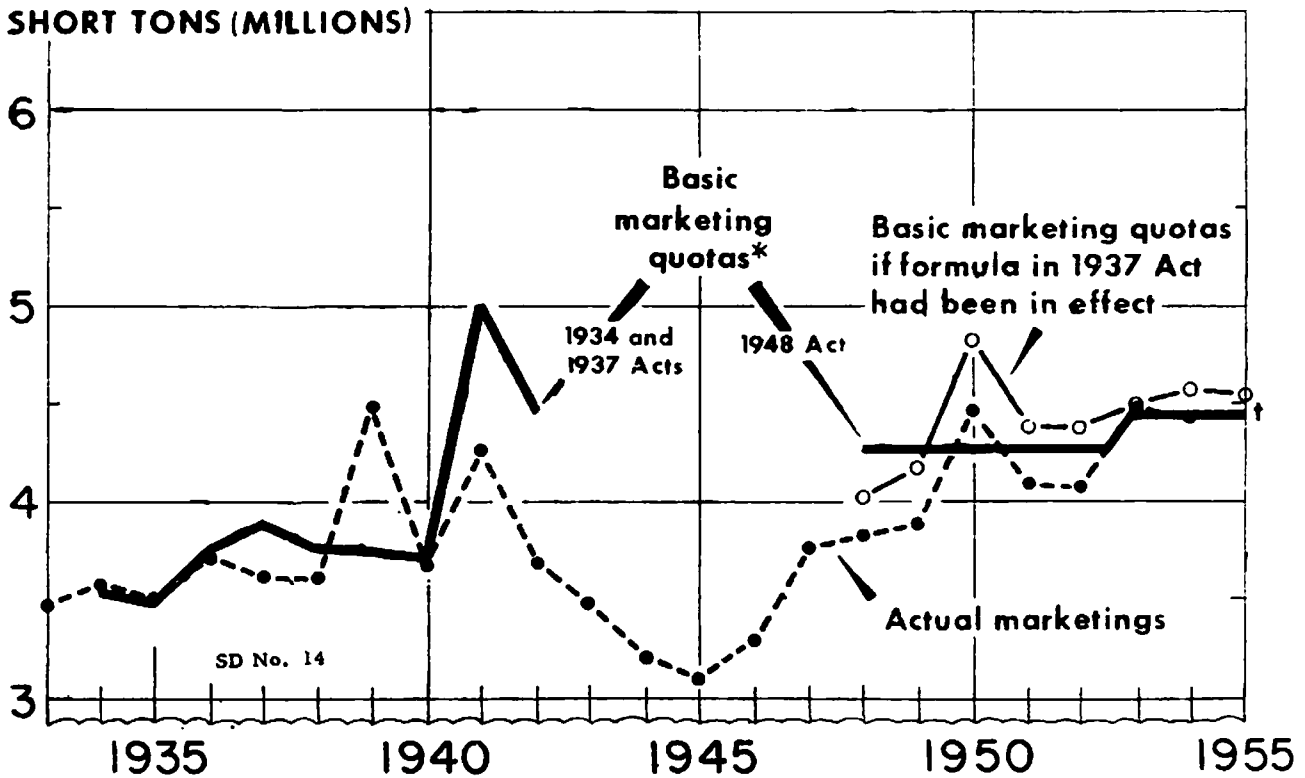
[Percentages of total]

Areas	Average for period				
	1933	1934-36	1937-41 <sup>1</sup>	1948-52	1953-54 <sup>2</sup>
<b>FINAL BASIC QUOTAS</b>					
Domestic areas:					
Domestic beet.....	23.71	23.36	22.96	22.02	
Mainland cane.....	4.54	6.33	6.38	6.11	
Hawaii.....	14.29	14.13	13.42	12.87	
Puerto Rico.....	12.38	12.03	11.60	13.21	
Virgin Islands.....	.08	.14	.08	.15	
Subtotal.....	55.00	55.99	54.44	54.36	
Foreign areas:					
Philippines.....	15.59	15.36	12.51	11.91	
Cuba.....	29.10	28.25	32.60	32.38	
Full duty countries.....	.31	.40	.45	1.35	
Subtotal.....	48.00	44.01	45.56	45.64	
Total, all areas.....	100.00	100.00	100.00	100.00	
<b>FINAL BASIC QUOTAS ADJUSTED FOR DECLARED DEFICITS</b>					
Domestic areas:					
Domestic beet.....	22.64	23.14	21.29	20.93	
Mainland cane.....	4.64	6.03	6.48	6.23	
Hawaii.....	14.80	13.11	11.65	13.04	
Puerto Rico.....	12.75	12.02	13.05	13.44	
Virgin Islands.....	.06	.12	.09	.15	
Subtotal.....	54.89	54.42	52.56	53.79	
Foreign areas:					
Philippines.....	15.21	13.49	7.36	11.30	
Cuba.....	29.49	29.84	39.37	33.54	
Full duty countries.....	.41	2.25	.71	1.37	
Subtotal.....	45.11	45.58	47.44	46.21	
Total, all areas.....	100.00	100.00	100.00	100.00	
<b>ACTUAL MARKETINGS</b>					
Domestic areas:					
Domestic beet.....	21.54	22.37	22.17	21.08	21.48
Mainland cane.....	4.97	5.06	6.28	6.56	6.15
Hawaii.....	15.61	14.77	13.37	11.70	12.86
Puerto Rico.....	12.50	12.73	12.53	13.14	13.28
Virgin Islands.....	.08	.06	.06	.08	.13
Subtotal.....	54.70	54.99	54.41	52.56	53.90
Foreign areas:					
Philippines.....	19.70	15.20	13.63	7.26	11.50
Cuba.....	24.80	29.46	30.60	39.46	33.21
Full duty countries.....	.80	.35	1.36	.72	1.39
Subtotal.....	45.30	45.01	45.59	47.44	46.10
Total, all areas.....	100.00	100.00	100.00	100.00	100.00

<sup>1</sup> Excludes 1939 when quotas were suspended.

<sup>2</sup> Data for 1954 are preliminary.

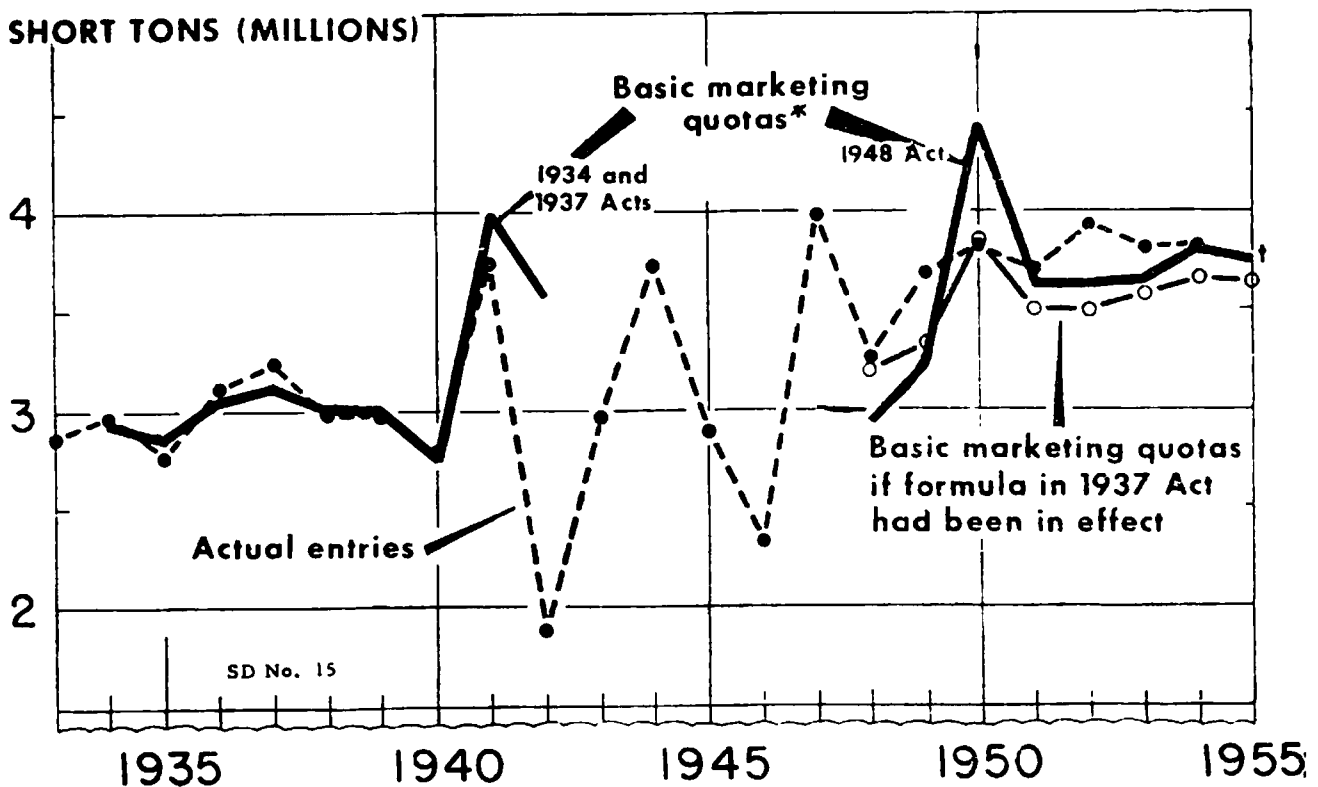
## DOMESTIC SUGAR: MARKETINGS AND BASIC MARKETING QUOTAS



\*OMITS EFFECTS OF DEFICIT REALLOCATIONS. QUOTAS WERE SUSPENDED IN 1939 AND 1942 AND WERE ESTABLISHED AT VERY HIGH LEVELS IN 1941 AND 1950.

† QUOTAS AS ESTABLISHED DECEMBER 24, 1954.

## SUGAR FROM FOREIGN AREAS: ENTRIES AND BASIC MARKETING QUOTAS



\*OMITS EFFECTS OF DEFICIT REALLOCATIONS. QUOTAS WERE SUSPENDED IN 1939 AND 1942 AND WERE ESTABLISHED AT VERY HIGH LEVELS IN 1941 AND 1950.

† QUOTAS AS ESTABLISHED DECEMBER 24, 1954.

(3) Deficit reallocations became most important from 1948 to 1953, when sizable Philippines, beet area, and Hawaiian deficits were available to maintain imports from Cuba at an average annual level of 3 million tons, or 38 percent of total marketings, even though Cuba's final basic quota averaged less than 2.6 million tons, or 32 percent of the final requirements determination.

Deficits declared against the quota of an area never take away the right of an area to market its full quota. This feature was important in 1953 when the actual deficit in beet-sugar marketing was only about 48,000 tons even though deficits of 180,000 tons had been declared and reallocated before the magnitude of the 1953 beet crop was fully realized. In 1954, deficits were small and it now appears that deficit reallocations will not play as important a role in the future as they did from 1948 to 1953.

During the 1948-53 period, the deficit proration mechanism in conjunction with fixed quotas was most helpful in assisting all areas to make the transition from wartime to more normal conditions. The Philippines, whose mills were destroyed, had their place in the market reserved as their industry was gradually rebuilt. Cuba, by supplying the gradually diminishing Philippines deficits while servicing the growing residual quota, did not need to make the abrupt cut in its production that otherwise would have been necessary.

#### APPENDIX I

Provisions for prorating deficits under the various Sugar Acts are summarized below:

Under the act of 1934, deficits of any producing area unable to produce and deliver its full quota of sugar were prorated among the other areas on the basis of their respective quotas and ability to supply the deficiency.

Under the act of 1937, deficits in domestic areas or Cuba were first prorated among such areas and Cuba on the basis of the quotas then in effect. If such areas and Cuba were unable to fill their adjusted quotas, prorations were made to full duty countries on the basis of their quotas then in effect. Deficits in the Philippines were prorated to full duty countries.

Under the initial act of 1948, deficits in the domestic areas or Cuba were prorated among such areas and Cuba on the basis of quotas then in effect, but domestic areas did not share in deficit prorations of any domestic area if the then outstanding requirements determination was less than 7 million short tons, raw value. Deficits in the Philippines were prorated 95 percent to Cuba and 5 percent to full duty countries, except that if, after assignment of the fixed tonnage quotas to domestic areas and the Philippines, 98.64 percent of residual requirements including deficit reallocations gave Cuba less than 28.6 percent of total requirements and such requirements were at least 6,682,670 tons, such deficit proration was 98.64 percent to Cuba and 1.36 percent to full duty countries.

Under the 1951 amendment to the Sugar Act of 1948, effective in 1953, deficits in the domestic areas or Cuba are prorated to other such areas and Cuba on the basis of quotas in effect at the time of such prorations. Deficits in the Philippines are prorated 96 percent to Cuba and 4 percent to full duty countries. Deficits of full duty countries, as a whole, are prorated to Cuba.

Senator MALONE. What was the participation of the United States producers up until now?

Mr. HOLLAND. It has fluctuated. But the traditional participation of the domestic producer has been 55 percent or very close to it.

Senator MALONE. Then there is no change contemplated in this act as far as the share of the domestic producer?

Mr. HOLLAND. It would mean that as the market continues to expand and the pie grows larger, that instead of remaining static at a quantitative level above which he cannot rise, our domestic producers would continue to expand their participation in the larger pie as the domestic consumption increases.

Senator MALONE. I do not know that we could call it "pie," unless the State Department does not live here any more. Do they call our increased consumption in all products "pie" for foreign nations?

Mr. HOLLAND. I have called it "pie," not trying to be flippant, Senator, simply because——

Senator MALONE. I think that shows the general attitude of the State Department on trade and division of our markets with foreign nations.

Mr. HOLLAND. I do not think I made myself clear——

Senator MALONE (continuing). You made yourself very clear on the domestic market belonging to foreign nations.

Mr. HOLLAND (continuing). If my use of the word "pie" led you to feel that I thought it was pie.

Senator MALONE. I am sure you do, but I was just calling your attention to the fact that it is not pie. Actually, as we increase our consumption it means increased population and we should be entitled to increase our production in this country to keep pace in employment.

Mr. HOLLAND. I agree with you, Senator.

Senator MALONE. Our markets are not pie to be divided with all the nations of the world.

Mr. HOLLAND. It is a consumption——

Senator MALONE. Of course you are treating the American markets that way in the State Department, just more imports from foreign nations. But many of us do not agree with that interpretation.

Mr. HOLLAND. I think you are under a misapprehension as to how we are treating it, Senator.

Senator MALONE. I do not think so, having watched the Department for 23 years. But you go ahead, now, in your own way, and explain it.

Mr. HOLLAND. We feel in the State Department that the domestic producer—we will not call it "pie"—as the consumption of sugar increases in the United States and the market that that represents for sugar producers somewhere increases, that our domestic producers are entitled to a larger share of that market than would be represented by the share allocated to them under the existing law.

Senator MALONE. That is very liberal of you. What is it under the existing law?

Mr. HOLLAND. It is a fixed quota of 4,444,000 tons. Under existing law, they cannot grow——

Senator MALONE. There is nothing said about 55 percent at all?

Mr. HOLLAND. That is true. That is the feature of the existing law that would be terminated and would be amended if the proposed legislation is adopted by the Congress.

Senator MALONE. You are about 10 years late, but it is good that you are doing it now. You are considering allowing the domestic producers to cut in on the increase.

Now, Mr. Secretary, I want to ask you another question that is very pertinent in the general legislation before the Senate. When we sell agricultural products to Cuba, do we sell them at our domestic support price or at the world price, like wheat and corn and various products?

Mr. HOLLAND. We sell it, Senator, at that price which prevails for that particular product, whatever it may be.

Senator MALONE. The world price?

Mr. HOLLAND. Wherever it is exported, yes, sir, whether to Cuba or any other place.

Senator MALONE. Yes. Then we sell at the world price?

Mr. HOLLAND. And there is no difference between the world price and the domestic price unless there is some subsidy or Government support that keeps up the domestic price.

Senator MALONE. That was my question.

Mr. HOLLAND. As there is here, yes, sir.

Senator MALONE. Of course, I am talking about your own United States of America. That is the subject right now.

If we sell wheat or corn or cotton or anything for which we have a domestic support price then we sell, not at that price to Cuba, but we sell at the world price whatever it may be?

Mr. HOLLAND. Our producer who sells abroad sells at the world price if there is a difference between the world price and the domestic price.

Senator MALONE. Well, you can answer that yes or no. Now, do we or do we not sell at the world price, whatever the product is?

Mr. HOLLAND. The answer is "Yes".

Senator MALONE. Good. You are improving right along.

But I want to take the opportunity right now to thank you for the cooperation I had when I visited all the South American nations in 1954. I appreciated it, and I think we may get around to working together here before we get through.

Now, why is it—I heard you testify something about Cuba being our only supply in wartime—is that the reason that they were given 96 percent of the increased consumption up to now, and that we are now proposing to give them 60 percent?

Mr. HOLLAND. Senator, I was not here when the last bill was submitted. It was a bill submitted by—

Senator MALONE. No. I am talking about your Department.

Mr. HOLLAND. By the domestic industry—

Senator MALONE. This bill will depend on 15 Senators' votes and they are not being questioned. I want your answer.

Mr. HOLLAND. The amendment of 1951, effective in January of 1953, was a bill submitted by the domestic industry and the Executive, and I am sure that one of the factors which caused the quota for Cuba to be fixed at the 96 percent established in that bill was the fact that Cuba had been, not our only supplier, but our principal supplier of sugar during the last war.

Senator MALONE. Now, prior to 1951 and going back to the end of the war—let me see. When did the war end?

Mr. HOLLAND. It ended in different years in different places.

Senator SMATHERS. Which war, George? [Laughter.]

Senator MALONE. That is a fair question. You always have one.

Senator WELKER. August 12, 1945.

Mr. HOLLAND. August 14, 1945.

Senator SMATHERS. 1945.

Senator MALONE. In 1945 it ended, did it not?

Mr. HOLLAND. Yes.

Senator MALONE. In 1945 up to 1950, what percentage did they get?

Mr. HOLLAND. This study that we are preparing for you will show in each year.

Senator MALONE. Yes, that is right. It will. So you do not have it with you?



Mr. MYERS. Yes, we do have it right here. Here is what they show——

Mr. HOLLAND. No. He wants percentages.

Mr. MYERS. We do not have that.

Senator MALONE. Percentages and amounts.

Mr. HOLLAND. I can give you amounts right now. Do you want it?

Senator MALONE. Yes, 1947, 1948 and 1949.

Mr. HOLLAND. All right. We will begin with 1947: 3,943,000 tons; 1948, 2,938,000 tons; 1949, 3,118,000 tons——

Senator MALONE. Now, if you will furnish the remainder of it, including percentages. But what percentage of the annual increased consumption in this country did they get?

Mr. MYERS. It worked out 96 percent of the increased consumption, but the large imports there were primarily because the Philippines at that time were practically out of the market, and Cuba had to supply that deficit.

Senator MALONE. You are furnishing the Philippine imports.

Mr. HOLLAND. You see, one of the things that Mr. Morse is going to give you, Senator, is a couple of paragraphs on each of the different bills.

Senator MALONE. Yes. What I wanted was, what was the percentage of the annual increase? Whatever the history as to why it was they have had it several years.

Mr. HOLLAND. Yes. I told you when I read you these figures that I had it quantitatively and did not have it in percentages. If you want it in percentages, I will be glad to give you that. We have agreed to furnish that information for Senator Barkley.

Senator MALONE. Have your table show percentages.

The CHAIRMAN. Senator Malone, will you pardon me? It appears now that we cannot finish this morning, and some of the Senators have already left.

Senator MALONE. I will finish in about 2 minutes.

The CHAIRMAN. We have other witnesses.

Senator MALONE. Let me finish, anyway, before we adjourn.

The CHAIRMAN. Go ahead. We would like to finish with Mr. Holland.

Senator MALONE. I wanted to make this point. Was one of the main reasons for the 96 percent of the increase to Cuba and now holding it to 60 percent, because Cuba is our only sure supplier in the case of emergency?

Mr. HOLLAND. Surely. I said that I must differ with you in your reference to them as our only sure supplier.

Senator MALONE. What did you say?

Mr. HOLLAND. One of the principal suppliers.

Senator MALONE. Who are the others?

Mr. HOLLAND. We have always acquired sugar from Mexico, Haiti, Dominican Republic, Peru, in this hemisphere; and Formosa and the Philippine Islands——

Mr. MYERS. Philippine Islands, primarily.

Senator SMATHERS. Hong Kong, 4 pounds. [Laughter.]

Senator MALONE. It is a fact that the minute we are in a war, we are dependent on nations across major oceans. So it is not as much a joke as you think. You are recommending it now from your depart-

ment. I want to ask you, what nations of the Western Hemisphere do you consider available in an emergency for shipments?

Mr. HOLLAND. For sugar?

Senator MALONE. For anything; sugar is the subject now.

Mr. HOLLAND. Let me correct one statement that you have made on the record, Senator, and that is that I think this is a joke. I don't.

Senator MALONE. You all laughed for practice I guess. I do not know how you consider shipments in wartime but to me it is not a joke.

Mr. HOLLAND. I think you will observe that I did not laugh.

Senator MALONE. Good. Then we are improving.

Mr. HOLLAND. The nations in this hemisphere to which we would look as suppliers, things that we might need in the event of an emergency are, in my judgment, Canada, Mexico, Guatemala, Honduras, El Salvador, Costa Rica, Nicaragua, Panama, Venezuela, Colombia, Ecuador, Peru, Bolivia, Chile, Brazil, Paraguay, Uruguay, Argentina, Cuba, Dominican Republic, and Haiti.

Senator MALONE. I do not know why you left out one of them. [Laughter.]

Mr. HOLLAND. I don't think I left any out, Senator.

Senator MALONE. I guess you did name them all. Let us just say the Western Hemisphere nations, because that is what our committee named as the area from which supplies, critical materials would be available in time of all-out war.

Mr. HOLLAND. You asked me to name them, Senator, and I did my best.

Senator MALONE. Could you say the Western Hemisphere nations just as they were named in our Senate Report 1627 of the 83d Congress?

Mr. HOLLAND. Yes, sir. Those I named are the Western Hemisphere nations.

Senator MALONE. Then that takes the national-defense claim out of this whole argument since products could be available from all of them, does it not?

Mr. HOLLAND. No, sir; I do not think so.

Senator MALONE. Well, why do you not think so? You named all of the Western Hemisphere nations as available for supplies in a war emergency.

Mr. HOLLAND. Because of the countries that I have mentioned, a number are not producers of sugar.

Senator MALONE. I did not say that. What I said, it takes the matter of the transportation of sugar or any material that they can produce, out of the national-defense category.

Mr. HOLLAND. No, sir.

Senator MALONE. Go ahead. You interest me, in making an exception to your own first statement.

Mr. HOLLAND. I do not think so, Senator, because during the last war, I was not in contact with the sugar problem, but I am advised that there were periods during the last war when it was impossible, or exceedingly difficult and uncertain, to transport sugar from areas farther away than Cuba, but her proximity—

Senator MALONE. I think that is a fact then. The State Department is still using the same evidence I suppose—getting ready to fight World War II over again. I would advise you to look into the

present availability of materials from the Western Hemisphere in case of world war III.

Mr. HOLLAND. Cuba's proximity, plus the fact that her industry was expansible, I am advised, made her an exceedingly valuable source of sugar during the last war.

Senator MALONE. I think you were right in World Wars I and II. It was a very valuable source in the First World War and the Second World War and would be a valuable source again. But not the only one. The remainder of the Western Hemisphere nations have now been added. I am trying to establish with you, with the State Department, that transportation can be continued with the Western Hemisphere nations during a third world war.

Mr. HOLLAND. No, sir; I didn't say that.

Senator MALONE. You named all of the nations of the Western Hemisphere in response to my question as to what such nations would be available for shipments in an emergency.

Mr. HOLLAND. No, sir; I didn't say that.

Senator MALONE. I want you to read the record; however I am going to ask you the first question again.

Mr. HOLLAND. You had better do it, then.

Senator MALONE. Name the countries in the Western Hemisphere from which supplies would be available in the event of a war emergency.

Mr. HOLLAND. I don't believe anybody could answer that question, Senator.

Senator MALONE. They do answer it. It has been answered by military strategists. You ought to know that. You are part of the administration. Supplies can be secured from the nations of the Western Hemisphere.

Mr. HOLLAND. Well, sir, I will have to tell you that I myself am unable to tell you with what nations of this hemisphere we would be able to maintain reliable transportation facilities in the event of another war, since I do not know the nature of the war or the effects upon transportation that the hostilities might have.

Senator MALONE. You maybe thinking about another Korea or a little war someplace. I am talking about a real emergency.

Mr. HOLLAND. No, sir. I am not thinking of a little war. And I will be glad to think in terms of an all-out war. And my answer would be the same, because I don't know at this time——

Senator MALONE. That is good enough. You can read your first answer.

Mr. HOLLAND. I don't know at this time what effect it would have on transportation.

Senator MALONE. I do not know what you thought I said in the first question. What do you think I asked you?

Mr. HOLLAND. You want to know what I thought you asked me?

Senator MALONE. Yes.

Mr. HOLLAND. I thought that you wanted to know what countries in this hemisphere we would look to, to assist us in supplying imports that we might need in the event of a war and which would be available to us, we would hope, if the transportation facilities between those countries and ourselves were adequate to make transportation.

Senator MALONE. Of course, you did not think I said, if transportation facilities were adequate, because I did not mention transportation

facilities. I asked you "what Nations of the western hemisphere do you consider available in an emergency for shipments?" You should read the record.

Mr. HOLLAND. Well, I have told you truthfully and as directly as I can my understanding of the question.

Senator MALONE. So now you would not name those nations at all, after you have understood the question?

Mr. HOLLAND. Now that I have understood the question, my answer would be that which I gave to you a moment ago after we had defined the question; yes, sir.

Senator MALONE. That the shipments would not be available from any nations except Cuba?

Mr. HOLLAND. No, sir.

Senator MALONE. Mexico?

Mr. HOLLAND. No, sir.

Senator MALONE. Where would they be available from?

Mr. HOLLAND. I told you, Senator, and I have to say it again, that I cannot tell you with what nations of this hemisphere or elsewhere we will be able to maintain reliable transportation connections in the event of another war, because I am not sufficiently an expert in that field to have what I think is a reliable opinion on what the effect of another war would be on means of communications.

Senator MALONE. Now, the reason I asked you the question is because you yourself brought it up, that Cuba was a war supplier and indicated it would be the only one. So now you do not know anything about it?

Mr. HOLLAND. Yes, sir. I think I know something about it, Senator.

Senator MALONE. What do you think about it then?

Mr. HOLLAND. I think I know something about it. You asked me——

Senator MALONE. I asked you if you know about it. I ask you that question.

Mr. HOLLAND. I am of the opinion, sir, that in the event of another war it would be necessary, it would be reasonable to anticipate, that, as in the last two wars, we would look upon Cuba as a source of additional supplies of sugar, and because of her close proximity, I would believe that if we had access to anybody by water, we would probably have it to Cuba.

Senator MALONE. Almost any schoolboy can answer a question in that manner. The question has been answered for the Western Hemisphere and that is that supplies can be made available from the Western Hemisphere.

Mr. HOLLAND. I have given my best judgment, Senator, and I cannot do more.

Senator MALONE. But still you do not really know anything about it?

Mr. HOLLAND. Yes, sir, I feel that I know enough to give you the judgment that I have expressed.

Senator MALONE. Do you know that you can get supplies from Mexico?

Mr. HOLLAND. I believe that we would be able to expand our imports from Mexico as well; yes, Senator.

Senator MALONE. Do you know whether we can get supplies from Nicaragua?

Mr. HOLLAND. I would hope that we could expand our exports from Nicaragua, particularly in the event that the project in which I believe you have taken a personal interest, the Inter-American Highway, is connected, which would give us overland access to the countries of Central America.

Senator MALONE. Well, how about Puerto Rico and Cuba and Haiti? Are they overland?

Mr. HOLLAND. No, sir, they are not overland.

Senator MALONE. They are pretty near as far, are they not, from our borders?

Mr. HOLLAND. No, sir. Cuba is considerably closer than is Nicaragua.

Senator MALONE. Well, is it closer than Mexico?

Mr. HOLLAND. No, sir. Mexico is closer than Cuba.

Senator MALONE. Where do you draw the line? When you have to bring the sugar across the Caribbean——

Mr. HOLLAND. Sir?

Senator MALONE. Where you have to bring the sugar across the Caribbean? Is that where you draw the line?

Mr. HOLLAND. What line are you referring to, Senator?

Senator MALONE. The line that you drew, that you can get it from Cuba and Mexico and Nicaragua, but you cannot get it from other South American countries.

Mr. HOLLAND. I have not said that there was anybody from whom we could not get it, Senator. I have said that I could not tell you——

Senator MALONE. You do not know anything about it; is that it?

Mr. HOLLAND. I think I know something about it; yes, sir.

Senator MALONE. What do you know about it, beyond Cuba?

Mr. HOLLAND. I believe without attempting to repeat my recent answers, I have told you a good deal of what I believe I know about it; yes, sir.

Senator MALONE. Well, you told me two different stories. So now let us have the right one.

Mr. HOLLAND. I do not discern two different stories in what I said, Senator.

Senator MALONE. You read the record and you will, because I was satisfied with the first answer that, you probably did know something about it. You mentioned Venezuela in your first answer; are you eliminating Venezuela now in case of another war. Is that the opinion of the State Department?

Mr. HOLLAND. I have not made that statement.

Senator MALONE. Well, tell us now, one way or the other.

Mr. HOLLAND. I prefer not to make it, because I do not accept it. I think that in the event of another war, I would hope that we would have access to Venezuela. I cannot tell you, because I have said that I do not know the effect of another war; I cannot tell you the degree of the access that we would have to Venezuela, but I was hoping that we would have it.

Senator MALONE. You named Venezuela the first time. Now, you really do not know about it.

Mr. HOLLAND. Yes, sir, I know something about it, but I do not know whether we would have access to Venezuela in the event of another war, because I am not an expert in that particular field.

Senator MALONE. That is just what I just said. You do not really know anything about it.

Mr. HOLLAND. On that particular subject; no, sir.

Senator MALONE. On Venezuela or transportation, you do not know anything about it?

Thank you.

Mr. HOLLAND. I am unable to accept that I do not know anything about it.

Senator MALONE. You do not know anything about it?

Mr. HOLLAND. No, sir; I am unable to accept that statement.

Senator MALONE. Tell us again what you do not know.

Mr. HOLLAND. I will be glad to repeat my last answer, sir. We presently have access to Venezuela by air and by sea. In the event of another war, that access to Venezuela might be impaired or it might be interrupted or the nature of the war or the nature of our defenses might be such as to maintain it at a more or less normal level.

Senator MALONE. What do you mean by "normal?"

Mr. HOLLAND. "Normal," I would say, in this sense would mean unobstructed by enemy action.

Senator MALONE. Well, then, we could get anything from there we wanted during the war, if it is unobstructed by enemy action? Are there any friends that would be obstructing it?

Mr. HOLLAND. If those are the conditions—and I said they might be the conditions—then it would be unobstructed by enemy action, and it would in that sense be normal.

Senator MALONE. What are these conditions you are laying down?

Mr. HOLLAND. I said that we have presently access to Venezuela by air——

Senator MALONE. Yes; we presently have access to Russia, do we not?

Mr. HOLLAND. You are asking me about Venezuela, are you not, Senator?

Senator MALONE. Yes, sir; I am. But present access does not mean anything. I asked you about a war, an emergency.

Mr. HOLLAND. I was trying to answer you as seriously and directly as I can. We presently have access to Venezuela by air and by sea. In the event of a war, that——

Senator MALONE. There was a fellow that rode a horse from South America to the United States, did he not? He wrote a book about it. So I suppose in peacetime we have access by land or sea or air, do we not?

Mr. HOLLAND. We have access by land, and I will come to that in a minute.

In the event of war, our access to Venezuela by the more accepted or the more used media, which are air and sea, might either be hindered and slowed down, or might be obstructed, or it might be that the facts existing would permit it to be carried on normally, that is to say, unhindered by enemy action.

Now, you have asked me about land. It is true, sir——

Senator MALONE. Now, wait a minute. Do not let us leave that other up in the air like that.

Mr. HOLLAND. All right.

Senator MALONE. You say it might be unhindered but it might be obstructed?

Mr. HOLLAND. Correct.

Senator MALONE. So you do not know?

Mr. HOLLAND. Do you, Senator?

Senator MALONE. Yes; I think I do.

Mr. HOLLAND. I would be grateful if you——

Senator MALONE. But it is not my information. It is information of military strategists.

Mr. HOLLAND. Well, I am not a strategic expert.

Senator MALONE. I am not being examined. You are. So if you say you do not know anything about it, I will not ask you any more questions. If you insist you do, I will have to keep asking you.

Mr. HOLLAND. I will have to answer, Senator, that I think I know something, but not enough to tell you with certainty whether in the event of another war interconnections would be interrupted completely or impaired or remain normal.

Senator MALONE. I think you are very clear. Now, if I do not state it correctly—that is, you do not know whether transportation from Venezuela or Peru or any other South American nation would be obstructed during a war or not?

Mr. HOLLAND. (No response.)

Senator MALONE. Some time, somewhere, we will get an answer.

Mr. HOLLAND. Yes; I can accept that statement. I do not know——

Senator MALONE. That is all.

Mr. Chairman, that is enough.

Mr. HOLLAND. Fine.

The CHAIRMAN. Are there any further questions?

Senator SMATHERS. Mr. Chairman, I would like to ask if the Secretary will put into the record and prepare for us and give each one of us a copy, of what percent of the various Latin-American sugar-producing countries, what percent of importations they buy from us.

Mr. HOLLAND. What percentage of our exports?

Senator SMATHERS. No; of their importations, of their total importations. What percent of them come from the United States?

Mr. HOLLAND. Are derived from us? I will be happy to submit that for you, Senator, with copies for members of the committee.

Senator SMATHERS. Thank you very much.

(The following was later received for the record:)

*Imports from the United States as a percentage of total imports of principal Latin American suppliers of sugar to the United States market*

[Millions of dollars]

	1953			1954		
	Total imports	Imports from United States	United States as percent of total	Total imports	Imports from United States	United States as percent of total
Cuba.....	\$489.7	\$370.9	75.7	<sup>1</sup> \$398.5	<sup>1</sup> \$301.3	75.6
Dominican Republic.....	86.5	57.9	66.9	82.8	53.4	64.5
Mexico.....	807.5	670.9	83.1	787.3	633.6	80.5
Nicaragua.....	43.6	28.3	64.9	58.3	37.9	55.0
Peru.....	291.8	159.1	54.5	249.7	129.6	51.9
Haiti.....	<sup>2</sup> 45.2	<sup>2</sup> 30.7	67.9	<sup>2</sup> 47.6	<sup>2</sup> 30.1	63.2
Costa Rica.....	73.7	44.2	60.0	80.7	46.9	58.1
Panama.....	71.6	46.2	64.5	<sup>3</sup> 52.8	<sup>3</sup> 33.0	62.5
El Salvador.....	71.7	43.9	61.2	86.7	51.2	59.1

<sup>1</sup> January through October.

<sup>2</sup> Fiscal year september to October.

<sup>3</sup> January to September.

The CHAIRMAN. The committee will adjourn——

Senator MALONE. One more question, Mr. Chairman. I would like to ask for additional information.

If we shipped any material, agricultural material, where a support price is fixed in this country, what price do we use—the world price or the support price—in each of the countries in the Western Hemisphere?

Mr. HOLLAND. So that I will be sure that I get just what you want, Senator, let me ask the reporter to read your request.

(Senator Malone's question was read by the reporter.)

Senator MALONE. Yes, when we sell to them.

The CHAIRMAN. Is that clear, Mr. Holland?

Mr. HOLLAND. Yes. Surely, I can answer that now. That is the world price.

The CHAIRMAN. That is in the record.

The Chair will announce that we will recess——

Senator MALONE. That is like the transportation questions. We all know what it is, but we cannot get it out of the State Department.

Mr. HOLLAND. I have answered you, Senator. I have said it was the world price.

The CHAIRMAN. You understand the question?

Mr. HOLLAND. I have answered it.

Senator MALONE. That is all.

The CHAIRMAN. He has answered it, then, and you do not need to put anything in the record?

Senator MALONE. No.

The CHAIRMAN. All right.

We will recess until 2:30 this afternoon.

(Whereupon, at 12:20 p. m., the committee recessed to reconvene at 2:30 p. m., the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. Come to order.

The first witness this afternoon is the Honorable True D. Morse, Under Secretary of Agriculture.

Mr. Morse, will you proceed in your own way.

#### STATEMENT OF HON. TRUE D. MORSE, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY LAWRENCE MYERS, DIRECTOR OF THE SUGAR DIVISION, DEPARTMENT OF AGRICULTURE

Mr. MORSE. Mr. Chairman, and members of the Senate Finance Committee, your committee has before it H. R. 7030, a bill to amend and extend the Sugar Act of 1948, as amended. This bill passed the House near the close of the first session of the present Congress. Printed copies are now available of the 768-page record of the hearings held on this bill by the Committee on Agriculture of the House of Representatives. Accordingly, I shall not undertake to duplicate earlier testimony on this subject.

Before discussing the bill before you, it may be well to review briefly the purposes of our sugar legislation. Our specialized sugar legislation was developed in the 1930's after experience demonstrated



that our historic tariff program did not give effective protection to either our domestic sugar industry or our import and export trade.

Specialized sugar legislation, therefore, was developed with a fourfold objective. (1) To maintain and protect the domestic sugar production industry, (2) to avoid undue burden on domestic consumers, (3) to increase our imports of sugar and thereby to benefit our general export trade, and (4) to insure that the benefits of the system would be passed on to farmers and laborers and that the use of child labor in the production of sugarcane and sugar beets would be eliminated.

Under the act the quantity of sugar that may be marketed in the United States each year is governed by quotas. The total supply to be made available is determined by the Secretary of Agriculture each year and is modified from time to time within the year in accordance with market requirements.

The marketing quotas apply to marketings from all of the five domestic producing areas as well as to imports from foreign countries. When necessary to maintain equitable and orderly marketing conditions, the marketing quota for an area, such as our beet area or the mainland cane area, is allocated to the individuals who process and market sugar produced in such area.

Farm marketings of sugar beets or sugarcane are also limited, when necessary, by the establishment of proportionate shares (acreage allotments) for individual farms.

The act requires that processor-producers pay at least the minimum prices established by the Department for sugarcane or sugar beets purchased by them and it requires that farmers pay at least the minimum wages established by the Department to laborers employed in the production of sugarcane or sugar beets.

Finally, the act provides for payments to growers who comply with the terms of the program. These payments range from 80 cents per 100 pounds of sugar for production of less than 350 tons per farm to 30 cents per 100 pounds for production in excess of 30,000 tons per farm. To compensate the treasury, a tax of 50 cents per 100 pounds, raw value, is collected on sugar consumed in this country. Your committee will be interested in the record for the past year, which is quite typical, when tax collections amounted to \$82.5 million while payment requirements plus administrative expenses approximated \$69.2 million.

H. R. 7030 as passed by the House provides for various technical and administrative changes in the act, a revision in the quota provisions and a purchase program.

The purpose of the purchase provision was to relieve the inventory situation in the mainland domestic areas through the purchase of 100,000 tons of surplus overquota sugar resulting from unexpectedly large crops. Senate Resolution 147, passed the last session, provided in part—

that it is the sense of the Senate that the Commodity Credit Corporation should take the action referred to in section 19 of H. R. 7030, so far as practicable in accordance with the procedures therein set forth during the calendar year 1955 in order to help alleviate the inventory situation in the continental United States sugar-producing areas.

The Department of Agriculture and the other administrative agencies concerned appreciated the expressions of the will of Congress

contained in H. R. 7030 as it passed the House and in Senate Resolution 147. Accordingly, the Commodity Credit Corporation has put the purchase program into effect. In accordance with industry recommendations the purchases consist of 28,500 tons of beet sugar and 71,500 tons of mainland cane sugar.

The sugar being procured under the program will be exported to meet requirements under the foreign mutual security programs of the United States Government. Since this purchase program fulfills the objectives of section 19 of H. R. 7030 as it passed the House, no purpose would seem to be served by continuing the provision in the legislation.

Senator Bennett has had a committee print made that omits the provision requiring the undertaking of a purchase program. The committee print also incorporates some other changes being recommended and certain technical revisions found desirable from recent studies of the language. I assume your committee will prefer to deal with the substantive matters first.

From the standpoint of the domestic industry one of the most important revisions in the proposed legislation is the restoration to the domestic industry of its right to share in supplying the increasing requirements of the domestic market. Under the Sugar Act of 1937 the domestic areas collectively were permitted to supply 55.59 percent of our total requirements while foreign countries, including the Commonwealth of the Philippines, supplied 44.41 percent of our requirements.

In the Sugar Act of 1948 fixed tonnage quotas were established for each of the domestic areas and for the Republic of the Philippines. The remaining requirements were to be supplied in major part by Cuba and in minor part by full-duty countries. Cuba was also authorized to supply the major part of any deficits in the Philippine quota. The purpose of these revisions in the Sugar Act of 1948 was to assist Cuba in meeting its postwar adjustment problem. When the Sugar Act of 1948 was amended, effective in 1953, the mainland quota for Puerto Rico was increased from 910,000 tons to 1,080,000 tons and the quota for the Virgin Islands was increased from 6,000 to 12,000 tons. Also the share of the variable quotas for the full duty countries was increased from 1.36 to 4 percent.

H. R. 7030 as it passed the House provides in section 6 that beginning with the calendar year 1956 the quotas for the domestic areas would be increased by 50 percent of the amount by which the country's total requirements exceed 8,350,000 short tons, raw value.

The administrative agencies feel strongly that this percentage should be increased to 55 percent. The revised section in the committee print provides (1) that the domestic areas shall first receive the same tonnage quotas that they received under the Sugar Act of 1948 as amended; (2) that their quotas will be increased collectively by 55 percent of the amount by which the total requirements exceed 8,350,000 short tons, raw value; (3) that the first 165,000 tons of any such increase shall be assigned 51.5 percent to the domestic beet area and 48.5 percent to the mainland cane area; (4) that the next 20,000 short tons of such increase shall be assigned to Puerto Rico; (5) that the next 3,000 short tons shall be assigned to the Virgin Islands; and (6) that any additional quantities shall be apportioned on the basis

of the quotas then in existence. It is our understanding that this apportionment of the quotas is acceptable to the various areas. Obviously every area wishes to receive larger quotas and, therefore, some compromising of objectives is essential.

Section 7 of H. R. 7030 as it passed the House and section 7 of the committee print both provide for revisions of the sharing of quotas between Cuba and the full-duty countries. Since this is a matter that has been discussed in detail by the State Department I wish to state only that the Department of Agriculture supports strongly the position taken by the State Department and by the administrative branch of the Government as a whole that the apportionment provided for in the committee print is preferable and more defensible than the division provided for in the bill as it passed the House.

The accompanying statistical tables show the quotas that would result for domestic and foreign areas from the formulas contained in H. R. 7030 as it passed the House and from the revisions contained in the committee print of the bill. Both sets of computations are based on 1955 requirements of 8,400,000 tons and an assumed increase of 135,000 tons in each succeeding year. The table based on H. R. 7030 as it passed the House covers a 4-year period corresponding with the period for which the act would be extended therein, while the table based on the committee print covers a 6-year period.

The only other policy change we recommend is a 6-year extension rather than a 4-year extension. The remaining changes are of a technical nature.

The first four sections of H. R. 7030 revise technical definitions having to do with raw and direct-consumption sugar. These revisions have been worked out by the administrative agencies in collaboration with industry and so far as is known the revisions are acceptable.

Additional study since the bill passed the House suggests slight revisions in section 4 of the bill which would add section 101 (n) to the act. The second sentence thereof authorizes the Secretary of Agriculture to make certain determinations. In order to make certain that we can continue to follow the procedures that have been followed in the past in connection with the administration of the Sugar Act it has been suggested that we use the same wording that is in section 205 (a) of the act and revise this sentence by deleting the words "in accordance with findings based on public hearings" and substitute in lieu thereof the words "after such hearing and upon such notice as he may by regulations prescribe.". This change has been made in the committee print.

It is recommended that sections 5, 8, 9, 10, 11, 12, 13, and 14 of the bill remain as they were in the version passed by the House except as to necessary changes in references.

Section 15 of the bill would amend section 405 of the act providing that any person who imports sugar of direct-consumption quality for processing under a declaration that such sugar is raw sugar shall forfeit to the United States 1 cent for each pound of such sugar in excess of the unfilled part of the direct-consumption portion of the applicable quota, proration, or allotment thereof. The forfeiture of 1 cent per pound is considered sufficient to make it unprofitable to process direct-consumption sugar in excess of the direct-consumption limitations.

Recent review has brought to light that through inadvertance the proposed amendment, as it passed the House, refers to the entire direct-consumption portion of a quota when it was intended to refer to the unfilled part thereof. The committee print contains wording that will correct this defect.

It is also recommended that sections 16 and 17 remain as they were passed by the House.

Section 18 of the bill would extend the act for 4 years or to December 31, 1960. Section 18 of the committee print would extend the act for 6 years or until December 31, 1962. We favor the 6-year extension.

The committee print omits section 19 of the bill that passed the House since that section provided for the purchase program which is already in effect. As a result of the dropping of that section from the committee print there is a difference in the numbering of the subsequent sections.

Section 20 of the bill would amend the Internal Revenue Code of 1954 by extending the tax on sugar for the 4-year period ending June 30, 1961. Section 19 of the committee print suggests a 6-year extension of the tax through June 30, 1963. It would be necessary to make the extension of the tax correspond with the extension of the act.

Sections 21 and 22 of the bill (Secs. 20 and 21 of the committee print) should also, we believe, be retained as passed by the House.

Section 23 of the bill (sec. 22 of the committee print) provides that the amendments shall become effective January 1, 1956, except as otherwise designated. As the bill passed the House, the Department was authorized to issue determinations and regulations in 1955 that would be required for the calendar year 1956.

In order to avoid a hiatus during which we might be without effective regulations, it would be desirable to permit our present regulations to remain in effect until new regulations could be issued under the authority of the new legislation. The committee print contains language that will permit this.

I appreciate the opportunity you have given me to testify on this bill. In closing I want, on behalf of the Department, to urge the adoption of these amendments to the Sugar Act so that this important piece of legislation may be kept in effect and strengthened.

Mr. Chairman, there are two tables attached to this prepared testimony to which reference is made. I believe it would be helpful if they are incorporated in the record.

The CHAIRMAN. Without objection, they will be so incorporated in the record.

Mr. MORSE. Sir, in addition, there has been passed out some statistics and Agriculture Information Bulletin No. 111 entitled "The United States Sugar Program" which, as you proceed, you might need, or want information put into the record; but you could make your own selection as to that

(The statistics referred to are as follows. The bulletin referred to is in the files of the committee.)

*Production of sugar in domestic areas, 1920-55*

[1,000 short tons, raw value]

Crop year <sup>1</sup>	Beet-sugar area	Mainland cane area <sup>2</sup>	Hawaii <sup>3</sup>	Puerto Rico	Virgin Islands	Total domestic
1920.....	1,165	180	560	485	14	2,404
1921.....	1,091	334	546	491	5	2,467
1922.....	722	302	618	406	6	2,054
1923.....	943	168	554	379	2	2,046
1924.....	1,166	90	716	448	3	2,423
1925.....	977	142	781	661	11	2,572
1926.....	960	48	805	606	6	2,425
1927.....	1,170	72	832	630	7	2,711
1928.....	1,135	136	921	752	11	2,955
1929.....	1,089	218	925	587	3	2,822
1930.....	1,293	215	939	872	6	3,325
1931.....	1,237	184	1,018	788	2	3,229
1932.....	1,452	265	1,057	992	4	3,770
1933.....	1,757	250	1,191	834	4	4,036
1934.....	1,241	262	959	1,114	4	3,580
1935.....	1,268	382	987	781	2	3,420
1936.....	1,395	438	1,042	926	4	3,805
1937.....	1,375	459	944	1,003	7	3,788
1938.....	1,802	584	941	1,085	4	4,416
1939.....	1,760	507	994	858	5	4,124
1940.....	1,894	332	977	1,026	3	4,232
1941.....	1,584	416	947	940	2	3,889
1942.....	1,725	458	870	1,156	1	4,210
1943.....	998	497	886	1,046	4	3,431
1944.....	1,056	438	875	729	3	3,101
1945.....	1,280	470	821	971	4	3,546
1946.....	1,569	425	680	916	5	3,595
1947.....	1,867	377	872	1,096	3	4,215
1948.....	1,312	477	835	1,116	5	3,745
1949.....	1,608	521	956	1,288	5	4,378
1950.....	2,015	565	961	1,299	11	4,851
1951.....	1,541	419	996	1,238	8	4,202
1952.....	1,519	605	1,020	1,372	12	4,528
1953.....	1,872	630	1,099	1,182	14	4,797
1954.....	1,998	610	1,077	1,204	10	4,899
1955.....	<sup>4</sup> 1,800	<sup>4</sup> 580	1,141	1,166	10	4,697

<sup>1</sup> Most of the crop-year production totals are produced during the calendar year shown, with the exception of Florida, where harvesting season begins December of year shown and ends April of the following year.

<sup>2</sup> Louisiana and Texas, 1920-24, Louisiana only, 1925-27; Louisiana and Florida, 1928 to date.

<sup>3</sup> Crop year Oct. 1-Sept. 30, 1900-33. Calendar year, 1934 to date. 1933 production includes 127,000 produced between Oct. 1 and Dec. 31, 1933.

<sup>4</sup> Estimate.

## SUGAR ACT EXTENSION

*Production of sugar in areas with specific quotas under the Sugar Act, other countries and world total 1920-55*<sup>1</sup>

[1,000 short tons]

Crop year <sup>2</sup>	United States domestic areas <sup>3</sup>	Cuba	Philippines	Dominican Republic	El Salvador	Haiti	Mexico	Nicaragua	Peru	Other countries	Total world
1920	2,404	4,406	589	206		3	89		351	10,332	18,380
1921	2,467	4,517	502	206	17	11	141	15	342	10,949	19,167
1922	2,054	4,034	588	185	17	11	165	13	351	12,079	19,497
1923	2,046	4,606	529	256	18	6	186	11	341	14,774	22,773
1924	2,423	5,812	779	346	22	9	185	16	345	16,734	26,671
1925	2,572	5,524	607	394	20	11	215	18	317	18,054	27,732
1926	2,425	5,050	767	346		14	203	28	308	17,185	26,326
1927	2,711	4,527	808	406		18	196	14	415	19,172	28,267
1928	2,955	5,775	924	397	23	14	202	10	399	19,977	30,676
1929	2,822	5,231	984	404	28	21	235	16	472	20,429	30,642
1930	3,325	3,495	983	406		21	290		543	22,898	31,961
1931	3,229	2,917	1,174	479	33	23	250		451	20,638	29,194
1932	3,770	2,234	1,343	403	11	28	231		428	18,474	26,922
1933	4,036	2,527	1,621	428	11	29	207		445	18,760	28,064
1934	3,580	2,843	755	475	10	40	292		440	20,820	29,255
1935	3,420	2,899	1,043	504	13	42	340		429	22,916	31,606
1936	3,805	3,374	1,121	500	18	40	300		455	24,865	34,378
1937	3,788	3,380	1,116	473	16	46	338		378	25,432	34,967
1938	4,416	3,094	1,149	475	16	46	389		417	23,324	33,326
1939	4,124	3,128	1,142	498	16	45	327		522	25,854	35,656
1940	4,232	2,734	1,148	449	17	35	358		475	25,848	35,296
1941	3,889	3,800	665	528	19	39	495	15	515	22,375	32,340
1942	4,210	3,230	150	472	22	48	487	17	430	21,438	30,504
1943	3,431	4,738	150	567	23	64	460	17	460	20,726	30,636
1944	3,101	3,924	75	408	20	50	439	14	466	19,610	28,107
1945	3,546	4,476	69	504	22	44	444	17	438	16,760	26,320
1946	3,595	6,448	132	512	32	50	578	17	476	19,415	31,255
1947	4,215	6,675	398	465	33	47	714	20	520	14,827	27,914
1948	3,745	5,763	730	526	26	49	754	22	524	19,491	31,630
1949	4,378	6,127	685	524	27	56	692	26	479	19,231	32,225
1950	4,851	6,348	935	582	31	65	783	30	515	22,568	36,708
1951	4,202	7,964	1,076	648	31	64	807	35	526	22,999	38,352
1952	4,528	5,687	1,134	661	32	63	911	38	673	22,692	36,419
1953	4,797	5,390	1,416	700	36	46	960	38	688	26,383	40,454
1954	4,899	4,994	1,371	673	36	58	1,041	44	725	26,701	40,542
1955	4,697	5,225	1,208	725	36	50	1,063	45	760	27,542	41,351

<sup>1</sup> Noncentrifugal sugar included in 1920-46 data but not in 1947-55 data.

<sup>2</sup> Years shown are for crop years; generally the harvesting season begins in the fall months of the year shown or in the early months of the following year.

<sup>3</sup> For details see table 1.

## Final basic and adjusted quotas and marketings or entries, 1948-55

[1,000 short tons, raw value]

Area	1948			1949			1950			1951		
	Final basic quota	Final ad-justed quota	Mar-ket-ings or en-tries	Final basic quota	Final ad-justed quota	Mar-ket-ings or en-tries	Final basic quota	Final ad-justed quota	Mar-ket-ings or en-tries	Final basic quota	Final ad-justed quota	Mar-ket-ings or en-tries
Domestic beet sugar.....	1,800	1,688	1,656	1,800	1,500	1,487	1,800	1,899	1,749	1,800	1,700	1,730
Mainland cane sugar.....	500	413	455	500	549	558	500	547	518	500	500	460
Hawaii.....	1,052	825	714	1,052	652	769	1,052	1,151	1,145	1,052	962	941
Puerto Rico.....	910	1,024	1,013	910	1,091	1,091	910	1,061	1,053	910	956	959
Virgin Islands.....	6	6	4	6	6	4	6	11	11	6	6	6
Total domestic.....	4,268	3,956	3,842	4,268	3,798	3,909	4,268	4,669	4,476	4,268	4,124	4,096
Philippines <sup>1</sup> .....	982	240	252	982	557	525	982	532	474	982	782	706
Cuba.....	1,923	2,940	2,938	2,219	3,093	3,118	3,403	3,431	3,276	2,614	2,948	2,966
Other foreign.....	27	64	66	31	52	55	47	68	62	36	46	28
Total foreign.....	2,932	3,244	3,256	3,232	3,702	3,698	4,432	4,031	3,812	3,632	3,776	3,700
Total.....	7,200	7,200	7,098	7,500	7,500	7,607	8,700	8,700	8,288	7,900	7,900	7,796
	1952			1953			1954			1955 <sup>2</sup>		
Domestic beet sugar.....	1,800	1,560	1,560	1,800	1,620	1,750	1,800	1,803	1,802	1,800	1,800	1,800
Mainland cane sugar.....	500	533	553	500	517	513	500	501	501	500	500	500
Hawaii.....	1,052	972	972	1,052	1,088	1,087	1,052	1,043	1,040	1,052	1,052	1,052
Puerto Rico.....	910	983	983	1,080	1,117	1,116	1,080	1,082	1,082	1,080	1,080	1,080
Virgin Islands.....	6	6	6	12	13	12	12	11	10	12	12	10
Total domestic.....	4,268	4,054	4,074	4,444	4,355	4,478	4,444	4,440	4,435	4,444	4,444	4,442
Philippines <sup>1</sup> .....	974	774	860	974	874	932	974	974	974	977	977	977
Cuba.....	2,622	3,025	3,011	2,575	2,760	2,766	2,719	2,723	2,722	2,860	2,860	2,864
Other foreign.....	36	47	68	107	111	115	113	113	115	119	119	119
Total foreign.....	3,632	3,846	3,939	3,656	3,745	3,813	3,806	3,810	3,811	3,956	3,956	3,960
Total.....	7,900	7,900	8,013	8,100	8,100	8,291	8,250	8,250	8,246	8,400	8,400	8,402

<sup>1</sup> Statutory quota of 952,000 short tons, commercial weight, converted to raw value on basis of average polarization for various years.

<sup>2</sup> Preliminary.

NOTE.—Basic quotas are not reduced by reason of a deficit (sec. 204 (c) of Sugar Act of 1948. Entries include shipments against credits for drawback of duty as well as against quota (sec. 211 (a)).

## SUGAR ACT EXTENSION

Entries and marketings of sugar in continental United States from all areas, 1920-55

[1,000 short tons, raw value]

Year <sup>1</sup>	Total	Domestic beet area	Main-land cane area <sup>2</sup>	Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba <sup>3</sup>	Dominican Republic	El Salvador	Haiti	Mexico	Nicaragua	Peru	Other foreign countries
1920	6,341	1,165	180	550	413	13	146	2,881	92	9	2	31	8	104	747
1921	5,419	1,091	334	541	469	6	165	2,590	129	4	5	12	8	10	55
1922	6,813	722	302	568	360	6	275	4,527	2	3		21	10	3	14
1923	5,827	943	168	519	342	2	238	3,426	38	7	4	14	9	50	67
1924	6,463	1,166	90	677	393	2	339	3,692	8	3		33	6	32	22
1925	6,934	977	142	755	600	11	493	3,923		2		2	9		20
1926	7,024	960	48	747	559	6	380	4,280		4		6	9		25
1927	6,809	1,170	72	777	574	6	531	3,650		1			6		22
1928	6,691	1,135	136	878	674	11	575	3,249	6	5			8		14
1929	7,587	1,089	218	882	507	3	711	4,149	1	6		4	3		14
1930	6,683	1,293	215	868	809	6	794	2,645	11	3	2		6	19	12
1931	6,741	1,343	206	998	796	2	872	2,482	10	1		17			14
1932	6,313	1,319	160	1,048	940	5	1,028	1,791	11			7			4
1933	6,342	1,366	315	990	793	5	1,249	1,573	8		3	18		16	6
1934	6,574	1,562	268	948	807	5	1,088	1,866	18			1		8	3
1935	6,277	1,478	319	927	793	2	917	1,830	3					6	2
1936	6,833	1,364	409	1,033	907	4	985	2,102	3				1	6	19
1937	6,860	1,245	491	985	896	8	991	2,155	26				3	54	6
1938	6,620	1,448	449	906	815	4	981	1,941	6		3		5	57	5
1939	7,466	1,809	587	996	1,126	6	980	1,930	18				4	39	1
1940	6,456	1,550	406	941	798	0	981	1,756	7					16	1
1941	8,009	1,952	411	903	993	5	855	2,700	72		8			109	1
1942	5,555	1,703	407	751	836	0	23	1,796				1			38
1943	6,466	1,524	460	866	642	3	0	2,857	7		3	22		2	80
1944	6,942	1,155	515	802	743	3	0	3,618	49		16				41
1945	5,997	1,043	417	740	903	4	0	2,803						36	51
1946	5,657	1,379	445	633	867	5	0	2,282						46	
1947	7,759	1,574	383	842	969	3	0	3,943						41	4
1948	7,098	1,656	455	714	1,013	4	252	2,938	15	6	1	9	2	33	
1949	7,607	1,487	558	769	1,091	4	525	3,118	12	1	1	9	5	26	1
1950	8,288	1,749	518	1,145	1,053	11	474	3,276	20		2	2	6	31	1
1951	7,796	1,730	460	941	959	6	706	2,966	14		1			13	
1952	8,013	1,560	553	972	983	6	860	3,011	18		1	10	6	32	1
1953	8,291	1,750	513	1,087	1,116	12	932	2,766	30		3	13	8	56	5
1954	8,246	1,802	501	1,040	1,082	10	974	2,722	30		3	12	8	56	6
1955 <sup>4</sup>	8,402	1,800	500	1,052	1,080	10	977	2,864	33		3	13	8	56	6

<sup>1</sup> Calendar-year basis, 1920-55.

<sup>2</sup> Crop-year production, 1920-30.

<sup>3</sup> Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; 1947, 230,000 tons.

<sup>4</sup> Preliminary.

Raw sugar price, per pound, duty paid, New York, by months, 1947-55

[Cents]

Month	1947 <sup>1</sup>	1948	1949	1950	1951	1952	1953	1954	1955
January	6.03	5.65	5.69	5.74	6.09	5.80	6.04	6.04	5.96
February	6.12	5.50	5.65	5.59	5.96	5.77	6.16	6.06	5.94
March	6.12	5.42	5.68	5.54	5.90	6.16	6.33	6.18	5.84
April	6.18	5.35	5.63	5.53	5.81	6.31	6.38	6.19	5.82
May	6.18	5.14	5.78	5.71	6.36	6.21	6.35	6.10	5.95
June	6.18	5.35	5.86	5.78	6.59	6.43	6.37	6.15	6.02
July	6.18	5.69	5.83	6.07	6.30	6.48	6.41	6.19	6.01
August	6.30	5.78	5.88	6.25	6.00	6.43	6.40	6.09	6.02
September	6.32	5.66	6.01	6.25	6.00	6.50	6.41	5.98	6.00
October	6.32	5.65	6.02	6.23	5.93	6.59	6.40	5.96	6.06
November	6.32	5.68	5.91	6.19	5.97	6.44	6.15	6.15	5.97
December	6.32	5.66	5.74	6.30	5.79	6.06	6.05	5.96	5.83
Average	6.21	5.54	5.81	5.93	6.06	6.26	6.29	6.09	5.95

<sup>1</sup> Reflects the average duty paid delivered price charged United States refiners by Commodity Credit Corporation.

Source: 1948-55 New York Coffee & Sugar Exchange.



*World raw sugar price, per pound, Cuban basis, by months, 1947-55*

[Cents]

Month	1947 <sup>1</sup>	1948	1949	1950	1951	1952	1953	1954	1955
January.....	5.03	3.96	4.00	4.62	5.22	4.54	3.55	3.30	3.17
February.....	5.03	4.24	3.95	4.47	4.96	4.38	3.52	3.39	3.17
March.....	5.03	4.26	4.17	4.44	5.48	4.30	3.27	3.28	3.22
April.....	5.03	4.43	4.09	4.37	5.57	4.30	3.38	3.36	3.31
May.....	5.03	4.27	4.04	4.21	6.62	4.24	3.65	3.32	3.38
June.....	5.03	4.06	4.08	4.21	7.41	4.17	3.62	3.27	3.26
July.....	5.03	4.10	4.13	4.89	6.75	4.16	3.60	3.13	3.22
August.....	5.03	4.41	4.20	5.83	5.61	4.05	3.53	3.18	3.22
September.....	5.03	4.39	4.19	5.88	5.52	4.00	3.29	3.21	3.27
October.....	5.03	4.32	4.33	5.84	5.28	4.01	3.15	3.25	3.28
November.....	5.03	4.27	4.33	5.58	4.83	4.00	3.10	3.26	3.19
December.....	5.03	4.03	4.39	5.36	4.84	3.84	3.27	3.19	3.16
Average.....	5.03	4.23	4.16	4.98	5.67	4.17	3.41	3.26	3.24

<sup>1</sup> Prices paid to Cuba by CCC plus CCC's expenses of approximately 1 percent.

Source: 1948-55, New York Coffee &amp; Sugar Exchange.

*Refined cane sugar, quoted wholesale (gross) price per pound, New York, with tax, by months, 1947-55*

[Cents]

Month	1947 <sup>1</sup>	1948	1949	1950	1951	1952	1953	1954	1955
January.....	8.09	8.21	7.99	8.05	8.25	8.21	8.58	8.65	8.65
February.....	8.20	7.82	8.00	7.93	8.25	8.15	8.50	8.65	8.62
March.....	8.20	7.75	7.95	7.74	8.25	8.38	8.65	8.73	8.55
April.....	8.25	7.75	8.10	7.70	8.25	8.65	8.75	8.80	8.55
May.....	8.25	7.60	8.02	7.70	8.40	8.65	8.75	8.80	8.55
June.....	8.25	7.51	7.87	7.70	8.60	8.69	8.75	8.80	8.55
July.....	8.25	7.75	7.85	7.97	8.74	8.80	8.79	8.80	8.55
August.....	8.38	7.75	7.85	8.22	8.52	8.80	8.85	8.80	8.55
September.....	8.40	7.75	7.90	8.25	8.50	8.80	8.85	8.70	8.55
October.....	8.40	7.75	8.05	8.25	8.25	8.80	8.85	8.65	8.63
November.....	8.40	7.75	8.05	8.25	8.25	8.80	8.69	8.65	8.65
December.....	8.40	7.75	8.05	8.25	8.25	8.71	8.65	8.65	8.65
Average.....	8.29	7.76	7.97	8.00	8.38	8.62	8.72	8.72	8.59

<sup>1</sup> Ceiling prices were in effect through Oct. 31, 1947.

Source: Lamborn Sugar Market Reports.

*Refined sugar, retail price per pound in selected cities, by months, 1947-55*

[Cents]

Month	1947	1948	1949	1950	1951	1952	1953	1954	1955
January.....	9.5	9.9	9.4	9.7	10.0	10.1	10.6	10.5	10.5
February.....	9.6	9.5	9.4	9.6	10.1	10.1	10.5	10.5	10.5
March.....	9.7	9.4	9.5	9.5	10.1	10.0	10.5	10.5	10.4
April.....	9.7	9.4	9.5	9.5	10.0	10.1	10.5	10.5	10.4
May.....	9.7	9.3	9.5	9.4	10.0	10.2	10.5	10.5	10.4
June.....	9.7	9.2	9.5	9.4	10.0	10.3	10.6	10.5	10.4
July.....	9.7	9.2	9.5	9.5	10.2	10.4	10.6	10.5	10.4
August.....	9.7	9.3	9.5	10.1	10.3	10.5	10.6	10.5	10.4
September.....	9.8	9.3	9.5	10.1	10.3	10.5	10.6	10.5	10.4
October.....	9.8	9.3	9.6	10.1	10.2	10.5	10.6	10.5	10.4
November.....	9.9	9.4	9.7	10.0	10.1	10.5	10.6	10.5	10.5
December.....	9.9	9.3	9.7	10.0	10.1	10.5	10.5	10.5	10.5
Average.....	9.7	9.4	9.5	9.7	10.1	10.3	10.6	10.5	10.4

Source: Bureau of Labor Statistics.

## SUGAR ACT EXTENSION

*Sugar quotas and prorations; H. R. 7030 as passed by House under assumed requirements, 1956-60*

[Short tons, raw value]

	1956	1957	1958	1959	1960
Assumed requirements.....	8,535,000	8,670,000	8,805,000	8,940,000	9,075,000
Domestic areas.....	4,536,500	4,604,000	4,671,500	4,739,000	4,806,500
Beet.....	1,841,810	1,869,215	1,896,620	1,924,024	1,951,430
Mainland cane.....	539,405	547,431	555,457	563,483	571,509
Hawaii.....	1,052,000	1,067,653	1,083,306	1,098,959	1,114,612
Puerto Rico.....	1,089,805	1,106,020	1,122,236	1,138,452	1,154,667
Virgin Islands.....	13,480	13,681	13,881	14,082	14,282
Foreign areas.....	3,998,500	4,066,000	4,133,500	4,201,000	4,268,500
Philippines <sup>1</sup> .....	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,897,760	2,911,000	2,933,500	2,956,000	2,978,500
Full-duty countries.....	120,740	175,000	220,000	265,000	310,000
Dominican Republic.....	29,984	58,393	74,403	90,221	105,789
Mexico.....	12,432	31,564	40,218	48,768	57,184
Nicaragua.....	8,498	7,891	10,054	12,192	14,296
Peru.....	56,396	56,814	72,392	87,782	102,930
Haiti.....	2,901	5,156	6,022	6,877	7,718
Costa Rica.....	<sup>2</sup> (1,084)	3,409	3,832	4,382	5,097
Formosa.....	<sup>2</sup> (1,114)	3,448	3,882	4,447	5,181
Netherlands.....	<sup>2</sup> (1,123)	3,460	3,898	4,467	5,207
Panama.....	<sup>2</sup> (1,114)	3,448	3,882	4,447	5,181
Belgium.....	<sup>2</sup> (182)	182	182	182	182
British Guiana.....	<sup>2</sup> (85)	85	85	85	85
Canada.....	<sup>2</sup> (631)	631	631	631	631
Hong Kong.....	<sup>2</sup> (3)	3	3	3	3
United Kingdom.....	<sup>2</sup> (516)	516	516	516	516
El Salvador <sup>3</sup> .....	4,492				

<sup>1</sup> Philippine quota for 1956 is 980,000 tons, may vary slightly in subsequent years.

<sup>2</sup> Average 1953-54 charges against quotas. These countries do not have specific prorations under the present law. These entries are made within the proration for unspecified countries which amounts to 6,037 tons when requirements are 8,535,000 tons.

<sup>3</sup> No entries since 1949.

*Sugar quotas and prorations: Amended H. R. 7030 as referred to Senate Committee on Finance, under assumed requirements, 1956-62*

[Short tons, raw value]

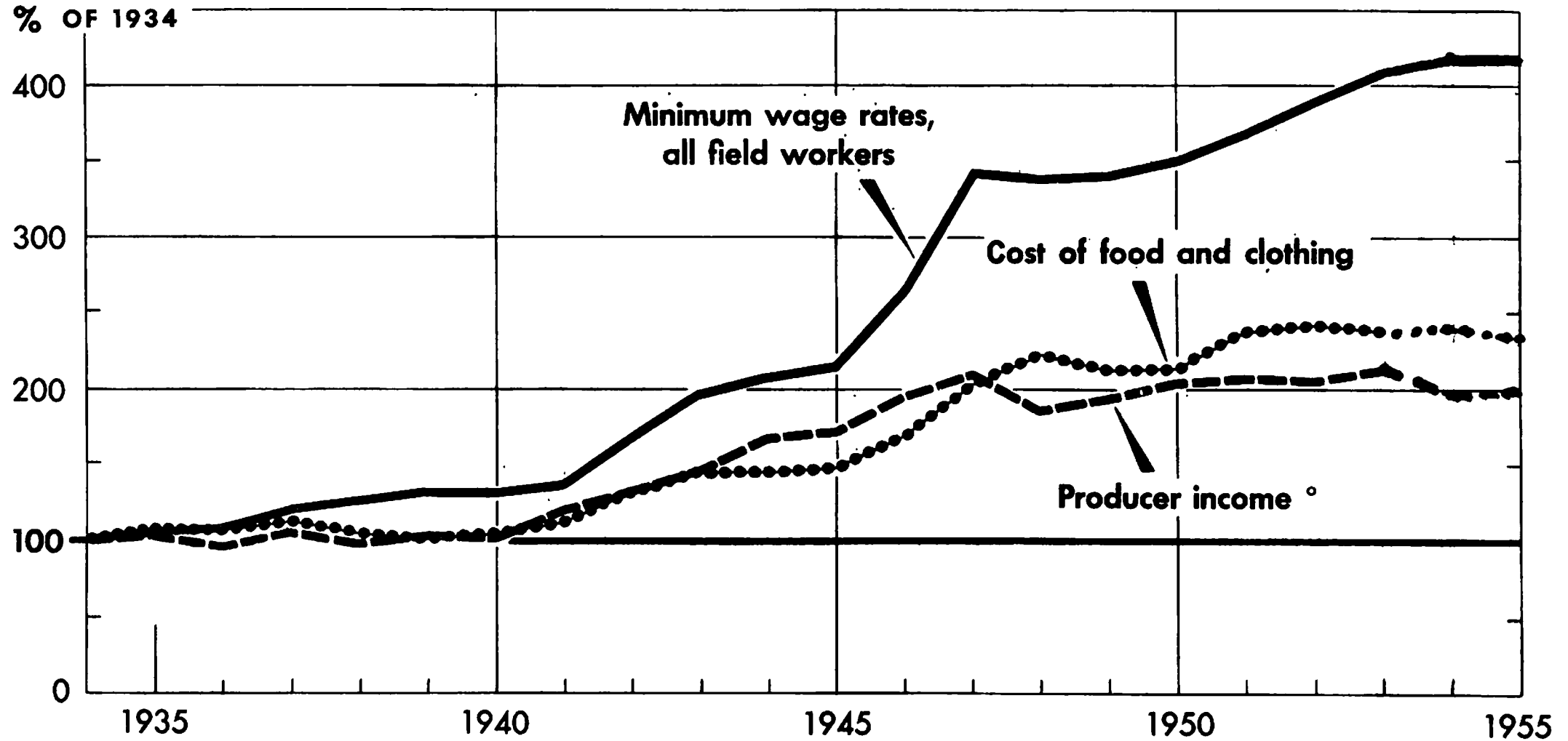
	1956	1957	1958	1959	1960	1961	1962
Assumed requirements.....	8,535,000	8,670,000	8,805,000	8,940,000	9,075,000	9,210,000	9,345,000
Domestic areas.....	4,545,750	4,620,000	4,694,250	4,768,500	4,842,750	4,917,000	4,991,250
Beet.....	1,852,401	1,884,975	1,910,307	1,940,523	1,970,739	2,000,955	2,031,171
Mainland cane.....	549,349	580,025	587,820	597,118	606,415	615,733	625,011
Hawaii.....	1,052,000	1,052,000	1,066,138	1,083,001	1,099,865	1,116,728	1,133,591
Puerto Rico.....	1,080,000	1,091,000	1,114,783	1,132,416	1,150,049	1,167,681	1,185,314
Virgin Islands.....	12,000	12,000	15,202	15,442	15,682	15,923	16,163
Foreign areas.....	3,989,250	4,050,000	4,110,750	4,171,500	4,232,250	4,293,000	4,353,750
Philippines <sup>1</sup> .....	980,000	980,000	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,888,880	2,895,360	2,931,810	2,968,260	3,004,710	3,041,160	3,077,610
Full-duty countries.....	120,370	174,640	198,940	223,240	247,540	271,840	296,140
Dominican Republic.....	29,892	47,433	54,087	60,741	67,395	74,049	80,703
Mexico.....	12,394	18,115	20,656	23,197	25,739	28,280	30,821
Nicaragua.....	8,472	11,089	12,645	14,200	15,756	17,312	18,867
Peru.....	56,224	80,549	91,848	103,148	114,448	125,748	137,047
Haiti.....	2,892	4,037	4,603	5,169	5,737	6,302	6,869
Costa Rica.....	<sup>2</sup> (1,084)	3,000	3,421	3,842	4,262	4,683	5,104
Formosa.....	<sup>2</sup> (1,114)	3,000	3,421	3,842	4,262	4,683	5,104
Netherlands.....	<sup>2</sup> (1,123)	3,000	3,421	3,842	4,262	4,683	5,104
Panama.....	<sup>2</sup> (1,114)	3,000	3,421	3,842	4,262	4,683	5,104
Belgium.....	<sup>2</sup> (182)	182	182	182	182	182	182
British Guiana.....	<sup>2</sup> (85)	85	85	85	85	85	85
Canada.....	<sup>2</sup> (631)	631	631	631	631	631	631
Hong Kong.....	<sup>2</sup> (3)	3	3	3	3	3	3
United Kingdom.....	<sup>2</sup> (516)	516	516	516	516	516	516
El Salvador <sup>3</sup> .....	4,478						

<sup>1</sup> Philippine quota for 1956 is 980,000 tons; may vary slightly in subsequent years.

<sup>2</sup> Average 1953-54 charges. These countries do not have specific prorations under the present law. These entries are made within the proration for unspecified countries which amounts to 6,018 tons when requirements are 8,535,000 tons.

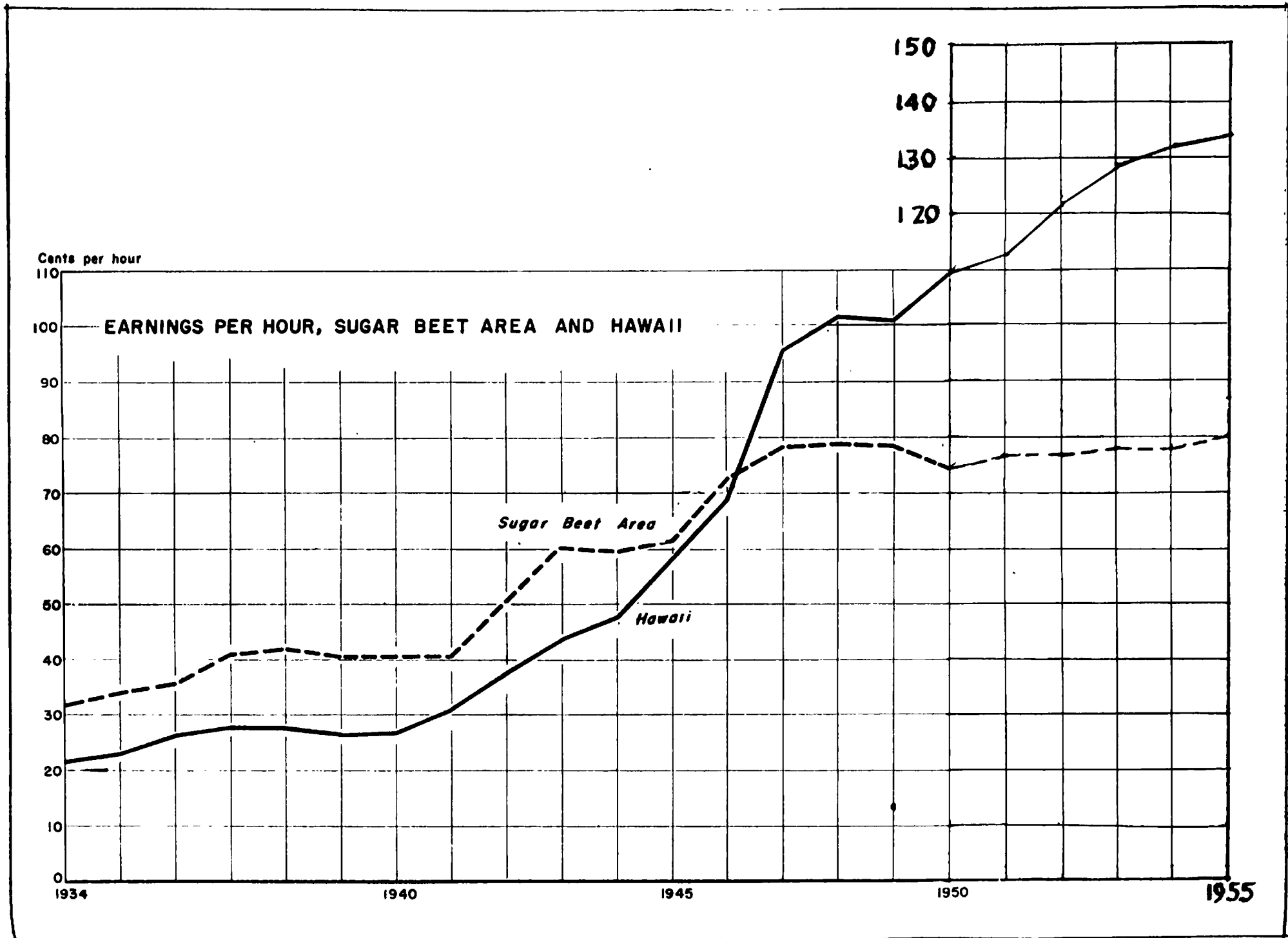
<sup>3</sup> No entries since 1949.

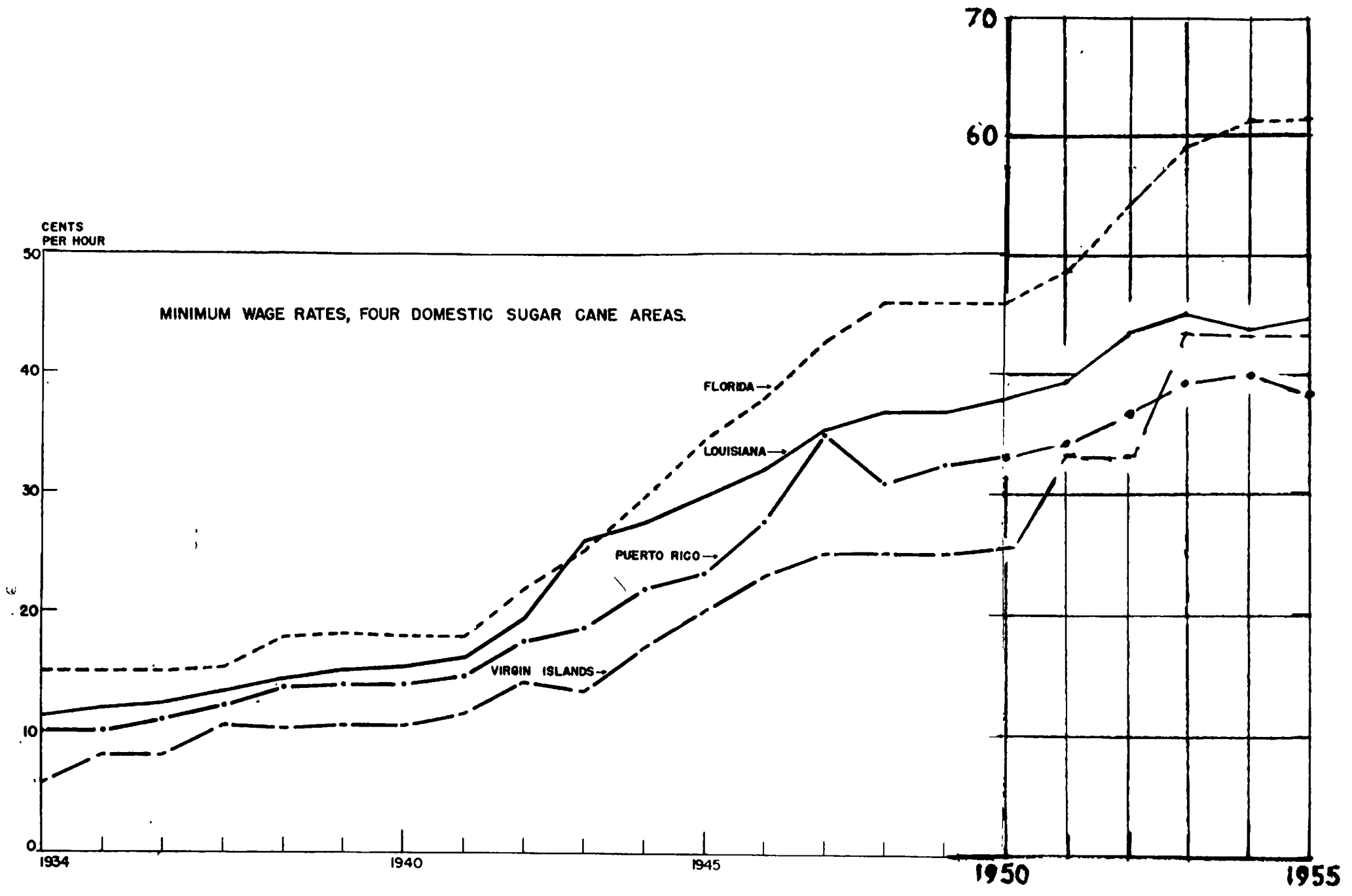
# WAGE RATES, PRODUCER INCOME, AND COST OF FOOD AND CLOTHING, ALL DOMESTIC SUGAR PRODUCING AREAS\*



\* WAGE RATE AND INCOME = APPLICABLE DATA FOR EACH AREA WEIGHTED BY BEET OR CANE PRODUCTION, 1948 - 52; COST OF FOOD AND CLOTHING = APPLICABLE DATA OF U.S. DEPARTMENT OF LABOR, BUT GIVING A WEIGHT OF 86 TO FOOD AND 16 TO CLOTHING.

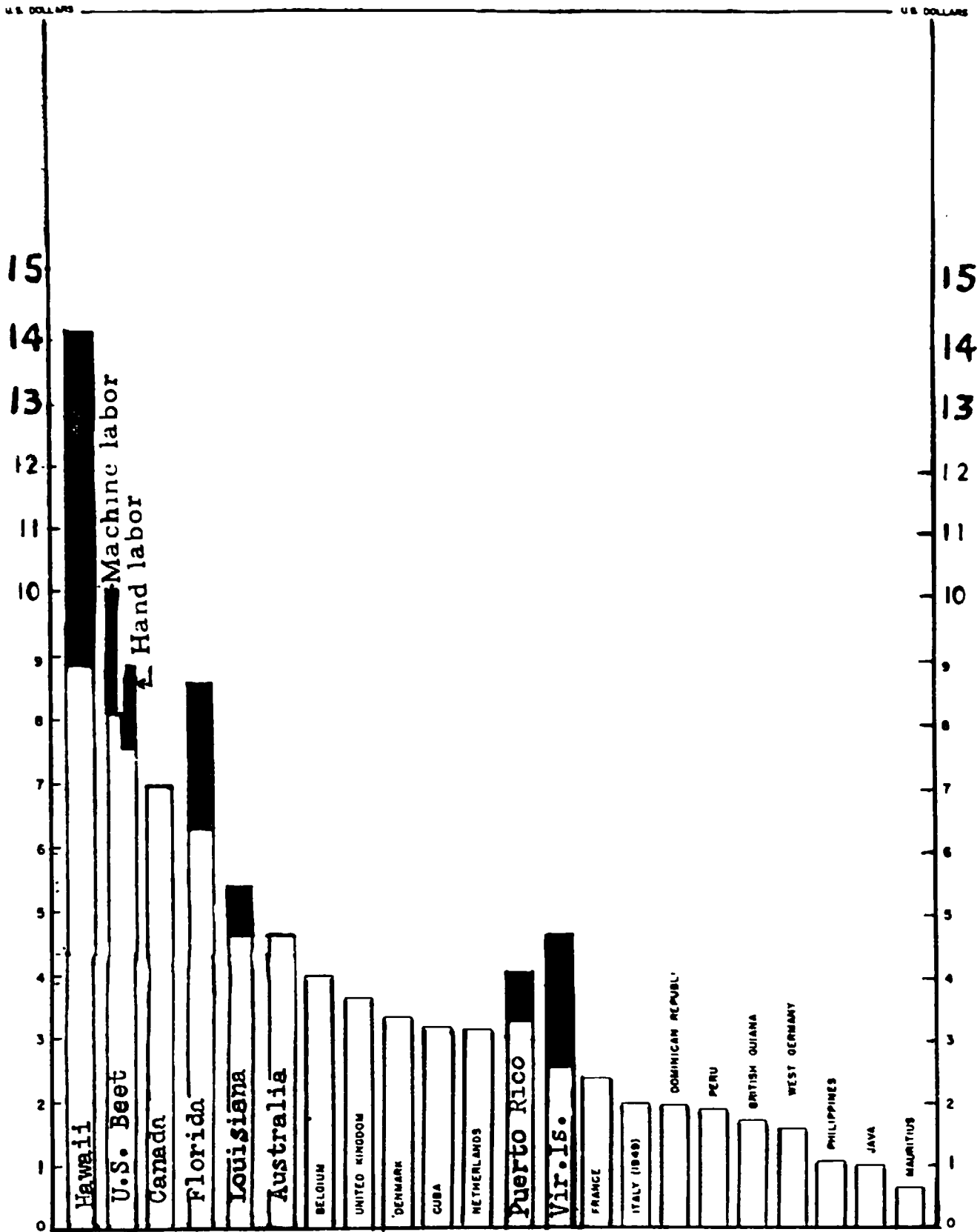
○ PER TON OF SUGAR BEETS AND SUGARCANE





SUGAR ACT EXTENSION

SUGAR BEETS AND SUGAR CANE  
DAILY EARNINGS OF HARVEST WORKERS



1955 Crop including fringe benefits.



= 1950 Crop excluding fringe benefits.

Wage rates, producer income, and cost of food and clothing, all domestic sugar-producing areas <sup>1</sup>

Year	Indexes—1934=100			Year	Indexes—1934=100		
	Minimum wage rates	Cost of food and clothing	Producer income <sup>2</sup>		Minimum wage rates	Cost of food and clothing	Producer income <sup>2</sup>
1934.....	100.0	100.0	100.0	1945.....	215.4	148.9	172.2
1935.....	104.7	106.0	101.2	1946.....	265.1	170.0	196.5
1936.....	108.9	106.8	97.3	1947.....	342.0	204.5	209.0
1937.....	120.1	111.3	105.9	1948.....	338.5	221.3	186.3
1938.....	126.6	104.5	98.6	1949.....	339.6	212.6	193.1
1939.....	132.5	101.9	102.7	1950.....	350.3	214.3	205.3
1940.....	132.5	103.4	101.0	1951.....	369.2	237.7	208.0
1941.....	136.1	112.1	120.4	1952.....	389.9	241.1	205.7
1942.....	168.0	131.5	132.7	1953.....	408.9	237.7	209.4
1943.....	198.2	145.1	147.4	1954.....	413.0	237.0	197.3
1944.....	208.3	145.1	168.1	1955.....	414.8	233.8	199.4

<sup>1</sup> Wage rate and income=applicable data for each area weighted by beet or cane production, 1948-52; cost of food and clothing=applicable data of U. S. Department of Labor, but giving a weight of 86 to food and 16 to clothing.

<sup>2</sup> Per ton of beets or sugarcane.

Earnings per hour,<sup>1</sup> sugar-beet area and Hawaii

[Cents per hour]

Year	Sugar-beet area <sup>2</sup>	Hawaii <sup>3</sup>	Year	Sugar-beet area <sup>2</sup>	Hawaii <sup>3</sup>
1934.....	30.3	21.2	1945.....	60.5	59.1
1935.....	32.6	22.5	1946.....	71.1	67.5
1936.....	34.0	25.4	1947.....	75.5	95.7
1937.....	38.6	27.5	1948.....	73.0	101.4
1938.....	39.5	26.8	1949.....	72.3	100.8
1939.....	38.8	26.5	1950.....	74.3	109.4
1940.....	38.8	26.7	1951.....	77.2	112.1
1941.....	38.9	30.8	1952.....	77.3	120.8
1942.....	48.8	37.6	1953.....	78.2	128.3
1943.....	59.4	44.1	1954.....	78.2	131.9
1944.....	59.0	48.4	1955.....	80.0	132.8

<sup>1</sup> Earnings of supervisory, administrative, and employee-service workers excluded.

<sup>2</sup> Earnings based on minimum rates per acre for contract work divided by average man-hours per acre exclusive of premiums.

<sup>3</sup> Earnings include day basis and piecework earnings and overtime and bonuses in years applicable.

Minimum wage rates,<sup>1</sup> 4 domestic sugarcane areas

[Cents per hour]

Year	Florida	Louisiana	Puerto Rico	Virgin Islands	Year	Florida	Louisiana	Puerto Rico	Virgin Islands
1934.....	15.0	11.3	10.2	6.1	1945.....	35.4	29.6	23.3	20.0
1935.....	15.0	12.0	10.2	8.2	1946.....	38.7	31.9	27.5	23.0
1936.....	15.0	12.0	11.0	8.6	1947.....	43.6	35.2	34.7	25.0
1937.....	15.0	13.4	12.2	11.4	1948.....	45.8	36.8	30.7	25.0
1938.....	17.8	14.4	13.9	11.4	1949.....	45.8	36.8	32.0	25.0
1939.....	18.0	15.2	14.0	11.4	1950.....	45.8	38.7	32.2	25.4
1940.....	18.0	15.4	14.0	11.4	1951.....	48.9	39.3	33.9	33.3
1941.....	18.3	16.3	14.7	12.1	1952.....	54.1	43.6	36.6	33.3
1942.....	22.3	19.5	17.7	15.3	1953.....	59.1	45.0	39.5	43.6
1943.....	26.1	25.9	18.5	15.3	1954.....	61.4	43.9	40.0	43.6
1944.....	30.3	27.4	22.0	17.0	1955.....	61.4	44.8	38.8	43.6

<sup>1</sup> Excludes administrative, field supervisory and employee service workers.

*Sugar beets and sugarcane daily earnings of harvest workers, 1950 crop (also 1954 and 1955 crop for United States domestic areas) including fringe benefits <sup>1</sup>*

Area	1950 crop			1954 crop			1955 crop		
	Earnings per day	Fringe benefits	Total	Earnings per day	Fringe benefits	Total	Earnings per day	Fringe benefits	Total
Hawaii.....	\$8.90	\$1.60	\$10.50	\$11.55	\$2.24	\$13.79	\$11.78	\$2.40	\$14.18
Sugar beets:									
Mechanical.....	8.10	.24	8.34	9.34	.27	9.61	9.53	.27	9.80
Hand.....	7.25	.24	7.49	8.44	.27	8.71	8.46	.27	8.73
Florida.....	6.10	.23	6.33	7.91	.30	8.21	8.29	.30	8.59
Louisiana.....	4.60	.16	4.76	5.05	.24	5.29	5.14	.24	5.38
Puerto Rico.....	3.10	.28	3.38	3.61	.32	3.93	3.64	.32	3.96
Virgin Islands.....	2.50	.28	2.78	3.98	.32	4.30	3.98	.32	4.30

<sup>1</sup> Fringe benefits generally include such items as retirement and pensions, welfare and recreation, village facilities, or unrecovered costs for welfare, recreation and village facilities, sick and vacation pay, and payroll taxes and insurance.

The CHAIRMAN. Mr. Morse, in your opinion, would the statute have the effect of increasing the price of sugar?

Mr. MORSE. No, sir.

The CHAIRMAN. I have been told by users that they think it would increase the price by about 1 cent; is that correct, in your opinion?

Mr. MORSE. That is not my understanding, sir.

The CHAIRMAN. Now, would there be the same amount of sugar available?

Mr. MORSE. Yes, sir.

The CHAIRMAN. The amount would be sufficient; I mean, there would be sufficient sugar available for the needs of the country?

Mr. MORSE. Yes, sir. We have announced a consumption figure of 8,350,000 to start the year and, as is customary, as requirements begin to grow beyond that, there would be additions to this consumption estimate.

The CHAIRMAN. There is not a possibility, in your opinion, that the price of sugar will be increased to the industrial users, or consumers, anywhere along the line?

Mr. MORSE. That is my understanding, and it is in keeping with the administration of the act in the Department.

The CHAIRMAN. I would like to ask you a few questions as to this rate that you have here.

You have here 80 cents per 100 pounds on less than 350 tons; is that existing law?

Mr. MORSE. Yes, sir; there is no change.

The CHAIRMAN. And 30 cents per 100 pounds on production in excess of 30,000 tons.

Now, what will your average beet-sugar farmer receive from that subsidy?

Mr. MORSE. May I ask Mr. Myers here, the head of our sugar branch to answer that question, please?

The CHAIRMAN. All right.

Mr. MYERS. The typical beet-sugar farmer, Senator Byrd, is within the 350-ton limit, and therefore virtually all sugar-beet farmers receive the maximum payment of 80 cents per 100 pounds. There are a few that exceed that. The big cane sugar plantation types of farm also exceed the 350-ton limit.



The CHAIRMAN. What would it be in dollars and cents, what would the average beet farmer receive?

Mr. MYERS. Well, 80 cents per 100 pounds of sugar, or it amounts to about \$2.35 per ton of beets.

The CHAIRMAN. And how many did they raise on the average, how many tons on beets?

Mr. MYERS. I would want to look that figure up, Senator. It is readily available. I do not happen to have it in mind, but we have the figures, and can supply the average figure.

The CHAIRMAN. Eighty cents per 100 pounds would be \$16 a ton of sugar, would it not?

Mr. MYERS. That is correct. The following table gives the number of sugar-beet farms, and acreage payment per farm.

*Number of farms, total Sugar Act payments, and average payment per farm in the domestic beet area, 1948 to date*

Crop year	Number of farms	Total Sugar Act payments	Average payment per farm	Crop year	Number of farms	Total Sugar Act payments	Average payment per farm
		<i>Dollars</i>	<i>Dollars</i>			<i>Dollars</i>	<i>Dollars</i>
1948.....	31, 323	23, 206, 938	741	1952.....	23, 553	24, 735, 741	1, 050
1949.....	31, 581	26, 581, 945	842	1953.....	24, 846	29, 974, 245	1, 206
1950.....	37, 328	33, 744, 012	904	1954.....	27, 965	33, 224, 656	1, 188
1951.....	27, 409	25, 899, 661	945	1955 <sup>1</sup> .....	29, 446	30, 548, 000	1, 037

<sup>1</sup> Estimated.

The CHAIRMAN. How many tons—you do not know how many tons?

Mr. MYERS. That is the thing I am uncertain of at the moment, the tons per farm.

Senator BENNETT. It must be less than 350, or they could not qualify.

Mr. MYERS. That is correct.

The CHAIRMAN. Does that apply to the cane sugar, the same?

Mr. MYERS. The cane sugar farms tend to be larger and therefore the payments per 100 pounds of sugar tend to average somewhat lower—the largest plantations, of course, are in Hawaii.

The CHAIRMAN. The same ratio of payments; is it?

Mr. MYERS. It is the same formula of payments, but because of their large size—

The CHAIRMAN. What is the largest payment that is made, and by what company that received the largest amount of subsidy?

Mr. MYERS. The Hawaiian Commercial & Sugar Co., Ltd., of Hawaii is the largest one that produces, as I recall, close to 155,000 tons of sugar, so that most of its production would be at the 30-cent minimum rate.

The CHAIRMAN. And what would that be?

Mr. MYERS. I would have to look that up, the amount of money that it received, Senator. We have it. I do not happen to have it in the figures here. (See pp. 79, 80.)

The CHAIRMAN. And what did you say it produces?

Mr. MYERS. It produces between 130,000 and 160,000 tons

The CHAIRMAN. If you say it is 120,000 tons and you calculate that, how much would they get? You can figure that.

Mr. MYERS. Well, you can do it. I would have to guess at it, if you want me to.

The CHAIRMAN. Guess at it; give it to us approximately.

Mr. MYERS. Say, perhaps, 35 cents per 100 pounds, and that would be (after calculating) something over \$1 million.

The CHAIRMAN. \$1 million. Now, that company receives \$1 million subsidy—

Mr. MYERS. They produce, Senator, sugar that, if we had a tariff of the same amount or had otherwise the same price on sugar, they would, without the tax, actually receive a larger amount of money than they do from the payments here, because the tax on that sugar is 50 cents per 100 pounds, and they receive something less than 50 cents per 100 pounds in payments. They get 50 cents per 100 pounds less on the bulk of their sugar than a small farmer would get. They are the largest producing plantation in the United States area.

The CHAIRMAN. Now, if that subsidy were taken away from them, would they still have a profit?

Mr. MYERS. I don't have that figure before me. I would doubt it very much.

The CHAIRMAN. Will you get the figures?

Mr. MYERS. I think I can get them. (See pp. 79, 80.)

The CHAIRMAN. Is there any company in this country that gets \$1 million or more?

Mr. MYERS. The United States Sugar Corp. in Florida. It also is a huge producer. It produces nearly 100,000 tons of sugar.

The CHAIRMAN. And you don't know whether they get \$1 million, too—they used to get more than that.

Mr. MYERS. They have received close to \$1 million. I think it would be something less.

The CHAIRMAN. Is that added to their profits, or what is the theory? I have not exactly understood the basis upon which it is—

Mr. MYERS. Senator, payments were not geared to profit. We have had plenty of sugar producers go out of existence under this program. Some few have come in. Generally, there has been a tremendous revolution in our sugar-producing enterprise, in order to keep producing at these prices.

The Sugar Act is simply a different form of protective device from what the old protective tariff was.

The protective tariff was 2 cents per pound regardless of the size of the producer. All sugar producers in this country got the benefit of that, the biggest producers as well as the smallest producers.

The tariff was probably not all needed in the years of the 1920's, when we had an inflation in the world price of sugar; it was needed in the early 1930's.

This program was devised as a substitute for the protective tariff, to give more protection in periods of low prices, and less protection in periods of high prices.

The sugar payment program, which ranges from 80 cents per 100 pounds for the smallest producer down toward 30 cents per 100 pounds for the largest producer, was an effort to scale down the amount of Government payments for the large producer, make him spend more on his own than a family-size farm sugar beet producer.

It does not mean that either the sugar beet farmers nor the sugar plantation that get the payments is making as much profit as the amount of payment, his profit may be more or less——

The CHAIRMAN. Well, has the Department investigated to determine whether it is more or less?

Mr. MYERS. By and large, Senator, the sugar industry has not fared as well until the last couple of years as the rest of agriculture.

The evidence of that was that farmers turned away from sugar beets to other crops. Since the Korean crisis has passed, the prices of other crops have come down and there has been a tendency to come back in the direction of sugar.

The CHAIRMAN. Has the price of sugar increased to the extent you are speaking——

Mr. MYERS. Senator, I have those figures right here, and would like to read them into the record.

Here are the prices of raw sugar from 1947—I will read them by years:

In 1947, the duty-paid domestic price was \$6.21 per 100 pounds.

In 1948 it was \$5.54; in 1949 it was \$5.81; in 1950 it was \$5.93; in 1951 it was \$6.06; in 1952 it was \$6.26; in 1953 it was \$6.29; in 1954 it fell down to \$6.09; and in 1955 it fell to \$5.95.

In other words, in that entire period from 1947 when we had price controls and the price averaged \$6.21 for the year; to date, it is averaging, for example, last year \$5.95, something less than it did under price control in 1947.

The CHAIRMAN. And the sugar, except that from Cuba and continental United States, is still subject to duties, is it not?

Mr. MYERS. The full duty sugar pays a duty. Cuban sugar pays a somewhat lower duty. The Filipino sugar has not yet paid a duty, and the Hawaiian and Puerto Rican and Virgin Islands sugar is, of course, free, because they are parts of the United States.

The CHAIRMAN. Would it not be possible for you to take these large payments and give to the committee a statement of the earnings of these companies and to what extent this subsidy contributed to the earnings?

Mr. MYERS. We can give you a statement of the payments by companies. It will take us a little time to dig up the information on the profits of those companies.

The CHAIRMAN. Take the big ones, take those over \$500,000 say, couldn't you telegraph or telephone? They are public figures, they are in reports to the stockholders——

Mr. MYERS. Yes.

(See pp. 79, 80.)

The CHAIRMAN. But what I have never been able to get clear in my mind is why subsidies should be paid to companies making money. In other words, if they could make money without subsidy, then why pay the subsidy?

Mr. MYERS. Senator, it is simply a matter of whether we have the price reflecting the full market price of the sugar, or whether we collect the tax and pay the payments as an enforcement measure——

The CHAIRMAN. Well, should it not have a bearing upon a company, as to what profits they make? All that we have to offer under the

free-enterprise system is an opportunity to make a profit. The rest who are not subsidized——

Mr. MYERS. Well, they are paid on the basis of production of sugar.

The CHAIRMAN. Of the sugar they sell.

Mr. MYERS. That is correct, and I think if you will look back at how the Sugar Act was developed, we started out with a 2 cents per pound tariff protection on sugar. That was not found satisfactory from the standpoint of foreign trade, or the domestic sugar production industry, either.

Therefore, the sugar industry was offered this other form, with a payment made in lieu of a part of that tariff protection.

The CHAIRMAN. I understand, but this issue is tied to the profit—in other words, you can make \$1 million, and then get an extra \$1 million; could you not?

Mr. MYERS. A company can make \$1 million, or it can lose \$1 million——

The CHAIRMAN. I know, but it is possible to make \$1 million without the subsidy and add \$1 million to the earnings, by reason of the subsidy; that is, it could be done, there is nothing to prevent it from being done, is there?

Mr. MYERS. Yes, sir; that is certainly possible.

The CHAIRMAN. I would like to say, as one member of the committee and chairman of the committee, that I would like to have a statement of all the companies that get over \$100,000 subsidies and find out what the earnings were without the subsidies, and what the earnings are with the subsidies, with the amount of invested capital.

Senator SMATHERS. That is for cane and beet?

The CHAIRMAN. Yes. That is something that has been under controversy here for many years. I think we are entitled to a clear statement whether these subsidies add to profits already being made and whether they are necessary in order for the sugar industry to—I assume we can get that?

Mr. MYERS. Well, it is going to take a little time to get the information on the profit, but we——

The CHAIRMAN. I know, but you can send them a telegram saying that the Senate Finance Committee wants those figures, that they will hold it up, hold up legislation until they have heard, they can do it in 48 hours——

Mr. MYERS. We will do it immediately.

The CHAIRMAN. If you feel you cannot do it, give us a list and we will undertake to do that.

Mr. MYERS. We will undertake to do that. What I meant was that it was not available in our files.

The CHAIRMAN. If you have any trouble getting it, let us know. The tables referred to are as follows:

*Net profit after income taxes as a percentage of net worth of United States manufacturers of food and related products, 1946 to 1952<sup>1</sup>*

Industry group <sup>2</sup>	1946	1947	1948	1949	1950	1951 <sup>3</sup>		1952	1953	1954
						Old data	New data			
Beet sugar (percent).....	5.0	8.6	9.1	9.1	7.5	9.0	9.0	7.0	6.8	6.9
Number of companies in group.....	6	6	6	6	6	6	9	9	9	8
Raw cane sugar (percent).....	5.4	11.5	5.2	6.0	9.5	10.9	8.5	6.6	5.9	4.6
Number of companies in group.....	9	9	8	8	8	8	24	24	24	24
Refined cane sugar (percent).....	5.8	10.2	7.5	7.6	8.6	7.0	6.7	6.6	5.7	6.5
Number of companies in group.....	6	5	3	3	3	3	5	5	5	5
Soft drinks (percent).....	22.8	26.4	22.5	20.9	17.4	13.2	13.6	14.2	-----	-----
Number of companies in group.....	12	12	10	10	10	10	19	18	-----	-----
Candy and chewing gum (percent).....	20.5	30.2	20.7	22.3	20.1	13.4	11.9	11.2	-----	-----
Number of companies in group.....	13	15	10	10	10	10	23	22	-----	-----
Processed fruits and vegetables (percent).....	12.3	14.8	10.4	8.8	9.2	13.2	12.0	4.7	-----	-----
Number of companies in group.....	11	10	6	6	6	6	17	17	-----	-----
Biscuits and crackers (percent).....	21.8	21.0	18.3	17.5	15.6	12.0	12.9	12.6	-----	-----
Number of companies in group.....	6	6	6	6	6	6	7	7	-----	-----
Bread and cake (percent).....	23.6	18.4	21.5	15.5	14.6	11.3	11.5	11.4	-----	-----
Number of companies in group.....	9	9	7	7	7	7	22	21	-----	-----
Dairy products (percent).....	20.0	16.6	13.4	15.3	13.9	11.1	10.8	10.0	-----	-----
Number of companies in group.....	11	11	8	8	8	8	23	22	-----	-----
Meat packing and allied products (percent).....	12.9	15.1	5.8	3.7	6.6	4.0	5.1	4.0	-----	-----
Number of companies in group.....	14	14	12	12	12	12	20	20	-----	-----
Grocery specialties and miscellaneous food products (percent).....	18.0	18.6	15.3	12.6	15.5	11.1	10.7	9.1	-----	-----
Number of companies in group.....	15	17	12	12	12	12	41	41	-----	-----
Grain mill products (percent).....	11.8	18.0	14.5	12.4	12.2	9.6	11.9	9.6	-----	-----
Number of companies in group.....	11	13	7	7	7	7	22	22	-----	-----

<sup>1</sup> Percentages derived by dividing total net profit after income taxes of reporting companies by total net worth. Data are for fiscal years ending during years shown. Sources: 1946-47, Survey of American Listed Corporations—Data on Profits and Operations Including Surplus, Securities and Exchange Commission; 1948-50, reports filed with SEC; 1951-52, Moody's Manual of Investments—Industrials.

<sup>2</sup> These data are based on consolidated balance sheets and income statements of the food processors for which data are reported. Profits and net worth cover all operations of the reported companies whether domestic or foreign, food or nonfood. Foreign companies, as such, were excluded as were food processors whose major business was nonfood.

The companies included are grouped according to their major line of food processing. Where the major food line of a multiple food company could not be determined the company was included in the group entitled "Grocery Specialties and Miscellaneous Food Products."

<sup>3</sup> Percentages shown in column designated "old data" were reported in Agriculture Information Bulletin No. 111, The United States Sugar Program, July 1953, and cover the same firms which reported their 1950 operations to the SEC. Percentages shown in column designated "new data" cover the expanded number of companies reported by Moody's.

Selected fiscal data pertaining to sugarcane and sugar-beet producers who received Sugar Act compliance payments in excess of \$100,000, calendar year 1954 or fiscal year ending in 1955

Company	Sugar Act compliance payments	Gross income from—		Net profit (or loss) from all operations		Net worth at end of year	Net profit (or loss) <sup>2</sup> in relation to net worth	Production of raw sugar	Processing tax collected by U. S. Treasury—		Excess of tax over compliance payments	Rate of tax per hundred pounds	Rate of compliance payments per hundred pounds
		Sugar operations	Other operations	Excluding compliance payments <sup>1</sup>	Including compliance payments				On total production	On production from own cane			
Domestic beet area: None.													
Mainland sugarcane area:													
Godchaux Sugars, Inc. ....	\$126,388	\$50,831,850	\$288,413	\$247,764	\$374,152	\$13,241,191	Percent 28	Short tons 35,445	\$354,450	\$117,340	(\$9,048)	\$0.50	\$0.54
Oreelanta Sugar Refinery, Inc. ....	119,015	2,233,920	21,082	(194,448)	(75,433)	854,614	(8.8)	12,364	123,640	109,960	(9,055)	.50	.54
South Coast Corp. ....	222,787	14,835,182	134,029	86,669	309,456	6,355,464	4.9	41,727	417,270	218,670	(4,117)	.50	.51
Southdown Sugars, Inc. ....	187,483	9,982,905	789,321	681,655	869,138	6,256,270	13.1	40,449	404,490	181,510	(5,973)	.50	.52
United States Sugar Corp. ....	702,564	12,235,474	1,914,743	1,758,160	2,460,724	16,028,558	15.4	110,924	1,109,240	970,860	268,296	.50	.36
Total, mainland sugarcane area. ....	1,358,237	90,119,331	3,127,588	2,579,800	3,938,037	42,736,097	9.2	240,909	2,409,090	1,598,340	240,103	.50	.42
Hawaii:													
Ewa Plantation Co. ....	489,921	8,029,900	459,904	165,844	655,765	9,757,425	6.7	61,500	615,000	616,450	126,529	.50	.40
Gay & Robinson. ....	170,610	( <sup>b</sup> )	( <sup>b</sup> )	( <sup>b</sup> )	( <sup>b</sup> )	( <sup>b</sup> )	( <sup>b</sup> )	16,512	165,120	163,750	(6,860)	.50	.52
Grove Farm Co., Ltd. ....	329,637	4,506,299	1,620,297	(85,371)	244,266	6,105,204	4.0	34,002	340,020	349,310	19,673	.50	.47
Hakalau Plantation Co. ....	166,301	3,898,486	109,428	(111,440)	54,861	1,946,293	2.8	30,685	306,850	159,210	(7,091)	.50	.52
Hamakua Mill Co. ....	291,793	3,712,676	139,857	(79,338)	212,455	4,251,719	5.0	28,198	281,980	291,310	(483)	.50	.50
Hawaiian Agricultural Co. ....	313,439	4,639,495	329,752	(186,735)	126,704	5,801,168	2.2	35,613	356,130	322,310	8,871	.50	.49
Hawaiian Commercial & Sugar Co. ....	1,085,695	20,094,691	9,798,674	529,417	1,615,112	39,707,052	4.1	155,256	1,552,560	1,609,410	523,715	.50	.34
Hilo Sugar Plantation. ....	172,715	4,029,626	146,581	30,962	203,677	3,086,028	6.6	31,074	310,740	165,960	(6,755)	.50	.52
Honokaa Sugar Co. ....	301,689	3,221,002	530,916	(144,529)	157,160	3,734,254	4.2	24,081	240,810	302,730	1,041	.50	.50
Hutchinson Sugar Plantation Co. ....	192,448	2,138,565	633,615	(69,400)	123,048	3,801,658	3.2	16,016	160,160	186,730	(5,718)	.50	.52
Kahuku Plantation Co. ....	201,804	2,510,717	717,054	(124,454)	77,350	2,845,798	2.7	19,029	190,290	196,580	(5,224)	.50	.51
Kaiwika Sugar Co., Ltd. ....	189,985	2,318,689	25,150	(49,263)	140,722	2,900,372	4.9	17,577	175,770	184,140	(5,845)	.50	.52
Kekaha Sugar Co., Ltd. ....	388,238	6,035,817	1,091,160	62,354	450,592	7,323,798	6.2	46,256	462,560	446,980	58,742	.50	.43
Kilauea Sugar Plantation Co. ....	157,771	1,845,425	28,485	(88,280)	69,491	1,847,841	3.8	13,701	137,010	150,230	(7,541)	.50	.53
Kohala Sugar Co. ....	404,692	5,571,742	372,416	(227,092)	177,600	6,430,616	2.8	42,059	420,590	474,400	69,708	.50	.43
Laupahoehoe Sugar Co. ....	225,550	3,434,295	112,438	(114,416)	111,134	3,266,931	3.4	26,511	265,110	221,580	(3,970)	.50	.51
McBryde Sugar Co., Ltd. ....	294,389	3,773,364	593,962	(105,203)	189,186	8,747,302	2.2	28,462	284,620	294,040	(349)	.50	.50
Oahu Sugar Co., Ltd. ....	596,149	9,812,013	2,702,117	361,015	957,164	16,298,846	5.9	75,676	756,760	793,500	197,351	.50	.38
Olaa Sugar Co., Ltd. ....	281,954	6,409,630	402,399	(1,027,336)	(745,382)	5,270,865	(14.1)	49,721	497,210	280,950	(1,004)	.50	.50
Olokele Sugar Co., Ltd. ....	308,685	3,838,500	350,090	35,216	343,901	5,530,607	6.2	28,732	287,320	314,390	5,705	.50	.49
Onomea Sugar Co. ....	201,629	3,948,546	109,147	(121,051)	80,578	6,615,273	13.1	30,682	306,820	196,400	(5,229)	.50	.51

Paaubau Sugar Plantation Co.....	176,535	2,527,479	49,982	(66,617)	109,918	2,632,254	4.2	19,195	191,950	169,980	(6,555)	.50	.52
Pepeekeo Sugar Co.....	194,619	3,715,276	140,901	(40,838)	153,781	3,687,061	4.2	29,019	290,190	189,020	(5,599)	.50	.51
Pioneer Mill Co., Ltd.....	433,037	7,330,735	996,997	198,875	631,912	9,647,141	6.6	56,218	562,180	521,650	88,613	.50	.42
The Lihue Plantation Co., Ltd.....	508,508	8,262,869	5,065,251	44,789	553,297	15,079,210	3.7	63,681	636,810	647,430	138,922	.50	.39
Waialua Agriculture Co., Ltd.....	450,332	8,558,824	440,643	27,735	478,067	9,829,385	4.9	66,277	662,770	550,470	100,138	.50	.41
Wailuku Sugar Co.....	244,946	3,558,270	408,844	69,765	314,711	6,006,635	5.2	27,018	270,180	242,000	(2,946)	.50	.51
<b>Total, Hawaii <sup>1</sup>.....</b>	<b>8,773,071</b>	<b>137,722,931</b>	<b>27,376,060</b>	<b>(1,115,391)</b>	<b>7,487,070</b>	<b>186,150,736</b>	<b>4.0</b>	<b>1,072,751</b>	<b>10,727,510</b>	<b>10,040,910</b>	<b>1,267,839</b>	<b>.50</b>	<b>.44</b>
<b>Puerto Rico:</b>													
Eastern Sugar Associates.....	337,838	8,009,549	None	(84,383)	253,455	12,427,671	2.0	122,448	1,224,480	362,980	25,142	.50	.47
Heirs of Miguel Esteve Blanes, deceased.....	135,362	1,058,723	8,629	(53,622)	81,740	1,690,710	4.8	<sup>2</sup> 12,664	126,640	126,640	(8,722)	.50	.53
Ramon Gonzales Hernandez.....	105,505	800,018	None	(101,794)	3,711	555,488	.7	<sup>2</sup> 9,646	96,460	96,460	(9,045)	.50	.55
Mario Mercado e Hijos.....	105,963	3,721,302	14,900	(14,402)	91,561	4,147,644	2.2	32,584	325,840	96,910	(9,053)	.50	.55
Luce & Co.....	535,355	5,449,189	140,297	(397,415)	137,940	10,963,250	1.3	<sup>2</sup> 68,224	682,240	692,180	156,825	.50	.39
Antonio Roig, successors.....	345,101	4,765,658	191,566	(191,191)	153,910	5,874,642	2.6	38,326	383,260	375,090	29,989	.50	.46
Sucesion J. Serralles and Wirshing & Co., co-producers.....	261,941	2,119,971	74,338	(674,766)	(412,825)	3,433,765	(12.0)	<sup>3</sup> 25,989	259,890	259,890	(2,051)	.50	.50
<b>Total, Puerto Rico.....</b>	<b>1,827,065</b>	<b>25,924,410</b>	<b>429,730</b>	<b>(1,517,573)</b>	<b>309,492</b>	<b>39,093,170</b>	<b>.8</b>	<b>309,881</b>	<b>3,098,810</b>	<b>2,010,150</b>	<b>183,085</b>	<b>.50</b>	<b>.45</b>
<b>Total, all areas <sup>1</sup>.....</b>	<b>11,958,373</b>	<b>253,766,672</b>	<b>30,933,378</b>	<b>(53,164)</b>	<b>11,734,599</b>	<b>267,980,003</b>	<b>4.4</b>	<b>1,623,541</b>	<b>16,235,410</b>	<b>13,649,400</b>	<b>1,691,027</b>	<b>.50</b>	<b>.44</b>

<sup>1</sup> Without adjustment for the income tax paid on compliance payment.

<sup>2</sup> Including compliance payment.

<sup>3</sup> Includes gross income from operations as a refiner of offshore sugar.

<sup>4</sup> Includes income from oil and gas royalties or leases.

<sup>5</sup> Not available.

NOTE.—Parentheses denote a net loss or a negative.

<sup>6</sup> Current net worth depleted by substantial losses in earlier years; this condition inflates the apparent rate of profit in relation to investment. The capital debt amounts to \$1,668,000 for Hakalau and to \$3,470,000 for Onomea.

<sup>7</sup> Subject to footnote 5.

<sup>8</sup> Estimated sugar production from sugarcane grown for which compliance payment was made, although sugar was processed by others.

THE CHAIRMAN Are there any questions, Senator Smathers?

Senator SMATHERS. Not at this time.

Senator FREAR. I have a question.

The CHAIRMAN. Senator Frear.

Senator FREAR. Mr. Morse, in your statement you say:

To compensate the Treasury, a tax of 50 cents per 100 pounds, raw value, is collected on sugar consumed in this country.

What do you mean by "raw value," and from whom is the 50 cents collected?

Mr. MORSE. It is collected, Senator, from all sugar consumed in this country.

Senator FREAR. Where do you collect it, from the housewife?

Mr. MORSE. From the, or through the processors.

Senator FREAR. The processors?

Mr. MORSE. Yes, sir.

Senator FREAR. And whether it is domestically produced, or whether it is imported?

Mr. MORSE. Yes, sir.

The CHAIRMAN. That is added to the price of sugar, of course.

Senator FREAR. The housewife pays——

Mr. MORSE. The users of sugar.

The CHAIRMAN. The users of sugar pay, it is reflected in the price, like the gasoline tax.

Senator FREAR. And what does "raw value" mean?

Mr. MORSE. That is before the sugar proceeds on to the refining process, the next——

Senator FREAR. That is the way it is received in the refinery?

Mr. MORSE. Yes, sir; and then it goes through a refining process, depending on the end use.

Senator FREAR. Yes. Then, you also have a duty on sugar that is imported into this country?

Mr. MORSE. I would like to have Mr. Myers answer that.

Mr. MYERS. One-half cent a pound on Cuban sugar. Five-eighths of a cent per pound on full duty sugar.

Senator FREAR. Now, as I understood earlier, questioning this morning, all this revenue from all these sources goes into the Treasury?

Mr. MYERS. That is correct, and if I failed to make myself clear this morning, let me do so now. The revenue from the processing tax goes into the Federal Treasury just the same as from duties. We work on appropriations.

Senator FREAR. That is the next question. How do these people who get these subsidies acquire them?

Mr. MYERS. They acquire them, Senator, by demonstrating the quantity of sugar they have produced and keeping within their quota or allotment. If they are processors they must pay at least as much as the determined fair price when they buy from individual growers and in all cases they have to pay at least the minimum wages for the labor and they must use no child labor.

Senator FREAR. And they draw a voucher on the United States Treasury for whatever that calculation may be; is that right?

Mr. MYERS. Well, we write a check for them, yes.

Senator FREAR. Well, that does not seem like too bad a scheme, but there must be some—is the Department of Agriculture charged with the execution of this Act?



Mr. MYERS. Yes, sir.

Senator FREAR. And it is up to someone in the Department to determine whether they are eligible or whether they are not?

Mr. MYERS. That is correct.

Senator FREAR. And you have to have fieldmen?

Mr. MYERS. We do have quite a field force.

Senator FREAR. To enforce this; is that right?

Mr. MORSE. That is true, the same field force that carries forward our filed operations in the Department.

Senator FREAR. Also in that same paragraph on page 2, you say that:

These payments range from 80 cents per 100 pounds of sugar for production of less than 350 tons per farm to 30 cents per 100 pounds.

Now, who pays the 50 cents, and who can get the 30 cents—the real question is, Is the fellow going to pay in 50 cents, and get back only 30 cents in some instances?

Mr. MYERS. If they are going to have the same price of sugar, yes, and I think that is pertinent, particularly with respect to the large Hawaiian corporations that have a tax of 50 cents per 100 pounds collected on their sugar, and their payments go down as low as 30 cents per 100 pounds.

Senator FREAR. The only difference I can see in that is that the housewife has to pay the 50 cents, and the processor or producer gets the 30 cents.

Mr. MYERS. That is correct; he gets all if he——

Senator FREAR. That is, if he satisfies the requirements?

Mr. MYERS. That is right.

Senator FREAR. That answers the questions.

The CHAIRMAN. Some producers get 80 cents?

Mr. MYERS. That is correct.

The CHAIRMAN. What is the average?

Mr. MYERS. The average is between 65 and 70 cents, Senator, probably about 66.

The CHAIRMAN. Does the Department have sufficient funds to do it, or——

Mr. MYERS. No; but because of this scaledown, the average payment is less than the 80 cents per 100 pounds maximum.

Senator SMATHERS. What percentage of the beet sugar would be produced by what we call large companies, say, companies that have capital assets over \$1 million?

Mr. MYERS. A comparatively small amount of sugar, that is, sugar beets are grown by those companies. Characteristically, beet farming is a family sized farm operation.

In the case of cane, by far the largest amount of the payees would be small producers; but by far the largest portion of production is by the largest producers.

As you know, cane production is an enterprise that lends itself to large-sized operations.

Senator SMATHERS. Would you be able to submit to us for the record the figures on what percentage of cane-sugar production is grown by companies that, we will say, have over \$500,000 of capital assets?

Mr. MYERS. Senator, I do not think we have it in quite that form, but we have the information you are trying to get at already available.

I simply suggest we not take time to dig it out of the tables at this moment. I am sure we have that, the distribution by size of producers, that you are asking for.

Senator SMATHERS. And you will be able to supply that to us?

Mr. MYERS. Yes, indeed.

(The following was later received for the record:)

*Sugar beet program (1952 and 1953 crops)—Number of payees and amounts of payments by size groups*

Size groups of payments to payees	Number of payees		Amount of payment	
	1952 crop	1953 crop	1952 crop	1953 crop
\$0.01 to \$20.....	477	635	\$5, 575	\$8, 495
\$20.01 to \$40.....	1, 237	1, 402	37, 508	43, 584
\$40.01 to \$60.....	1, 313	1, 640	64, 697	77, 485
\$60.01 to \$100.....	2, 863	3, 040	226, 522	275, 418
\$100.01 to \$150.....	3, 392	3, 530	417, 663	474, 725
\$150.01 to \$200.....	2, 955	3, 202	509, 029	528, 360
\$200.01 to \$300.....	4, 710	4, 951	1, 150, 917	1, 312, 418
\$300.01 to \$400.....	3, 423	3, 834	1, 174, 944	1, 394, 983
\$400.01 to \$500.....	2, 597	2, 985	1, 148, 619	1, 389, 675
\$500.01 to \$1,000.....	7, 004	7, 541	4, 967, 401	5, 841, 518
\$1,000.01 to \$2,000.....	4, 250	4, 469	5, 909, 000	7, 503, 824
\$2,000.01 to \$3,000.....	1, 083	1, 403	2, 600, 421	3, 658, 712
\$3,000.01 to \$4,000.....	426	530	1, 452, 550	1, 792, 316
\$4,000.01 to \$5,000.....	209	344	930, 909	1, 412, 623
\$5,000.01 to \$10,000.....	341	370	2, 288, 589	2, 611, 644
\$10,000.01 and above.....	123	124	1, 851, 045	1, 984, 220
<b>Total.....</b>	<b>36, 400</b>	<b>40, 000</b>	<b>24, 735, 389</b>	<b>30, 310, 000</b>

*Payments for the 1952 and 1953 sugar programs for the Virgin Islands according to specified harvested acres*

Specified harvested acres	Number of farms		Percent of total farms		Authorized net payment		Average payment per farm	
	1952 crop	1953 crop	1952 crop	1953 crop	1952 crop	1953 crop	1952 crop	1953 crop
0.1 to 1.....	122	116	24. 75	24. 57	\$2, 370	\$2, 034	\$19. 43	\$17. 53
1.1 to 2.....	136	107	27. 59	22. 67	5, 616	3, 902	41. 29	36. 47
2.1 to 3.....	97	93	19. 67	19. 70	7, 146	6, 588	73. 67	70. 84
3.1 to 5.....	77	78	15. 62	16. 53	8, 013	8, 488	104. 06	108. 82
5.1 to 10.....	48	64	9. 73	13. 56	9, 351	13, 099	194. 81	204. 67
10.1 to 15.....	7	5	1. 42	1. 06	3, 073	2, 107	439. 00	421. 40
15.1 to 50.....	4	5	. 81	1. 06	4, 750	6, 127	1, 187. 50	1, 225. 40
50.1 to 100.....	-----	1	-----	. 21	-----	6, 325	-----	6, 325. 00
100.1 and up.....	2	3	. 41	. 64	104, 770	122, 230	52, 385. 00	40, 743. 33
<b>Total.....</b>	<b>493</b>	<b>472</b>	<b>100. 00</b>	<b>100. 00</b>	<b>145, 089</b>	<b>170, 900</b>	<b>29. 430</b>	<b>362. 08</b>

*Mainland sugarcane program (Louisiana and Florida, 1952 and 1953 crops)  
Number of payees and amounts of payments by size groups*

Size groups of payments to payees	Number of payees		Amount of payment	
	1952 crop	1953 crop	1952 crop	1953 crop
\$0.01 to \$20.....	931	830	\$10, 257	\$8, 862
\$20.01 to \$40.....	1, 000	894	29, 534	26, 549
\$40.01 to \$60.....	810	634	40, 081	31, 533
\$60.01 to \$100.....	1, 026	876	79, 969	67, 714
\$100.01 to \$150.....	766	678	94, 515	83, 971
\$150.01 to \$200.....	471	405	81, 146	70, 233
\$200.01 to \$300.....	619	566	151, 682	138, 931
\$300.01 to \$400.....	363	342	125, 509	117, 739
\$400.01 to \$500.....	301	255	134, 379	113, 808
\$500.01 to \$1,000.....	806	805	579, 037	587, 770
\$1,000.01 to \$2,000.....	547	586	765, 740	825, 675
\$2,000.01 to \$3,000.....	211	226	512, 986	552, 846
\$3,000.01 to \$4,000.....	83	119	280, 997	418, 419
\$4,000.01 to \$5,000.....	73	63	324, 854	284, 942
\$5,000.01 to \$10,000.....	131	146	921, 552	1, 017, 992
\$10,000.01 and above.....	124	140	3, 844, 369	4, 281, 016
Total.....	8, 262	7, 565	7, 976, 607	8, 628, 000

*Hawaiian sugarcane program (1952 and 1953 crops).—Number of payees and amounts of payments by size groups*

Size groups of payments to payees	Number of payees		Amount of payment	
	1952 crop	1953 crop	1952 crop	1953 crop
\$0.01 to \$20.....	18	20	\$131	\$112
\$20.01 to \$40.....	9	14	257	444
\$40.01 to \$60.....	18	14	900	713
\$60.01 to \$100.....	34	35	2, 704	2, 786
\$100.01 to \$150.....	38	39	4, 731	4, 991
\$150.01 to \$200.....	39	29	6, 681	5, 081
\$200.01 to \$300.....	63	90	15, 465	22, 489
\$300.01 to \$400.....	70	70	24, 455	24, 433
\$400.01 to \$500.....	83	79	37, 022	35, 616
\$500.01 to \$1,000.....	282	336	205, 250	236, 795
\$1,000.01 to \$2,000.....	236	276	333, 519	375, 937
\$2,000.01 to \$3,000.....	77	95	184, 432	230, 750
\$3,000.01 to \$4,000.....	25	36	82, 760	124, 538
\$4,000.01 to \$5,000.....	9	14	39, 682	62, 010
\$5,000.01 to \$10,000.....	8	21	54, 164	124, 205
\$10,000.01 and above.....	33	32	8, 405, 985	8, 904, 700
Total.....	1, 042	1, 200	9, 398, 138	10, 155, 600

## SUGAR ACT EXTENSION

*Payments for the 1951-52 and 1952-53 sugar programs for Puerto Rico, according to specified harvested acres*

Specified harvested acres	Number of farms		Percent of total farms		Net payment		Average payment per farm	
	1951-52 crop	1952-53 crop	1951-52 crop	1952-53 crop	1951-52 crop	1952-53 crop	1951-52 crop	1952-53 crop
0.1 to 5.0.....	10, 973	12, 568	59. 92	63. 36	\$1, 038, 424	\$1, 266, 131	\$94. 63	\$100. 74
5.1 to 10.0.....	2, 720	2, 789	14. 85	14. 05	894, 770	787, 130	328. 96	282. 23
10.1 to 15.0.....	1, 175	1, 166	6. 42	5. 88	676, 059	606, 433	575. 37	520. 10
15.1 to 25.0.....	1, 195	1, 128	6. 53	5. 69	1, 091, 491	891, 266	913. 38	790. 13
25.1 to 50.0.....	976	931	5. 32	4. 69	1, 626, 799	1, 413, 140	1, 666. 80	1, 517. 87
50.1 to 100.0.....	586	590	3. 20	2. 97	2, 022, 187	1, 806, 387	3, 450. 83	3, 061. 67
100.1 to 150.0.....	200	183	1. 09	. 92	1, 228, 663	1, 017, 108	6, 143. 31	5, 557. 97
150.1 to 200.0.....	114	118	. 62	. 59	987, 034	941, 050	8, 658. 19	7, 975. 00
200.1 to 250.0.....	89	81	. 49	. 41	1, 030, 375	858, 414	11, 577. 25	10, 597. 70
250.1 to 500.0.....	214	223	1. 17	1. 12	3, 908, 870	3, 777, 886	18, 265. 75	16, 941. 19
500.1 to 750.0.....	44	30	. 24	. 15	1, 256, 105	783, 831	28, 547. 84	26, 127. 70
750.1 to 1,000.0.....	9	8	. 05	. 04	381, 951	284, 689	42, 439. 00	35, 586. 12
1,000.1 to 1,500.0.....	4	5	. 02	. 03	185, 703	203, 247	46, 425. 75	40, 649. 40
1,500.1 to 2,000.0.....	4	5	. 02	. 03	268, 797	352, 400	67, 199. 25	70, 480. 00
2,000.1 to 3,000.0.....	4	3	. 02	. 02	444, 553	283, 367	111, 138. 25	94, 455. 67
3,000.1 to 4,000.0.....	1	1	. 01	. 01	154, 701	140, 143	154, 701. 00	140, 143. 00
4,000.1 to 6,000.0.....	-----	1	-----	. 01	-----	318, 746	-----	318, 746. 00
6,000.1 to 8,000.0.....	2	1	. 01	. 01	732, 610	337, 295	366, 305. 00	337, 295. 00
8,000.1 to 10,000.0.....	-----	-----	-----	-----	-----	-----	-----	-----
10,000.1 to 12,000.0.....	1	1	. 01	. 01	388, 236	336, 688	388, 263. 00	336, 688. 00
12,000.1 to 15,000.0.....	1	1	. 01	. 01	605, 165	560, 600	605, 165. 00	560, 600. 00
15,000.1 and over.....	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	18, 312	19, 833	100. 00	100. 00	18, 922, 493	16, 965, 951	1, 033. 34	855. 44

Senator FREAR. How is your money made available to use for these payments?

Mr. MYERS. By appropriation.

Senator FREAR. By appropriation; and are the appropriations always sufficient to make the payments?

Mr. MYERS. No, Senator, they have not been as large, several times, as the amount that would be required for the entire crop.

During the war we fell behind, and we have fallen behind in the last 2 years.

The reason we are able to do that is that some of the applications come in in the following fiscal year, and therefore we have been able to live by that method. Actually in the past 2 years, I think our annual appropriation for payments is something like \$59,500,000, when the total annual requirement would be \$67,200,000.

Senator FREAR. And do you make up that balance through a deficiency appropriation?

Mr. MYERS. No, we just have got a little behind on our payment schedule, but it has caused no difficulty to date, because the farmers have not yet applied; but we will have an increase in our appropriation, in order to keep abreast hereafter.

Senator CARLSON. Mr. Chairman.

Senator FREAR (acting chairman). Senator Carlson.

Senator CARLSON. Mr. Secretary, you are concerned, of course, about the exportation of our farm surplus crops, I am sure, because I know the Department has been working at it.

Now, I want to know if you have any information as to how our exports in some of these countries we have been rather liberal with in the past, I think, have increased or decreased during the past years—do you have that figure, or can you get it?

Mr. MORSE. We can get it for you. I do not have the information here.

(The following was later received for the record:)

*United States exports of agricultural products to countries from which sugar imports exceeded 1,000 tons in 1953 and 1954*

[In thousands]

Country	Calendar year		
	1952	1953	1954
Cuba.....	\$153,980	\$143,251	\$133,215
Republic of the Philippines.....	54,652	59,088	54,066
Dominican Republic.....	5,187	5,199	4,831
Haiti.....	6,754	5,976	8,386
Mexico.....	100,027	103,061	59,653
Nicaragua.....	2,037	2,129	2,094
Peru.....	15,169	9,739	7,656
China (Taiwan).....	27,364	43,970	43,605
Costa Rica.....	4,498	5,339	5,717
Netherlands.....	159,309	133,877	248,244
Panama.....	9,133	8,636	9,787

Senator CARLSON. Well, this morning I mentioned to Secretary Holland of the State Department what I believe to be accurate information in regard to the exports of wheat flour to Cuba, for instance, and I wonder if you want to look into that a little, and get a statement in the record in regard to that situation.

Mr. MORSE. We would be very happy to.

Senator CARLSON. You do not know right at this moment?

Mr. MORSE. We do not have this information with us.

(The following was later received for the record:)

*United States exports of wheat and wheat flour to Cuba, 1952-54*

[In thousands]

Calendar year	Wheat	Wheat flour wholly of United States wheat	Total wheat equivalent <sup>1</sup>
	<i>Bushels</i>	<i>Hundred-weight</i>	<i>Bushels</i>
1952.....	488	1,672	4,384
1953.....	1,407	1,639	5,226
1954.....	1,700	1,452	5,083

<sup>1</sup> 1 hundredweight of flour is the equivalent of 2.33 bushels of wheat.

Senator CARLSON. That is all.

Senator FREAR. Senator Malone?

Senator MALONE. Mr. Secretary, how many States are there in the United States that produce beet and cane sugar?

Mr. MORSE. There is something over 23——

#### REMAKING INDUSTRIAL MAP OF UNITED STATES

Senator MALONE. And they would include Michigan and Iowa——

Mr. MORSE. Yes, sir; some in Ohio, Minnesota, the Dakotas; and then, of course, the two sugarcane States with the principal beet production in the Western States, as you know.

Senator MALONE. What States are at the top in the production of both cane and beet? I suppose California and Indiana are two of the top ones, are they? Name some of the larger producers.

Mr. MORSE. Let me turn to Mr. Myers for that.

Mr. MYERS. California, Colorado, Idaho, Michigan, Oregon, Minnesota, Wyoming, and Montana, in the case of beets.

In the case of mainland cane, there are just two States. Louisiana is the larger; and Florida is the smaller.

Senator MALONE. What was the other State?

Mr. MYERS. Florida.

Senator MALONE. Now, Mr. Secretary, do you know if any of these States are capable of increasing their production on a profitable basis within the price range that you named a little while ago which seemed to be close to 6 cents, in the last 8 or 9 or 10 years, 6 cents a pound?

Mr. MORSE. The best answer to that, Senator, perhaps is the fact that there is an urgent desire to expand sugar production and there is need for participation in the increased consumption of sugar in this country. It is a matter of alternate opportunities in connection with other crops and livestock.

In years past, farmers in some years—have tended not to keep up their production of sugar, particularly sugar beets—I speak with some personal experience.

Senator MALONE. You mean that they simply did not keep up their production?

Mr. MORSE. Not in all years—I mean, farmers with alternate opportunities in some years have turned to other crops. Now, a new development—

Senator MALONE. When they guaranteed support prices on some other crops?

Mr. MORSE. As you know, during the war and postwar periods, livestock prices were attractive. For various reasons they have sometimes shifted their production away from sugar beets.

There has come in a development in the sugar industry, that is as far as the farmers are concerned, which is mechanization, which has had an influence in increasing the interest of farmers in growing sugar beets and cane.

Senator MALONE. Do you have applications for increase in production of sugar, either cane or beet, and if so, what States have applied for such increase?

Mr. MORSE. We have the demand—do you deal in terms of applications? You see, farmers are under allocation, or proportionate shares. Yes, we have had very insistent applications and various—

Senator MALONE. From farmers or States?

Mr. MORSE. From farmers; yes, sir.

Senator MALONE. Now, there is no allocation to a State as such? The allocation is to the entire country, and then to the individuals that produce it?

Mr. MORSE. It is common, where we have acreage allotments, to break down national quotas into State quotas, and then usually in turn to county quotas, and then finally to the farms.

Senator MALONE. Now, you had very insistent applications for additional acreage from individual farmers, individual producers. Do you also have some to increase such production from States officially; from the States individually?

Mr. MORSE. I am not——

Senator MALONE. That is, in Idaho, did the Governor ever write a letter, or in Wyoming did the Senator ever say to you, "Give us an increase in sugar production?"

Mr. MORSE. Yes, we have heard from Members of Congress and Senators. I am not sure of the Governors, but I am certain that their interest would be very strong in the direction of seeking increases.

Some of this demand has been in behalf of the younger farmers, who are trying to get started, where they are very anxious to have an acreage of sugar beets.

Senator MALONE. Cash crops?

Mr. MORSE. Yes, as a cash crop, and a dependable crop that has a known market. They want an allotment.

Senator MALONE. Now, was it not always our intention, or at least it was presumed to be our intention, to encourage young people to get into business for themselves, including the farming business, isn't that traditional with us?

Mr. MORSE. Yes, sir.

Senator MALONE. Well now, then, the next question:

What do you pay for the foreign sugar, do you pay either the same price for the foreigners that you do with the domestic producers?

Mr. MORSE. Let me ask Mr. Myers to answer the question. He has been dealing with this right along.

Mr. MYERS. Senator, the foreigner gets a somewhat better price, selling to the United States, than to the world market, but he does not get as much as the domestic price.

Senator MALONE. What do you pay?

Mr. MYERS. I think, as an excellent example, that the Cuban—and I am going to speak now in round figures, and I hope you won't be bothered if I am off a few pennies per 100 pounds——

Senator MALONE. Yes.

Mr. MYERS. The world price today is substantially \$3.25 per 100 pounds. Added to that, to get the sugar here, it would cost close to 50 cents—45 cents would be a little more accurate, but let us take a round figure, 50 cents.

The tariff would also be 50 cents. That would bring you up to \$4.25.

The domestic price today is right at 6 cents, let us say 6 cents.

Therefore, there is \$1.75 per 100 pounds premium that Cuba gets by selling to the United States, above the world market.

Senator MALONE. They get the 6 cents?

Mr. MYERS. That is right.

Senator MALONE. Well, that was my first question, and is all I need to know. The housewife then or the United States consumer does not gain through purchases abroad. They pay the full price.

Mr. MYERS. Oh, I beg your pardon. No, Cuba gets the 5 cents, you see, Cuba must ship the sugar here, and it must pay the tariff, so it nets roughly 5 cents.

Senator MALONE. That is a preferred tariff country? They get the 6 cents less the freight and the tariff.

Mr. MYERS. That is right.

Senator MALONE. One-half cent per pound or 50 cents per hundredweight tariff?

Mr. MYERS. That is correct.

Senator MALONE. Well then, the \$6.30 less 50 cents is what they get for sugar?

Mr. MYERS. Less the cost of transportation.

Senator MALONE. Of course. That is what they get delivered in the United States?

Mr. MYERS. That is correct.

Senator MALONE. Now, Mr. Secretary, there has been the statement; it has been said here many times, that we are interested in the consumer. Now, if we are interested in the consumer, we are interested in whether or not the consumer gets a lower price when we buy from the low wage countries.

There has been no testimony presented here that the consumer benefits at all from such foreign imports. What do you think?

Mr. MORSE. I would assume there would be a reflection of a lowered price on sugar, in the consumer price.

Senator MALONE. What would it be, for example?

Mr. MORSE. I would not know in reference to that, Senator.

Senator MALONE. On paper it does not add up, of course. What they get is exactly the same price as our domestic producer less the freight and duty and both are low. The consumer does not benefit. Cuba or any such foreign country gets a bonus of \$1.75 per hundred over the world price.

Your statement interested me, in your written statement, that there was virtue in imports of sugar, so that you could sell some other products abroad. Do you consider that your job as a Cabinet officer is to trade one American product for another?

Mr. MORSE. We believe in trade and, as you know, Cuba, which is selling sugar, is buying very substantially from this country, and that applies also to the other countries that are selling us sugar. These purchases represent agricultural products as well as industrial ones, so that we have an interest, agriculturally——

Senator MALONE. Yes. What price do you get for the agricultural products?

Mr. MORSE. They would move at world prices.

Senator MALONE. At the world value?

Mr. MORSE. Yes, sir.

Senator MALONE. What products are there that you can name, just offhand, on which we have a support price?

Mr. MORSE. A minimum——

Senator MALONE. Support price.

Mr. MORSE. We have price supports, as you know, quite extensively.

Senator MALONE. That is right.

Mr. MORSE. There are six basic crops, and then there are quite a number of other crops for which there are price supports also.

Senator MALONE. And do you get the support price on these products that you sell to Cuba or other countries, or do you get the world price?

Mr. MORSE. We have to sell at the world price. Ordinarily, they would turn to other sources if we did not meet competition.

Senator MALONE. Then we would not make very much money by selling our products there, would we?

Mr. MORSE. That business is largely handled by private trade and when you say "we," it is not Government transactions, normally.



Senator MALONE. Some private organizations sell the Government corn to these nations?

Mr. MORSE. That is, the farmers sell through their normal private trade channels.

Senator MALONE. Do private people handle the foreign sales?

Mr. MORSE. Yes, sir; that is the rule.

Senator MALONE. And they get whatever they can get, and then the difference is made up by the Government.

Mr. MORSE. That does not apply to all commodities.

Senator MALONE. To what commodities does it apply?

Mr. MORSE. Well, under the International Wheat Agreement, as you know, we subsidize the sale of wheat——

Senator MALONE. How much for 100 pounds of wheat?

Mr. MORSE. The subsidy during this past year was running, I believe, between 70 and 80 cents a bushel.

Senator MALONE. About 80 cents a bushel?

Mr. MORSE. It varied in different regions.

Senator MALONE. And a bushel is 60 pounds?

Mr. MORSE. Yes, sir.

Senator MALONE. How much would that be per 100 pounds that we got, put up out of the United States Treasury itself—about \$1.35 per hundred?

Mr. MORSE. At 70 cents, it would be about—you have to convert that, it would be a little over \$1 per hundred.

Senator MALONE. Eighty cents a bushel, 60 pounds, it costs you to buy the wheat here and sell it to Cuba. About \$1.35 per hundred pounds is paid by our taxpayers for every hundred pounds sold to Cuba?

Now, is there any reason why we give more than the world price for sugar to any country when we sell our products to them at the world price?

Mr. MORSE. With sugar, as you know, that was worked out by Congress——

Senator MALONE. Well, I know how it is, like this bill coming down from the State Department.

Mr. MORSE. And the law passed almost without a dissenting vote. Cuba is one of our neighbors, and we have an interest in their economy and we have an interest not only with Cuba, but with the other countries that are selling sugar to us. In the wisdom of Congress, felt that this was a good relationship to set up.

Senator MALONE. Of course, you could never doubt the wisdom of Congress, but what I am trying to get at is what you are recommending. You recommended this bill and you recommended the previous bill passed by Congress; did you not?

Mr. MORSE. Yes. Well, I was not here at that time, but we recommend the renewal of this act in the interest of the farmers of the United States.

Senator MALONE. Let me ask you a question a little farther from home. How do you sell your agricultural products when you go beyond Cuba; say, when you go to France or Italy?

Mr. MORSE. Wheat is a good example. The subsidy under the International Wheat Agreement applies to countries that are participants in the agreement, and also we are selling to other countries on that basis, so, regardless of the country, they would all be——

Senator MALONE. You sell at the same world prices?

Mr. MORSE. Yes.

Senator MALONE. And it does not make any difference about the distance from here; does it?

Mr. MORSE. There would be added a cost to a country, depending upon the distance.

The shipping differentials——

Senator MALONE. What about when we pay the freight? We pay the freight ourselves, do we not, when we give the product away?

Mr. MORSE. You mean in connection with the assistance program, or the aid program? Those are negotiated in keeping with the act.

Senator MALONE. I understand the language; we give it away and pay the freight.

You say that our farmers shall have the benefit from this program. They pay the wages and establish working conditions according to our Wage and Hour Act; do they not?

Mr. MORSE. That is one of the purposes of the act and so we, in administering the act, set minimum wages and also determine minimum prices which will be paid to producers.

Senator MALONE. That is, domestic producers?

Mr. MORSE. Yes, sir.

Senator MALONE. Now, does that apply to foreign producers?

Mr. MORSE. No, sir.

Senator MALONE. They can pay their individuals whatever they want, or maintain any working conditions they want, et cetera, and they get the same price as our producers regardless; is that right?

Mr. MORSE. That is my understanding.

Senator MALONE. I am very interested in your attitude—that of the State Department, I mean.

You do consider it your job to encourage the imports, not only of sugar, but every product with which you deal, so that we can import more products?

Mr. MORSE. No, sir; that was not my testimony.

Senator MALONE. You confined it only to sugar?

Mr. MORSE. I addressed myself to the principle of trade in the interest of the farmers of the United States.

I have heard some farmers say, "Why don't we cut off the imports from certain countries?"

If we did, and then they in turn cut off their imports of our agricultural products, in many instances the farmers of this country would be very distinctly the losers.

Senator MALONE. You mean, we can lose the trade that costs our taxpayers \$1.35 per hundred for all the wheat we sell abroad?

Mr. MORSE. I was addressing myself to the fact that if we cut off the trade of their exports to us in agricultural products, and if they in turn did the same, the farmers of the United States would suffer great penalties in certain instances.

Senator MALONE. I do not know that I ever heard that anybody wants to cut off exports or imports, but I have heard a good many people present the argument that we should establish a basis of foreign trade—imports of any product on a basis of fair and reasonable competition, so that this country, whether it is sugar or anything else, could maintain their wage standard in competition. The flexible duty or tariff would simply be adjusted to at all times represent the

difference between the wage living standard here and in the chief competitive country on each product. In the case of sugar that might well be Cuba.

Mr. MORSE. I have referred to questions that some people raise with the Department, "Why don't we cut off"——

Senator MALONE. The farmers want to produce more sugar in many cases to make a profitable operation.

Mr. MORSE. These questions have been raised in most instances in connection with other commodities rather than sugar.

Senator MALONE. All right, what commodities are there, if you want to go into other fields?

Mr. MORSE. Dairy imports are questioned.

Senator MALONE. They want to produce more dairy products?

Mr. MORSE. There have been questions raised about the advisability of limiting the dairy products imported into this country, and, as you know, we have some limitations. That is one example.

Senator MALONE. Is there any other product except sugar where we guarantee a price to another country on import products. We do guarantee the foreigners a price on sugar, do we not?

Mr. MORSE. We give them a market at a price.

Senator MALONE. At our market price?

Mr. MORSE. Yes, sir.

Senator MALONE. Is there any other product upon which we guarantee a price?

Mr. MORSE. I think the Sugar Act, as I believe my testimony indicated here, is unique in many respects, and I judge——

Senator MALONE. In your remarks, in your testimony, and correct me if I am wrong, I believe that you say that you consider this part of your duties, to try to increase the imports of sugar.

Mr. MORSE. I testified we should get away from the fixed quotas, and that we should, in the future, reserve for our farmers 55 percent of the increased consumption in this country, which means that——

Senator MALONE. What did you say about increasing imports? You said something here in your statement?

Mr. MORSE. The recommendation, sir, is that the increased consumption of sugar in this country be shared instead of all of the increase, as in recent years, going to foreign suppliers.

Senator MALONE. It is very kind of the State Department to let our farmers share in our market—but you testified you wanted to increase imports. I know, but that is not what you said——

Mr. MORSE. In the future it would be divided——

Senator MALONE. What did you say about your considering it to be your duty to increase imports of sugar into this country?

Mr. MORSE. I don't recall that specific statement.

Senator MALONE. Now, I have a further question——

Mr. MORSE. You may be referring to this first page. This is a discussion of why this act was developed back in the 1930's.

Senator MALONE. What paragraph?

Mr. MORSE. That is in the second paragraph, about in the middle:

Our specialized sugar legislation was developed in the 1930's after experience demonstrated that our historic tariff program did not give effective protection to either our domestic sugar industry or our import and export trade. Specialized sugar legislation, therefore, was developed with a fourfold objection: (1) to maintain and protect the domestic sugar producing industry, (2) to avoid undue burden on domestic consumers, (3) to increase our imports of sugar and thereby to benefit our general export trade.

Now, that is the reason for developing this act, that resulted in Congress' action—

Senator MALONE. Did you ever hear anyone say they wanted to increase the imports of sugar in order to sell something else, except the State Department—I think that you are establishing the State Department philosophy here. I just want to call it to your attention.

Mr. MORSE. Well, Senator, in the statement in that regard, I said:

Before discussing the bill before you, it may be well to review briefly the purposes of our sugar legislation.

Now, I was merely reviewing why Congress passed this act.

Senator MALONE. Did you get that out of a debate, or out of something your Department had written?

Mr. MORSE. No, sir.

Senator MALONE. Or did you resurrect it from the State Department—I think that is where you got it since it is their philosophy.

Mr. MORSE. This is in the legislative history of why Congress enacted the program, and has renewed it.

Senator MALONE. It was probably written by the State Department when they brought the bill in as this one is being brought in. I never heard of it in connection with sugar before.

Mr. MORSE. I believe that is it, there are others here who are more familiar with the act than I.

Senator MALONE. Now, if we have gotten to the point where, in testimony before committees we must listen to statements that we want to increase imports of one product in order to increase exports of another product we have really gone a long way down the one-world socialism road.

I know that is the State Department philosophy, to remake the industrial map of the United States, but I do not believe that this committee accepts it as yet. I want to call attention to a Journal of Commerce dispatch of December 21, wherein it goes on to explain about the ISC. I suppose that is the international sugar compact; is it not?

Mr. MYERS. I presume so. It is hard to say. There is such a thing as the International Sugar Agreement.

Senator MALONE. You mean, there may be other compacts or there may be other arrangements, where the initials would be the same?

Mr. MYERS. That is right.

Senator MALONE. One of the objects of using initials is to confuse the taxpayers. I will describe it, and maybe you will recognize it.

What nations were in the sugar agreement to start with? Or maybe better, or easier, the sugar producers in the world that remained out of it?

Mr. MORSE. The International Sugar Agreement was negotiated for the first time in the summer of 1953. It became effective in 1954.

Senator MALONE. I remember about that.

Mr. MORSE. Yes.

Senator MALONE. But who joined it? Or who did not join it?

Mr. MORSE. Mr. Myers served last year as the Chairman of the Council—of the International Sugar Council.

Senator MALONE. Do you have a list there?

Mr. MYERS. I don't have a list of them right here, Senator. There are 23 nations that joined the agreement.

Senator MALONE. How many sugar-producing nations stayed out of it?

Mr. MYERS. There were a great many of the smaller nations. Of the larger nations, Peru, Indonesia, and subsequently Brazil stayed out. They were the largest, I believe. Brazil seemed to be——

Senator MALONE. Brazil joined it and then withdrew, did it not?

Mr. MYERS. Well, it never completely ratified it. It signed it and started to participate, but their Parliament never did ratify it.

Senator MALONE. Now, what about Formosa? Do they produce much sugar?

Mr. MYERS. Yes, sir; and they are members.

Senator MALONE. They are threatening to withdraw now, according to this dispatch.

Mr. MYERS. They have threatened to withdraw. That is right.

Senator MALONE. This dispatch indicates that——

Cuba, meanwhile, has embarked on a program of soft selling which has been amply demonstrated during the past year. As Laurence Alden Crosby of the United States-Cuban Sugar Council at the Washington hearings in November said, "Cuba is more interested in volume than price."

Now, it says that the ISC—I guess is the——

Mr. MYERS. The International Sugar Council; right.

Senator MALONE. The quota system is supposed to hold the price between a low of \$3.25 a hundred and a high of \$4.35 a hundred, f. o. b. Cuba. It goes on to say that 2 or 3 deals that have gone on lately are likely to cause trouble since Cuban "tunnel" sugar, where they pay for the construction of a "tunnel" for sugar that finds its way into markets that are normally served by regular sale.

Do you know anything about the negotiated price for this sugar—it is indicated here that it was probably a much reduced price?

Mr. MYERS. Senator, I have only heard of it. I have not followed the sale. Frankly, I don't know that it is too much concern to American producers whether Cuba sells for cash or sells for exchange for construction.

Senator MALONE. The indication is here that the sale price is much lower due to the negotiated trade.

Mr. MYERS. I know there has been some criticism of that. Whether the price is low or not otherwise, I could not say. I have forgotten exactly when the sale was made, but I rather doubt that it corresponded to the then current price.

Senator MALONE. It indicates here that it did. This reporter, Charles F. McCarthy is generally an accurate reporter.

Now, if it were sold at a price lower than the \$3.25, would it have an effect on your sugar agreement?

Mr. MYERS. It would tend to require more restrictive world quotas unless the world quota was already at the 80 percent level, which it was last year.

Senator MALONE. And then there are 200,000 tons of sugar to Russia at \$3.05 a hundred to Russia, recently sold. Do you know anything about that?

Mr. MYERS. I have read about that in the paper. And, Senator, if I may, just to emphasize the point on this, would you mind giving me the date of this dispatch?

Senator MALONE. Yes, December 21, Journal of Commerce.

Mr. MYERS. The reason that I asked is that on January 13, the world price was \$3.25. It had come up, in other words, because there had been a sale of sugar made and more sugar was moving into consumption. All of these sales can be criticized because, on the one hand, they tend to weaken the price, but we must also recognize that unless a commodity moves out of a showcase of stocks into consumption, it is a weakening price factor, and that is true in every market in the world.

Senator MALONE. So you do not need to go into much detail to explain that part of it.

Now, is Cuba a member of the ISC?

Mr. MYERS. Of the International Agreement; it is.

Senator MALONE. It goes on to explain here that 200,000 tons were sold to a British refinery, price to be settled on an average of the first 10 months of 1956 less 4½ points. Would that be less 4½ cents per hundred?

Mr. MYERS. Four and one-half cents per hundred pounds; correct.

Senator MALONE. Does that conform to the agreement?

Mr. MYERS. It would not have any particular relationship to the agreement. It is one of those contracts, if it is so—and I assume it is.

Senator MALONE. I do not know except it is reported here and not denied.

Mr. MYERS (continuing). Except that I read that dispatch, also. But it merely says that whatever the market price is, this settlement would be 4½ points less. The market price, in other words, might be above or below \$3.25.

Senator MALONE. You say it does not make any difference? They could sell at 2 cents per pound or \$2 a hundred if they wanted to do so and it would not make any difference.

Mr. MYERS. That is right.

Senator MALONE. The compact has nothing to do with it.

Mr. MYERS. So far as I know—and all I know is what I read in that paper——

Senator MALONE. What is the compact for?

Mr. MYERS. Oh, I beg your pardon. I thought you were referring to the sales contract.

Senator MALONE. I am talking about the compact. What was it for?

Mr. MYERS. The International Sugar Agreement was established for the purpose——

Senator MALONE. The International Sugar Compact, I guess it is, or Agreement?

Mr. MYERS. No, sir; it is the International Sugar Agreement, and the regulatory body is called the International Sugar Council.

Senator MALONE. What was that last?

Mr. MYERS. "Council."

Mr. MORSE. Senator, I wonder—I am sure you are clear on it——

Senator MALONE. No; I am not clear on very many of these alphabetical agencies because they change their signals so often.

Mr. MORSE. The record, because of this discussion of the International Sugar Agreement, ought to show that because of the Sugar Act in this country, sugar consumed in the United States is excluded from quotas under the International Sugar Agreement.

Senator MALONE. Who excludes us?

Mr. MYERS. Our quotas are not included in the quotas for the world market. We insisted upon that.

Senator MALONE. You mean, we are not a part of the compact?

Mr. MYERS. We are members of the agreement, but we insisted that our quotas should not be counted in as part of the world quota, because under our Sugar Act we felt that we had a method of handling our own program without the mechanism of the International Sugar Council.

Senator MALONE. As I understand you, as far as this Sugar Compact Agreement is concerned, underselling the price, or selling at any price, has nothing to do with it?

Mr. MYERS. It has only an indirect effect on the domestic market. To the extent that a low world price tends to create a sympathetic reaction on our domestic price, there would be some relationship. That is all.

Senator MALONE. How would it have a relationship to our domestic price, as long as they can only bring so much of it in?

Mr. MYERS. Well, there is a question always how far your quota is going to be effective. So far it has been quite effective in protecting our domestic market.

Senator MALONE. Well, the price has gone down from \$3.25 to \$3.05 a hundred. Sales have been made at that.

Mr. MYERS. In the world market, and come back to \$3.25 again without any corresponding change in the United States price.

Senator MALONE. But the difference, as I pointed out a while ago, our own taxpayers put to the foreigners?

Mr. MYERS. That is correct.

Senator MALONE. Now, do you agree here that the world sugar consumption annually is in excess of 35 million tons? That is mentioned here.

Mr. MYERS. I think so; yes.

Senator MALONE. That the so-called free or open market, net after import-export positions are considered, is about 5 million tons; is that about right?

Mr. MYERS. That is about correct. In other words, only about 15 percent, between 10 and 15 percent of the world's sugar, goes into this so-called free world market where there is no protection, no specialized assistance.

Senator MALONE. We have no control, or the compact has no control, over the other 30 million tons?

Mr. MYERS. It has no control over the sugar of nonmembers. There is a great deal more than 5 million tons, however, produced by members of the agreement.

Senator MALONE. This dispatch says less than 5 million tons in the compact and 30 million tons out of it. But, if these members of the agreement sell at a lower price and under conditions contrary to the compact or the agreement, then it would have an effect; would it not?

Mr. MYERS. Well, except that the agreement has had a stabilizing effect on the world market. It probably—

Senator MALONE. We have a stabilizing effect on the world market by keeping our purchases at 6 cents; aren't we the ones that stabilize it?

Mr. MYERS. Yes; indeed we do stabilize our own market. And in keeping our own market stabilized, and in supplying a market for part of the world's sugar, we have a very great effect on the world market.

Senator MALONE. Now, if this goes on—I am only using Cuba as an example—I want to make that clear—I am just using Cuba because they are one of the foreign importers that are sizable and to which we give a bonus of \$1.75 per hundredweight—if they continue to sell—and they apparently have been selling at below the world price to the British and to others isn't that a disadvantage to us?

Mr. MYERS. It has not affected the price of the United States producer because, Senator, we have been able to maintain his price under the terms of the Sugar Act.

Senator MALONE. That is because we guarantee the price of imports; is it not?

Mr. MYERS. That is correct.

Senator MALONE. It does not make any difference what they do as long as we guarantee the price?

Mr. MYERS. I do not want to go so far as to say that the world price can go all to pieces without having some adverse effect on the domestic market.

Senator MALONE. Well, would it, if we could only import so much?

Mr. MYERS. Senator, I am inclined to think that there are limits beyond which you cannot hold the domestic price if the world price were to go on down.

Senator MALONE. But you would break it if you just quit eating sugar.

Mr. MYERS. Well, there do get to be very great pressures on prices, domestic prices, as world prices go down.

Senator MALONE. I was asking you about pressures awhile ago. You seemed to disregard pressures coming from States that want to produce more sugar. And we have already illustrated that the consumer does not benefit by imports from low-wage countries.

Mr. MYERS. Senator, we will be delighted to allocate any quantity of sugar you folks supply for the domestic market. One thing we cannot do, of course, is to have a law provide for marketing of 1,800,000 tons of beet sugar and then permit the marketing of 2 million tons, or something like that.

Senator MALONE. You wrote the bill, but I had in mind particularly one State. I am informed that Wyoming, for example, that produces 36,000 tons of sugar a year, could easily produce 20 percent more than that amount, and wants to do it. But you do not recommend it in the bill.

Mr. MORSE. That is right. We are recommending that there be a sharing in the increased consumption from this time forward.

Senator MALONE. What would that amount to for Wyoming, for example, this additional 40 percent for the domestic consumer of the increase each year, instead of 4 percent?

Mr. MORSE. It would be much less than the 20,000 tons to which you have referred.

Senator MALONE. No; 20 percent.

Mr. MORSE. 20 percent. The assumed increase——

Senator MALONE. That would be about 7,000 tons or 8,000 tons.

Mr. MORSE. The assumed increase in the tables that will be a part of the record is 135,000 tons each year as a total.

Senator MALONE. For all the States?

Mr. MORSE. For all areas, domestic and foreign. The increased consumption last year was more than that, but this is projected on a basis that is assumed to be conservative.



Senator MALONE. Now, the Philippines, what is the amount of sugar allocated to the Philippines?

Mr. MYERS. 980,000 tons, Senator.

Senator MALONE. 980,000 tons. Now, of course, we make no effort in this allocation to confine it to areas that would be available to us in the event of another conflict.

Mr. MYERS. Senator the answer to your question is no. I listened to your discussion this morning, and I could not help but recall the experience that we had in the past two World Wars. In World War I, the Philippines remained available. They were not then the major supplier that they are now. In World War II they were cut off. In 1942 it was difficult for a period to get sugar in even from the off-shore areas of the Caribbean, like Cuba, Puerto Rico, and the Virgin Islands. After we controlled the U-boat situation and got shipping available, then we were able to bring in the supplies of sugar.

Senator MALONE. One of our troubles, and, of course, Congress is largely to blame, I suppose—is that we always get ready to fight the last world war over again.

Mr. MYERS. Surely.

Senator MALONE. That is what we did before. We ought to know better by now. And I think it is time that you got acquainted with your other Cabinet officers and people who do know something about strategy in the next world war, because all the information I can get is that you are not going to be able to get sugar from the Philippines, but you can get it from the Western Hemisphere.

Now, it does not matter what our history was in World War I or II or in the Civil War. The Spanish-American and World War I were fought differently; and then World War II changed again. Of course, we did not fight the world war III in Korea any differently. That was just one where we cooped up a permanent war for permanent peace.

This next one will be fought differently however. If you are going to argue about it, you had better get some up-to-date information, I think.

That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Senator WELKER. Mr. Chairman, may I have the courtesy of asking a question?

The CHAIRMAN. Mr. Welker.

Senator WELKER. Mr. Secretary, I was one of the Senators that repeatedly asked you and your Department for increased acreage allotments for the State of Idaho; is that correct?

Mr. MORSE. Yes, sir.

Senator WELKER. And I based that on the fact that there were any number of farmers coming into our State, Korean veterans and so forth, because they wanted a cash crop, something that they could rely upon.

Mr. MORSE. Yes, sir.

Senator WELKER. Mr. Secretary, by this amendment, if it is passed, how many additional acres would it allow the State of Idaho?

Mr. MORSE. I couldn't answer that. Perhaps Mr. Myers could give some estimate.

Mr. MYERS. Senator Welker, we would just have to make some computations and some awfully big guesses. We are very reluctant

to give out, or to forecast, the effect on State acreages, because we have not had the meetings with the various States; we have not decided upon formulas in which each of them have conflicting interests.

I think it might be better if we took it for the country as a whole, and worked out a figure there, rather than to get it down to a State basis, in which case we might be presuming to make divisions by States before we have had discussions with the States concerned.

Senator WELKER. It would mean merely a pittance to the Western States?

Mr. MYERS. That is a reasonable statement, that it would be a very small increase, much smaller than many of your growers would like. I think that is very clear.

Senator WELKER. And you realize, Mr. Secretary, that we had many, many people asking for additional allotments, not war veterans, but men who pioneered in the field of sugar-beet production in my State and in other Western States.

Mr. MORSE. Yes, sir.

Senator WELKER. Now, to help us in this matter, you purchased 100,000 tons of surplus, overquota sugar, resulting from an unexpectedly large crop; is that correct?

Mr. MORSE. It was an accumulation from large crops. Particularly was the problem made difficult, and these accumulations stepped up, by the absence of damaging freezes in some of the cane areas.

Senator WELKER. Now, in this 100,000 tons of sugar that you purchased, did that include that which we imported from friendly countries, such as Cuba and the Philippines, and Hawaii?

Mr. MORSE. No, sir. That was confined entirely to relieve the accumulated stock on the mainland here.

Senator WELKER. Now, I am interested in this, that the sugar that you bought with the taxpayers' money, 100,000 tons, to relieve this surplus that we have here, you state that it will be exported to meet requirements under the foreign mutual-security programs of the United States Government. Can you tell me where these stocks are to be exported to?

Mr. MORSE. No, sir, not at this time. The purchases are being completed, and we will ship the sugar on advice from the ICA.

Senator WELKER. That is the International——

Mr. MORSE. International Cooperation Administration, through whom this Government has in recent years, supplied something over 100,000 tons a year to countries that we were assisting. As there is need for sugar to help the friendly countries the ICA is extending assistance. They will give us shipping orders.

I understand from Mr. Myers just today that one of the first shipments is being set up now.

Senator WELKER. And you are not prepared at this time to tell us or tell my people of Idaho or the taxpayers of the Nation, what countries will receive this 100,000 tons?

Mr. MORSE. No, sir.

Senator WELKER. That will be an outright gift; it will not be a sale?

Mr. MORSE. I do not know the terms under which it is supplied. I think that it has been in the form of direct assistance.

Senator WELKER. And direct assistance means an outright gift, does it not, Mr. Secretary?

Mr. MORSE. That is my assumption.

Do you know, Mr. Myers?

Mr. MYERS. It is my understanding, Senator, that the ICA sells the sugar for local currency——

Senator MALONE. What is the ICA?

Mr. MYERS. The International Cooperation Administration. (Continuing)—and uses the foreign currency then for whatever our programs are within the country.

Senator WELKER. Can you tell us a little bit more about this ICA? I haven't heard that.

Mr. MORSE. It is the successor to the Foreign Operation Administration. You recall that it was moved——

Senator MALONE. They change the name every year, so that the taxpayers cannot catch up with it.

Mr. MORSE. It became a part of the State Department, you will recall, when the Foreign Operation Administration was discontinued, I believe, effective last July.

Senator WELKER. It became a part of the State Department, you say?

Mr. MORSE. Yes, sir.

Senator WELKER. Then the final determination as to where this sugar will go will be based upon a part of the State Department?

Mr. MORSE. That part of their operations. It would be better if some representative of the ICA were asked to supply the type of information you request.

Senator WELKER. Mr. Secretary, I am here as a guest of the committee, and I have no right to ask that any man like that appear, but I certainly would advocate it. I would approve his being here, because it would be enlightening.

I have to answer these questions to my people at home.

Mr. MORSE. Yes, sir.

Senator WELKER. And I would like to get that.

Now, on the question that Senator Byrd propounded to you a moment ago about subsidies to large producers, sugar producers, whether they be cane, or whether they be beet sugar, do you have in mind any beet-sugar producer that is receiving the benefit of a very large subsidy?

Mr. MYERS. No, Senator. Their payments tend to be much smaller than large cane producers.

Senator WELKER. As a matter of fact, they amount to practically nothing; is that not correct?

Mr. MYERS. No, that is not correct.

Senator WELKER. I mean, compared with over \$1 million worth of profit?

Mr. MYERS. Well, they are small. Senator, I cannot go along on the proposition that these payments are equivalent to profits. We have had many producers go out of business, go bankrupt, since the program has been in effect.

Senator WELKER. Some very large producers?

Mr. MYERS. Some large ones, as well as some small ones.

Senator WELKER. I think the Senator's basis of his question was this: Assuming the man is making a profit of, say, \$1 million a year, and then he gets his subsidy, that is added to and considered a part of his profit; is that not correct?

Mr. MYERS. If he was already making \$1 million, and then he got \$1 million subsidy, then it would give him \$2 million of profit.

Senator WELKER. I can assure you, sir, that there have been a lot of sugar-beet growers out in Idaho go out of business.

Mr. MYERS. Yes; there have been, a great many.

Senator WELKER. And it is because of the fact that they have not had an adequate acreage allotment given to them that they could survive.

Mr. MYERS. There have been a number of instances, regardless of the reason.

Senator WELKER. In fact, they have had their acreage allotments cut many times to satisfy someone else. And I am wondering, on the basis of my being here today is this, whether or not our people in the West—Wyoming, Utah, Idaho, California—and other places, have not suffered, suffered tremendously, because of our being so kind to overseas producers.

Mr. MORSE. That is a reason for our concern in getting a participation for domestic producers again in the increased consumption of sugar in this country. We share that concern.

Senator WELKER. Well, I think we are getting pretty good increased consumption. But I want to know where it goes to the sugar-beet grower and the domestic grower.

I am just wondering if he is getting his fair share of that increased consumption.

Mr. MORSE. Yes. If the changes are made in the act as recommended, they will again participate in the growth which they have not been doing in recent years.

Senator WELKER. We might bring up something like the soil bank, you know, to help them. I have not studied that sufficiently, but I know that our people out there have land they would like to plant in sugar beets. They cannot do it. Yet at the same time, they see hundreds of thousands of tons coming into our country from foreign sources.

It does not set well, Mr. Secretary, with the people that I represent.

Mr. MORSE. I can well appreciate that.

Senator WELKER. Thank you, sir.

Senator DWORSHAK. Mr. Chairman, could I ask one question at this point?

The CHAIRMAN. Mr. Dworshak.

Senator DWORSHAK. Mr. Secretary, you append two statements to your formal statement. One contains the sugar quotas, H. R. 7030, as passed by the House under assumed requirements, 1956 to 1960, and in the year 1960 the projected tonnage for beet sugar would be 1,951,430 tons, or an increase of 151,430 for 8.4 percent, whereas for mainland cane, in 1960, you have projected the figure of 571,509 tons, an increase of 71,509 tons, or percentagewise, an increase of 14:3.

Then on the other statement, which is projected until 1962, for beet sugar, you have a total of 2,031,171 tons, or an increase of 231,171 tons; percentagewise, 13 percent; whereas for mainland cane in 1962 you would have 625,011 tons, an increase of 125,011 tons, percentage-wise 25 percent.

Now, at the present time, I think we produce in this country about 28 percent of the sugar that we consume, 22 percent being beet sugar, and 6 percent of that 28 percent being cane.

Now, why in 1962 would this projected increase for sugar beets be only 13 percent, but for cane, 25 percent? Can you explain that?

Mr. MORSE. On page 5 of my statement in the middle of the page, there is reference to an adjustment factor in the first year. We have been working with the growers and the industry and developing what seemed to be equitable, and as my statement says, all of the areas would like more acreage. The first 165,000 tons of any increase shall be assigned 51.5 percent to the domestic beet area, and 48.5 percent to the mainland cane areas. That is almost equal division, regardless of the difference in basic quotas. That first allotment would be reflected in the gain as it is extended from year to year.

Senator DWORSHAK. In the column under "1962," are those figures accurate or inaccurate?

Mr. MORSE. They would be accurate. But what I am trying to say is that the first 165,000, under this division, if I am correct in this interpretation, would go almost half to the mainland cane area, where they have 549,000 tons, whereas about half would go to the mainland beet, which has about 1,852,000—

Senator DWORSHAK. That is in 1956?

Mr. MORSE. That is in 1956.

Senator DWORSHAK. But we are looking forward to 1960 and 1962. That is what I am interested in.

Mr. MORSE. Yes, sir. And I was just saying that future quotas are distributed according to the new base that will be established after these equalizing adjustments are made out of the first increases.

Senator DWORSHAK. So then it is true in 1962—

Mr. MORSE. That would carry forward; yes, sir.

Senator DWORSHAK. In 1962, the percentage increase in mainland cane would be about 25 percent, and the increase for beet sugar would be just under 13 percent?

Mr. MORSE. Yes, sir. Although I have not calculated the figures.

Mr. MYERS. That is correct.

Senator DWORSHAK. Isn't that correct? Isn't that the way it would work out?

Mr. MORSE. That is the way it would work out. As I say, we have worked with the growers and the sugar industry, and these represent compromises, and I believe would have general support.

Senator DWORSHAK. The industry has approved this program?

Mr. MYERS. That is true.

Mr. MORSE. They will be here to testify.

Senator DWORSHAK. Maybe they can explain that difference.

That is all, Mr. Chairman. Thank you.

Senator MALONE. Mr. Chairman—

Senator SMATHERS. Mr. Chairman, could I ask a question?

Senator MALONE. Yes.

The CHAIRMAN. Go ahead.

Senator SMATHERS. Mr. Secretary, what was the first year in recent years when the domestic sugar producers reached the quota which had been assigned to them?

Mr. MORSE. While Mr. Myers is looking up the figures, may I state that in the last renewal of this act in 1951, it is significant that there was a continuation of the fixed tonnage, presumably on the assumption that that tonnage would take care of domestic producers in the immediate future.

We then saw with mechanization and with the adjustments that took place following Korea, that there was this buildup of demand for additional acreage in this country.

Senator SMATHERS. That was when, did you say?

Mr. MORSE. I was speaking of the renewal date of the act in 1951, which became effective in 1953; did it not?

Mr. MYERS. That is right.

Mr. MORSE. And that renewal continued fixed quotas. Then, as you know, the year before last there was a discussion in Congress of the need—and we all became concerned about the need—to provide a growth factor for the farmers of this country, and it has now reached this point in legislation.

Senator SMATHERS. Did you want to answer the question, Mr. Myers?

Mr. MYERS. Senator, I think perhaps the best way to answer your question is to look at the quota for each area. In the case of sugar beets, the quota has been 1,600,000 tons. The beet area first produced that quantity of sugar in 1938. Then it produced it again in 1940; then during the war it fell down a bit but production came up again in 1947, and exceeded it.

Since the quota has been in effect——

Senator SMATHERS. What happened during those war years?

Mr. MYERS. During the war years, sir, we had to use the beet land for growing other crops, beans and wheat and things that we could ship to our allies, and for part of that time there was a feeling that maybe sugar was not too important, anyway.

Senator SMATHERS. Was it more economical to get this sugar price?

Mr. MYERS. It was not a matter of economy, Senator. It was a matter of war necessity. We had to simply set the prices that would get other crops and take out sugar beets. That happened especially in 1943. In 1942 we produced a very large crop of beet sugar, and it had a lot to do with helping to carry us over the U-boat period. But once we got the U-boat difficulty settled a bit, then we were able to get in more Cuban sugar, and we turned more of our own land to producing other crops.

Senator SMATHERS. Now, after World War II had concluded, when did you begin to run into this surplus productivity?

Mr. MYERS. We first hit it again after 1947 in 1950, when our crop shot up from 1,600,000 in the preceding year to 2 million tons. But then with the very high prices of other crops, and stabilized prices for sugar, farmers turned away and cut back down to 1,500,000 tons in 1951 and 1952.

Senator SMATHERS. So then in 1951 and 1952, they did not produce up to the quota?

Mr. MYERS. They did not. In 1953 they did, and——

Senator SMATHERS. That was a voluntary reduction on their part?

Mr. MYERS. On their part. It was voluntary. In 1953 and 1954, production exceeded the quota. From all appearances, 1955 will be at the quota level while 1954 was 2 million tons. We have gotten the present reduction by controls.

Senator SMATHERS. What is the story with respect to cane-sugar production?

Mr. MYERS. In the case of cane-sugar production, we have a much longer story that I think in fairness should be told.

We had a production of about 400,000 tons in the Louisiana industry, as I recall, as early as 1900. During the 1920's, the mosaic disease came in and practically wiped out the industry. Then after 1926, we cured that problem, and our production rose up to 584,000 tons in 1938.

Senator SMATHERS. Was that 584,000 tons below or above the quota?

Mr. MYERS. Well, it was above the present fixed quota. Marketings were controlled in 1937 and 1938.

In 1939, with the outbreak of war, we were able to loosen up and let the sugar get marketed. The cane crop held fairly stable until 1952, when it rose above the 600,000-ton mark. In fact, well, in 1949, it rose above 500,000 tons. Since then, it has been above that 500,000-ton quota every year except 1951.

Senator SMATHERS. So since 1952 we have had a surplus.

Mr. MYERS. Since 1952, and also in 1949 and 1950, it was above the present fixed quota.

Senator SMATHERS. Thank you. That is all.

The CHAIRMAN. Senator Malone.

#### UNITED STATES BUYS AT OUR DOMESTIC PRICE—SELLS AT WORLD PRICES

Senator MALONE. Mr. Secretary, there is much talk about the raw and refined sugar. For the record, will you please explain what the difference is in the matter of raw sugar and refined sugar in the matter of weight and price?

Mr. MORSE. May I turn that question to Mr. Myers?

Mr. MYERS. Senator, a pound of raw sugar, for practical purposes, is 96 percent sugar and 4 percent molasses and other impurities.

Senator MALONE. So there is 96 percent of refined sugar?

Mr. MYERS. Practically.

Senator MALONE. You lost 4 percent?

Mr. MYERS. That is right.

Senator MALONE. Now, what does it cost to do that?

Mr. MYERS. Well, the raw sugar price is just over 6 cents a pound. The refined sugar quotation in New York is \$8.65 a hundred pounds, with a gross margin of about \$2.60. From that, you would have to deduct a processing tax of a half cent—

Senator MALONE. Do you know what it costs to refine a pound of sugar or a hundred pounds of sugar? Just give us that cost, if you can, approximately.

Mr. MYERS. I can give you the margin.

Senator MALONE. Just like the 4 percent. We lose 4 percent in weight. Now, what does it cost?

Mr. MYERS. Actually, sir, you lose more than that. You lose about 7 percent. It takes about 107 pounds of raw sugar to make 100 pounds of refined sugar.

Senator MALONE. It takes 107 pounds of raw sugar to make 100 pounds of refined sugar?

Mr. MYERS. That is right.

Senator MALONE. Now, what does it cost a hundred to refine it?

Mr. MYERS. Well, Senator, I would have to make some computations to get at the margin, because it is a very complicated thing. There is a 2 percent cash discount which must be taken into con-

sideration. There is the cost of the 7 pounds of sugar that is lost, and there is the processing tax.

I can give you an approximation in a moment or two. I do not carry that margin in my head.

Senator MALONE. Why don't you just make it clear for the record now?

Mr. MYERS. All right. Fine. I will be glad to do so.

Senator MALONE. That will be very good.

Now, we have already established the fact that there is no advantage to the consumer whether it comes in from a foreign producer or whether it is manufactured or grown by a domestic producer. In other words, regardless of what it costs to raise sugar in Cuba, Peru, Mexico, or the Philippines, they get the same price as our producers, less whatever freight and tariff or duty there might be; that is right, is it not?

Mr. MORSE. The costs to the users of sugar in this country are the same regardless of source.

Senator MALONE. They are exactly the same. The consumer does not benefit from the low-wage foreign production. Our American investors go to the low-wage countries and produce the sugar and get the same price here just as if they paid American wages.

Then the second part of the question is the one that I am interested in, because I am interested in the domestic consumer.

If, as I assume, there are many States that want to produce additional sugar besides Wyoming and Idaho—and, as a matter of fact, we had a sugar refinery in the State of Nevada for many years, and for various reasons, business conditions, it was discontinued, and we might want to start it again—but what I want to understand is, why do you not consider your domestic producers first, if there is no difference in the price to the consumer at all, wherever it originates?

Mr. MORSE. I thought we were here in the interests of the domestic producers.

Senator MALONE. Well, if we are, we have a peculiar way of showing it. Here are States begging for additional production of sugar beets and cane, and still you say that we have to increase imports to get exports. That was in the talk here. That was what I got out of it. It might not say it in those words. I do not know. I have not read it. I have listened to it. It sounds like State Department talk to me.

Mr. MORSE. Senator, I believe you are going back to a statement on the first page of my prepared statement which was a discussion of the purposes of the act. I want to——

Senator MALONE. There are a good many Members of this Congress right today that are interested in the United States first, not second, not third or fourth, or fifth, but first.

Mr. MORSE. I share that concern, sir.

Senator MALONE. Then can I ask you this question again? Why don't you consider them first?

Mr. MORSE. I believe, sir, that we have. We came before Congress last year recommending that this act, which still had 2 years at that time, or a year and a half, before it was up for renewal, to be reopened in order to get a participation by our farmers in this country in the increased consumption of sugar. That is a clear demonstration of our interest in the welfare of the farmers of the United States.



Senator MALONE. Let me ask you the question once more, Mr. Secretary, and I want you to answer it. Now, you are making a recommendation to the Congress. Would there be any reason why you could not find out how much they could increase their acreage, both in cane and beet under the established price, and add that to the American production and make that recommendation to Congress?

Mr. MORSE. Would that be a determination over a long period or a short period?

Senator MALONE. I do not care if it is 500 years or 5 minutes. You go right ahead. I am interested in the United States of America first, last, and always, and then after that, we will do the best we can with our neighbors.

Mr. MORSE. I share that interest, and that is why I am here with this testimony.

Senator MALONE. Give us an example; and why, when Idaho, with their tongues hanging out trying to get enough acreage to make it feasible for some of these small acreages to produce beets—why did you not consider it? You know this is not going to help you very much. You say that.

Mr. MORSE. We did consider it, Senator.

Senator MALONE. But you decided against it?

Mr. MORSE. We felt in the interests of the United States that this was the best recommendation to bring before Congress.

Senator MALONE. Now, what interests of the United States would be served by not allowing them to put in the additional acreage that they need to make their small farms production feasible?

Mr. MORSE. In the interests of the farmers of this country, we are recommending participation in the increased consumption of sugar. In the interests of the farmers, we are likewise interested in foreign trade. Farmers have a great stake in foreign trade.

Senator MALONE. You mean where we are losing 80 cents a bushel—\$1.35 per hundred—on the wheat we sell them? Is that it? Is that right?

Mr. MORSE. Yes, sir. We are very anxious to expand our wheat exports, and—

Senator MALONE. On that basis?

Mr. MORSE. Yes, sir. And we would be very happy to have additional markets at the subsidized price.

Senator MALONE. You remind me, Mr. Secretary, of the fellow selling suits of clothes. He said, "This price is less than it cost me."

The purchaser finally got interested, and said, "Well, how do you stay in business?"

The merchant said, "We sell so many of them."

Is that your way of keeping the taxpayers of this Nation in business?

Mr. MORSE. Mr. Senator, we are very definitely interested in selling surpluses, and seated to the side of you is Senator Carlson from a great wheat-producing State. We have great wheat accumulations in this country—

Senator MALONE. You are not going to promote any quarrel between Senators Malone of Nevada and Carlson of Kansas. Just answer the question.

Mr. MORSE. I just wanted to say that we are very much interested in a market for the surpluses we have in this country.

Senator MALONE. What you want to do, then, is to buy the sugar from foreign nations that could well be produced by our own people so that the foreign nation will be able to increase their purchases of wheat on which we lose \$1.35 per hundred? Is that what you are telling me?

Mr. MORSE. I am trying to say, Senator, that we cannot disregard our friends offshore that have traditionally supplied sugar to this country. However, that is the area of the State Department. Assistant Secretary Holland was before you this morning.

Senator MALONE. I have dealt with the State Department quite some time now, and I am entirely familiar with what the State Department believes. They are the ones that transferred, or at least encouraged the President to transfer in 1947, the control of our foreign trade and our national economy to Switzerland, 3,000 miles away, where no one in the United States has anything to do with it at all any more except to cast 1 vote out of 35. Through State Department recommendation the Congress passed the 1934 Trade Agreements Act transferring their Constitutional responsibility to regulate foreign trade and the national economy to the President—with full authority to transfer it to any foreign nation in the world. In 1947 he chose Geneva.

Now, Mr. Chairman, I could not find it a while ago, but in this dispatch, the Journal of Commerce, December 21, for 1956 International Sugar Council set the estimated requirements in the free market as 4,529,000 tons. That is a good deal less than the 10 million tons that you were talking about.

You are with the State Department?

Mr. MYERS. No, sir. I am with the Department of Agriculture.

Mr. MORSE. He is the head of our Sugar Branch in the Department of Agriculture.

Senator MALONE. Yes.

Now, is this wrong?

Mr. MYERS. No, Senator, but that does not begin to cover the sugar that is produced by members of the sugar agreement. That covers only the export quotas. The United States is a member, and it produces 4,500,000 tons, and it is not included in that at all.

Senator MALONE. That is exactly what we are talking about now, the export quotas.

Mr. MYERS. I beg your pardon.

Senator MALONE. We are talking about the export quotas. Now, this dispatch goes on to say that the free market is 4,520,000 tons, but the International Sugar Council fixed a quota at 3,995,000 tons to leave room for sales by countries not signatory to the agreement.

This is the export quotas for the countries that are signatory to the agreement that you fixed. But this is the amount that they have left for the ones that are not signatory.

Now, while the difference actually is 525,000 tons to be filled by the nonsignatories, they have considerably more than 1 million tons to sell.

Mr. Chairman, I ask permission to have this dispatch made a part of the record.

Senator FREAR (presiding). It will be made part of the record, without objection.

(The article referred to is as follows:)

[From the Journal of Commerce, December 21, 1955]

**"SOFT" SELLING DEPRESSES PRICES—SUGAR FINANCING PUBLIC WORKS IN CUBA**

By Charles F. McCarthy

In an effort to improve the depressed world sugar market, the International Sugar Council cut initial quotas for 1956, but since Cuba gets more than 50 percent of the quota and that country has installed a "soft" selling policy the market very probably will decline further.

The present world sugar price is 3.14 cents f. o. b. This is less than the minimum 3.25 cents which the Council felt it could maintain through a system of quotas. It compares with about 5 cents a pound prevailing on Cuban sugar for the United States market.

The 3.14-cent f. o. b. price is the level quoted by the regular sugar traders in Cuba. But it is not the only price. The Cuban Sugar Institute recently sold 200,000 tons of sugar to Russia at 3.05 cents, or less than the going market, and a short time before that disposed of 200,000 tons to a British refiner, the price to be settled on an average for the first 10 months in 1956 less 4½ points.

Even more disturbing, however, than these sales is the use of sugar for payment in a Cuban public works program. Sugar is being used currently as payment against construction of a tunnel in Habana Harbor. About 600,000 tons more may be taken up in part payment over the next 3 years of a new Via Blanca Highway. And another big block is being considered in payment for construction of a Hilton hotel in Habana.

In practice the contractors on these projects are paid in government bonds, which are then taken to the Banco Nacional and redeemed against purchases of Cuban sugar. With the profits they make on the public works, the contractors are able to dispose of the sugar at a discount, to the detriment of the Cuban producer.

The triple decker price structure—the regular market price, the price the Cuban Sugar Institute will take on surplus bulk quantities, and the price which the construction companies sell at in direct competition with Cuba—is leading to chaos.

World sugar consumption annually is in excess of 35 million tons, but in the so-called free or open market (net after import-export positions are considered) the quantity of sugar for international trading purposes is less than 5 million tons.

For 1956 the International Sugar Council set the estimated requirements in the free market at 4,520,000 tons, but fixed the quota at 3,995,000 tons to leave room for sales by countries not signatory to the agreement. While the difference actually is 525,000 tons to be filled by the nonsignatories they have considerably more than 1 million tons to sell.

Of the quota Cuba has the lion's share; 2,025,000 tons of the total of 3,995,000 tons for 1956. That is more than 50 percent.

**COUNCIL LOSING ADHERENTS**

When the ISC was set up a few years ago the expectations were that it could control the market through the quota system somewhere between a low of 3.25 and 4.35 cents f. o. b. Cuba. But the council is losing adherents. Several of those expected to take part did not join. Recently Brazil, a fair-sized sugar producer, withdrew. Formosa is threatening to withdraw.

The ISC with Cuba and San Domingo accounting for the largest quotas will control only about 3,500,000 tons of the free market this coming year.

Cuba, meanwhile, has embarked on a program of soft selling which has been amply demonstrated during the past year. As Laurence Alden Crosby of the United States Cuban Sugar Council at the Washington hearings in November said: "Cuba is more interested in volume than price."

**CUBAN TUNNEL SUGAR**

The tunnel deal across Habana Bay effected with a French contracting firm amply demonstrates this view. The complete details of this deal never were disclosed, but the fact of the matter is that those who take the sugar as payment for the tunnel will naturally sell the sugar, to virtually the same countries that Cuba would normally sell.

This kind of business thus does not add anything to Cuba's exports, but merely takes away the control of business that would have been done eventually on a normal basis.

Uncertainties over this kind of transaction grow out of the fact that countries competing with Cuba in the sale of sugar to the world market do not really know what their competition is at a given time, because the price at which the Cuban "tunnel" sugars are sold are all wrapped up in this special deal and no one knows the advantages the contractors may have.

#### UNORTHODOX APPROACH

This unorthodox approach is playing havoc with sugar merchandising, affecting not only producers and colonos (sugar growers) in Cuba but other world market sellers.

So serious has it become to regular sugar producers that a meeting was held with President Batista, attended by the Cuban Minister of Agriculture, the head of the Mill Owners Association and the head of the Colonos Association. And memoranda has been prepared for the President explaining the damaging effect on the market of this type of business.

Statistically, Cuba's sugar position is unhealthy. At the end of 1956 the surplus giving Cuba every consideration will be well in excess of 1 million tons.

Cuba will have a hard time marketing her free market quota in the world market and, since she is showing anxiety and a desire to do business at any price and on any condition, it is obviously difficult to see stability for world sugar or even a secure future for the international agreement.

Mr. MYERS. I should like first, for general interest's sake, to have it observed that while that dispatch was very pessimistic and indicates that the price of sugar would continue to go down, the actual fact is that the price of sugar has recovered since then, and the world market today is \$3.25 a hundred pounds.

Senator MALONE. I did not get from that that the price of sugar was going down. What I got from it was that we are not complying with the compact that they signed. Some of the signatories did not take into account the amount of sugar that actually is produced for sale by the nonsignatory countries; is that not a fact?

Mr. MYERS. Senator, it is true that some folks would like to have had the member countries cut back their exports so that the non-member countries would have free sailing and have a monopoly on the market, and the member countries, at that meeting in November and early December, decided that they were not going to take quite such a back seat.

It caused some disagreement, some discussion on the point, but they settled on a 10 percent cut in their quotas, rather than 20.

Senator MALONE. Would you not say that the fact that Brazil has withdrawn and Formosa is threatening to withdraw and many others did not sign at all, and with Cuba underselling the market, that the Council is not in very good shape?

Mr. MYERS. Well, Senator, the fact of the matter is that the price of sugar today is at \$3.25 a hundred and I think if it were not for the agreement, it would probably be somewhat lower. The main purpose of the agreement, I would say, however, is not merely to lift prices, but to have a mechanism in existence so that if another catastrophe should hit the world sugar market, such as did in the late 1920's, we would not have economic chaos, ruin and rebellion in these sugar-exporting countries such as we had in the late twenties' and early thirties.

Senator MALONE. Why should we try to keep the price of sugar up in countries where the wage standard of living is 20 or 10 percent of our own? Why should we try to keep the sugar price above whatever it is worth in terms of their wages?

Mr. MYERS. Senator, I doubt very much if you can regulate the world price over a long period. I think you can even out some of these peaks and valleys; I think that you can do a great deal through international effort of this sort to prevent the sort of chaos that resulted in bankruptcy to the sugar industries of all of the sugar-exporting countries.

And let me observe, Senator, that when that happened abroad, there was also a very, very severe depression in the sugar industry of the United States, and that is what led to the Sugar Act.

Senator MALONE. What would make a sugar depression in the United States, as long as we guaranteed the price?

Mr. MYERS. Well, we did not, of course, at that time, have the Sugar Act in effect. We had a tariff, and when the tariff was increased to 2 cents a pound, the world price went down to less than a cent a pound in the world market.

Senator MALONE. You are concerned with all the foreign countries; you are much more concerned than you are with this country; is that right?

Mr. MYERS. Senator, that is not true. Now, I have been working in the United States Department of Agriculture almost half of my lifetime. I have been working for the American farmer, sir.

Senator MALONE. I hope so, but the talk did not indicate it. After all, we have to go by the record.

Mr. MYERS. I will put up my record on that, sir, any time.

Senator MALONE. You must stand on it. You have to.

Mr. MYERS. Certainly.

Mr. MORSE. Senator, in the negotiation of the International Sugar Agreement, I headed the delegation in those negotiations—

Senator MALONE. I do not know who headed it, but I knew what it looked like when it came up, and I did not vote for it.

Mr. MORSE. You will recall that in the agreement, as we have testified here, because we had the Sugar Act, the operations of the Sugar Act were excluded from the operations of the International Sugar Agreement. I suppose it was because we were not as completely involved in some of the operations, as well as Mr. Myers' knowledge of the sugar problems of the world, that caused the other countries to make him chairman of the council during the past year. He is not presently that. So the reason I have turned these questions to him was because of his familiarity with the operation of the International Sugar Agreement.

Senator MALONE. His testimony has been very clear. We know where he stands. He wants to limit our production.

Now, I am going to ask you again, you were giving 100,000 tons of sugar to some friendly countries. I missed part of that. I wish you would tell us about it; 100,000 tons of sugar to friendly countries.

Mr. MORSE. That is the purchase that we made in keeping with the Senate resolution and with section 19 in the bill which passed the House.

Senator MALONE. Just what about it?

Mr. MORSE. How is that?

Senator MALONE. Just how did the transaction work?

Mr. MORSE. We have purchased the sugar and will hold it subject to shipping orders. As I indicated, the first cargo—the first cargo, at least—will soon be loaded and we will ship it on orders from ICA.

In the past years, as the Foreign Operation Administration, which was the predecessor to the ICA, agreed to supply sugar to one of the friendly nations, they asked us to acquire the sugar.

Senator MALONE. That is another organization—the ICA that changes its name every year to keep the tax payment from catching up with it. This sugar is purchased in addition to the regular allocations? It is in addition, over and above the amounts that you normally purchase?

Mr. MORSE. Yes. This would be purchases out of stocks which the sugar industry in this country has been unable to market because of the restrictions of the quotas, the fixed quotas, under which we have been proceeding.

Senator MALONE. From domestic producers, altogether?

Mr. MORSE. Yes, sir. The 100,000 tons will have been produced not only by domestic producers, but producers on the mainland of the United States. Isn't that correct, Mr. Myers? So it has been from the farmers of the United States, the mainland of the United States.

Senator MALONE. Now, it is especially to be sent to countries that the ICA is friendly with; is that not the way it is?

Mr. MORSE. To countries friendly to the United States.

Senator MALONE. What countries do you have in mind, particularly?

Mr. MORSE. I would prefer that they handle that testimony——

Senator MALONE. Are they coming before the committee?

Mr. MORSE. And supply it, because I do not know, in the first place, and secondly, some of these transactions are probably in a negotiation stage, and I would not know the status of the negotiations.

Senator MALONE. Is the ICA coming before the committee?

Mr. MORSE. I do not know, sir.

Senator BENNETT. They are not on the list.

Senator WELKER. We can ask for them to come here.

Senator FREAR. They are not on the list.

Senator MALONE. They are not on the list.

Can you get that information? You are the one purchasing; are you not?

Mr. MORSE. We merely fill orders for them.

Senator MALONE. Do they have orders?

Mr. MORSE. We do not negotiate with countries which they supply.

Senator MALONE. Do you have orders now?

Mr. MORSE. We have some orders now and, as I say——

Senator MALONE. They are secret?

Mr. MORSE. We are starting to make shipments.

No; I would think, Senator, that they could supply you considerable information, if you——

Senator MALONE. Well, they are not listed for any testimony here, and there would be no other reason to have them here. Now, you are the one that buys the sugar.

Mr. MORSE. We would be glad, Mr. Chairman, to ask them to supply information for the record, if you would like.

Senator FREAR. The chairman accedes to the request of the Senator from Nevada, and would appreciate your supplying that information for the record.

Mr. MORSE. Thank you.

Senator MALONE. In other words, the information for the record as to how much sugar you have purchased, what you have paid for it, where you purchased it, and to whom it is consigned, or will be consigned, and how much you are getting for it, and what kind of money you are receiving from it, whether it is our money or some kind of foreign money, and then what they are going to do with the money when they receive it?

Mr. MORSE. Part of that information, Senator, is on page 3: "In accordance with industry recommendations"—again, this involved a great deal of compromising and cooperation between the various industry representatives.

(The following was later received for the record:)

PURCHASE PROGRAM OF 100,000 TONS OF MAINLAND SURPLUS OVERQUOTA SUGAR

*I. Quantity purchased and estimated cost to the Government*

A. Beet sugar: 28,500 short tons.....	\$4, 600, 000
B. Cane sugar, Florida and Louisiana: 76,505 short tons raw basis..	9, 560, 000
Total.....	<sup>1</sup> 14, 160, 000

<sup>1</sup> At port of shipment.

*II. Destinations*

A. Vietnam: (1) 11,500 net short tons, raw cane sugar; (2) 5,775 net short tons, refined beet sugar.

B. Cambodia: 3,465 net short tons, refined beet sugar.

C. The balance of the sugar purchased has not yet been consigned to any country. Such sugar will be shipped when the International Cooperation Administration determines the destinations and issues requisitions.

*III. Price ICA will obtain from country of destination*

*Raw sugar.*—The estimated comparable world price based upon the average of the reported Cuban world market price for raw sugar during the period of loading the vessel of the sugar shipped, adjusted to reflect premiums or discounts for polarization of the sugar, ocean freight (where applicable) and usual handling and loading costs.

*Refined sugar.*—In the case of refined sugar, the price will be computed on a similar basis, and, in addition, the usual cost of refining and packaging will be added to the raw sugar price.

*IV. Type and distribution of payments received*

The government of the country which receives the sugar will pay for such sugar by depositing in a separate special account of the United States Government upon notification of United States Government dollar disbursements, the amount of local currency of the country receiving the sugar, equivalent to the United States Government dollar disbursement at the highest rate of exchange of United States dollars in terms of such local currency lawfully quoted for imports into such country prevailing on the last day of the month of the disbursement period covered by each ICA notification report. The local currency deposit will be used for mutual assistance purposes as will be agreed upon between the Government of the United States and the government of the country receiving the sugar.

Senator MALONE. You are purchasing it; you should have the information. What part of the page is it on?

Mr. MORSE. It is in the lower part of the large paragraph in the middle of the page: "28,500 tons of beet sugar was purchased, and 71,500 tons of mainland cane sugar was purchased."

You come from an area of the United States, of course, where sugar beets are grown quite generally.

Senator MALONE. I am interested in both alike.

Mr. MORSE. Yes.

Senator MALONE. Just in the producers of the United States of America having equal access to their American market.

Mr. MORSE. Yes, and the sugar beet growers recognized the problem which the cane growers had in the large stocks that had accumulated. Cane growers had not had any recent severe freezes to cut back their production, and so the beet growers went along and worked out this allocation in which they took this smaller tonnage in connection with the purchase.

Senator MALONE. This sugar that you are now purchasing, is that sugar that was produced in the cane fields and the beet fields beyond their ordinary allocation?

Mr. MORSE. Yes, sir.

Senator MALONE. And you had refused to buy it under the Sugar Act?

Mr. MORSE. Under the law which we are administering, there is no provision for permitting sale of sugar in excess of the quota for an area, and so we had no way to authorize them to sell the sugar into the domestic market.

Senator MALONE. But it is sugar that is produced in addition to the regular allocation under the 1951 act?

Mr. MORSE. Yes, sir.

Senator MALONE. Well, would this new act take care of this type of production that apparently is already in cultivation and already in production?

Mr. MORSE. It would in time do that, but in the interest of farmers, who want to increase their production of sugar and continue to sell even their present production, we have felt that these increases, this increased participation in the sugar consumption in the United States, should begin to operate to the benefit of the farmers without waiting to pick up this additional tonnage. There was agreement that this would be relief of the situation as far as the American farmers were concerned, over and above what is proposed in connection with renewal of the act.

Senator MALONE. I listened very carefully to the answers to the questions of the Senator from Idaho, and what I got from that is entirely different from what I get now, and that is that it is a very minor increase that this new law will result in, if any, to a State like Idaho or Wyoming.

Mr. MORSE. It is not as much relief as we would like, sir—

Senator MALONE. Well, as who would like, you or the farmers?

Mr. MORSE. That the Department of Agriculture, the administration, and the farmers of America would like.

Senator MALONE. Well, what is keeping you from doing it?

Mr. MORSE. (No response.)

Senator MALONE. You mean we have other members of our Cabinet from foreign shores? I thought we only had one and he is paying us a visit very soon to keep our foreign policy on the track.

Mr. MORSE. When we consider the interests of the farmers of America, and the United States of America, we have felt that this represented, under the circumstances, the best recommendation.

Senator MALONE. Now, the Agriculture Department believes that you have to keep this sugar quota cut down so that you can buy the sugar from the foreign nations so that they in turn can buy the surplus crops of this country. That is exactly what you are telling me, is it not?



Mr. MORSE. I believe it goes beyond that, Senator.

Senator MALONE. Well, complete the record.

Mr. MORSE. May I suggest that when the testimony is available, you reread my previous statements?

Senator MALONE. Do not worry about me. I already know what you are doing. I am just putting it on the record for other people.

Mr. MORSE. I believe I have supplied an answer to your question.

Senator MALONE. Again, it would be very helpful, because you made a distinction there as between the reason you wanted to have more sugar purchased from foreign shores. There is another reason beyond selling agricultural products to them, of which we have a surplus.

Mr. MORSE. The purpose of the act, as set forth on page 1—and our testimony is in connection with the renewal of this act—there are four different items set forth there——

Senator MALONE. You are the only one that I have ever heard put that interpretation on the act. I mean, the Agriculture Department and the State Department; I know exactly what your position is and you wrote the act to start with. You are the one that injected this thing. So I am trying to ask you—I know now, and you have said 3 or 4 times, that what you want to do is hold the sugar production down in this country to the point where you can import enough sugar so that they can buy your surplus crops, your wheat and your corn and other supported crops, and now you just said there is another reason, and I only want this other reason. We have had enough of the first one.

Mr. MORSE. Yes; we have other farmers in the United States besides the sugar growers, Senator, as you know.

Senator MALONE. We have covered that part of it. Will you give me your additional reason?

Mr. MORSE. Farmers are selling into these markets and, therefore, they have an interest in this trade.

Senator MALONE. That is the same one you have explained 3 or 4 times. What you are saying is that you trade the market for one domestic crop for a foreign market for another crop.

Mr. MORSE. Yes, sir.

Senator MALONE. I thoroughly understand that.

Now you said there was an additional reason.

Mr. MORSE. Yes. As I said a moment ago, I believe I have covered the question that you have raised.

Senator MALONE. You had, but you just said that there was an additional reason. Give me the additional reason. You never have covered that one.

Mr. MORSE. I was undertaking to say that in addition to the interest of the sugar-beet growers, there were other interests——

Senator MALONE. In addition to the interests of the other farmers whose product you want to sell, then you said there was another reason. I am interested in that further one.

Mr. MORSE. The——

Senator MALONE. I understand now that you want to hold sugar-beet production down here and also the cane, so that you can import enough sugar to send the money over there to buy the surplus agricultural products here which you have already bought and have in the bin. I clearly understand your position on that. You want to

continue to lose \$1.35 a bushel on more wheat. But you said there was another reason; what is it?

Mr. MORSE. Senator, I think the following is a good illustration of the interest of the farmers. Louisiana is an important producer of sugarcane. In addition, they are important producers of rice, as you know.

Senator MALONE. Is rice supported?

Mr. MORSE. Yes, sir.

Senator MALONE. Is there a support price for that?

Mr. MORSE. Yes, sir.

Senator MALONE. Then it is included in what you have already said.

Mr. MORSE. And Cuba has been a substantial buyer of rice from the farmers of Louisiana, along with other farmers.

Senator MALONE. Just a minute. You have covered that five times. Now, you said there was another reason. What is it?

Mr. MORSE. It is the interest of farmers generally in world trade.

Senator MALONE. You said there was another reason. Now you confine it to one reason; is that it?

Mr. MORSE. I am sorry. I do not seem to be following your reasoning.

Senator MALONE. It is not hard for me to follow you, because you just get into one rut and stay there like a cracked phonograph record.

You said definitely there was another reason besides selling the surplus crops to these people. We understand you are for holding down the acreage here, or at least limiting it, so that you can import sugar and then sell the surplus crops to the foreign sugar growers.

Mr. MORSE. Senator, the purposes of the act, are—

to regulate commerce among the several States, with the Territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry; to promote the export trade of the United States, and for other purposes.

That is the statement in the act, and it is the congressional act and not my words.

Senator MALONE. Yes. I think if you will just read that and take it to heart, it is there to protect the producers of this country, and the export trade is something beyond that and should be a profitable trade; otherwise it is not trade. But if you have no other reason, if you have forgotten the second reason that you had, we will leave it right at that point.

Mr. MORSE. The Congress said, "to promote the export trade of the United States." Now, that is the language of Congress and not my language.

Senator MALONE. Yes, I understand you. You take that to mean that you must promote greater imports of all the products in which you deal, so that you can sell the surplus we create here. You are to remake the industrial map of the United States. Is that what you consider? Is that your recommendation?

Mr. MORSE. That is my understanding, that when you promote trade, it involves both export as well as import.

Senator MALONE. And that you shall reduce the production in this country in some products without benefiting the consumer, so that the importer of such increased imports may buy some other product from this country; more of that your department is to re-

shuffle the amount of imports and exports of this Nation—that is exactly what you believe?

Mr. MORSE. I have tried——

Senator BENNETT. Mr. Chairman——

Senator FREAR. Senator Bennett?

Senator BENNETT. Mr. Chairman, it is 5 o'clock. We have six more witnesses, and the chairman has instructed us to go through with it tonight. I wonder if the Senator from Nevada could indicate how much longer he is going to continue.

Senator MALONE. I am through now. I think we are wasting our time trying to get further information as to what these people are actually trying to accomplish in remaking the production map of the Nation.

Senator WELKER. Mr. Chairman, my last question, and I must leave. I will be very short.

Senator FREAR. Senator Welker?

Senator WELKER. Mr. Secretary, from the Department of Agriculture, do you know whether or not you have spent any funds on technical assistance to offshore producers of sugar to help them produce more sugar, Cuba, the Philippine Islands, Costa Rica, or any other place?

Mr. MORSE. I cannot answer specifically except that the Department of Agriculture has conducted no such program. I would assume that in the technical assistance program there probably has been such assistance.

Senator WELKER. It is a fair assumption, then, that I could tell my people that while we are cutting down on their acreage allotments, our Department of Agriculture has also been assisting and aiding the offshore producer, so that he might produce more?

Mr. MORSE. That program has been handled under another department of Government, and again, we would be glad to get a statement that bears on that for the record.

(The following was later furnished for the record:)

STATEMENT PREPARED BY INTERNATIONAL COOPERATION ADMINISTRATION ON  
UNITED STATES ASSISTANCE IN WORLD SUGAR PRODUCTION

There are no United States-financed technical cooperation projects directly for the purpose of increasing the production of sugar in any country participating in the United States mutual security programs.

The ICA has agricultural programs in many countries of the world, including countries producing sugar, to assist in developing the educational, research, and extension institutions on which a country must depend for progressive agriculture. In helping to develop these institutions, assistance is given in plant breeding, disease and insect control, cultural practices, organization of research and extension, agricultural credit, storage and marketing, and the like. A large number of the United States land-grant colleges are assisting under contract arrangements in this program.

While an indirect result of these programs may be assistance to sugar production, the principle followed is that United States support shall not be given to projects which, in the long run, would increase directly exports or decrease imports of commodities which are in world surplus. Sugar is, of course, in this category at the present time.

Senator WELKER. I really would like to have that.

In conclusion, I think to help answer Senator Malone's question, and something in my mind and, I am sure, in yours—I noticed Mr. Myers was assisting the Assistant Secretary of State in answering

questions on sugar—you want the committee to understand that the Agriculture Department alone cannot formulate these policies, that you must coordinate with the State Department?

Mr. MORSE. Yes. These are recommendations which have been developed by the administration, and there is in this, of course, a definite responsibility which the State Department carries.

Senator WELKER. And on which the State Department had definite ideas a year ago, when we were debating this matter and arguing about this matter, and we had to clear with the State Department before we got anything; is that not correct?

Mr. MORSE. As I say, it was worked out as an administration.

Senator WELKER. I am just putting the spotlight on the State Department. They are the ones that I seem to have had the difficulty with, and you people, I assume, had to coordinate everything with the State Department before you come up here.

Mr. MORSE. The coordination, I believe, worked both ways, in working this out. There have been a good many compromises in arriving at our recommendations. There are distinct, varied interests within the industry, the cane areas and sugar beet areas, and this has been developed as representing the best answer all the way around.

Senator WELKER. The best answer?

Mr. MORSE. In our judgment.

Senator WELKER. But you would not have gotten any place, Mr. Secretary, if the State Department had not approved what you said?

Mr. MORSE. I think the best answer, Senator, is that we are here with what we feel are sound recommendations.

Senator WELKER. You still have not answered the question, and you know that everyone of us here knows that the answer is "yes."

That is all, Mr. Secretary. Thank you very much.

Senator FREAR. Senator Williams?

Senator BARKLEY. Mr. Chairman—

Senator WILLIAMS. Excuse me. Go ahead.

Senator BARKLEY. I hesitate to take any time to ask questions, in view of this imposing list of unheard witnesses. But I would like briefly just to recapitulate about 1 or 2 things.

Prior to the enactment of this Sugar Control Act, the sugar industry, and the importation of sugar, were controlled almost exclusively by the tariff rate?

Mr. MORSE. Yes, sir; I believe that is the case.

Senator BARKLEY. A rigid tariff rate on sugar. And the act was passed in order to try to get away from that rigidity. Whether wisely or unwisely, that was one of the objects of the act, so as to make it more flexible, not only for the benefit of American producers, but also to allocate the importation of sugar among the suppliers of sugar to this country, on a more or less fair and just basis; is that true?

Mr. MORSE. I believe that is within the scope of the act.

Senator BARKLEY. From time to time, since the original act, it has been amended?

Mr. MORSE. Yes, sir.

Senator BARKLEY. Due to conditions that existed at the moment?

Mr. MORSE. Yes, sir.

Senator BARKLEY. There were amendments to the act, and due to conditions that now exist?

Mr. MORSE. Yes, sir.

Senator BARKLEY. Do you think that assuming that this bill deals as fairly as is possible, admitting that it is a compromise, with all the nations that ship sugar into our country, as well as our own producers—what would be your attitude toward an amendment that might be suggested, that if any of these countries that ship sugar into the United States deliberately discriminate against an American agricultural product, that the Government of the United States would have the power to deal with it either by reducing their quota or some other method by which a fair dealing with our agricultural products could be brought about?

Mr. MORSE. Your judgment on that, Senator, would probably be better than mine. It gets into foreign fields and relationships.

Senator BARKLEY. Yes. I realize that. Any administration dealing with a subject like this or any other subject where it must be an administration policy, must coordinate its own branches.

Mr. MORSE. Yes, sir.

Senator BARKLEY. It cannot ride 2 or 3 horses going in opposite directions. And that is why it is necessary for all these departments to work together and coordinate, whatever you want to call it, in bringing something here that they can agree on.

Mr. MORSE. Yes, sir.

Senator BARKLEY. Do you think that this bill as passed by the House represents that consensus of opinion?

Mr. MORSE. No, sir. The testimony here is in support of the committee print which is before this committee, which carries some very important modifications, and it is the one which—

Senator BARKLEY. Yes. I meant the House bill subject to these amendments. That is what you are supporting?

Mr. MORSE. Yes, sir; this print which is before you here now represents our best judgment. I am very appreciative of your recognition of the fact that there are compromises involved.

Senator BARKLEY. Do you think that the change in the percentage as between Cuba and some of these other countries under this bill, which takes away from one and adds to another, will inure to the benefit of any other American agricultural product that is exported to any of these countries?

Mr. MORSE. We have not felt so. We have looked to the judgment of the State Department in that portion of the bill, but we in Agriculture have felt that their judgment as expressed here has merit.

Senator BARKLEY. We do not produce enough sugar in this country to supply the domestic demand?

Mr. MORSE. No, sir. We have only produced around half of our requirements.

Senator BARKLEY. Have we ever produced enough to supply the demand?

Mr. MORSE. I believe not, sir.

Senator BARKLEY. Can we? Is there enough land available for either cane or beet-sugar production in this country to supply the domestic demand?

Mr. MORSE. Probably so, if adapted land was put into sugar beets, but the history of our country, as you have expressed it, has been that farmers in their diversity of crops have not in the past chosen to grow all of the sugar beets and sugarcane to supply our markets.

Senator BARKLEY. Recognizing that situation, the better part of wisdom is to adjust it both domestically and internationally so as to afford justice to all elements, domestic and international?

Mr. MORSE. I heartily concur in the statement you are making.

Senator BARKLEY. You think this bill, as amended, does that?

Mr. MORSE. Yes, sir.

Senator BARKLEY. Thank you.

Senator FREAR. Senator Williams.

Senator WILLIAMS. Mr. Secretary, in connection with this 100,000 tons of sugar which you bought in the domestic market from domestic producers and which I understand under the agreement you will be obligated to export from this country; is that not correct?

Mr. MORSE. Yes, sir.

Senator WILLIAMS. In arranging this export from this country, under ICA, whether it be a gift or a sale—the answer to this question would be the same—Did you give any consideration, instead of exporting it from this country, to just taking 100,000 tons which we will be buying from Cuba and allocate that offshore?

Mr. MORSE. I believe that was considered, and the judgment seemed to be that this was the best way.

Senator WILLIAMS. Would you not get the same answer if you did that, and be just as fair to Cuba and to one of the other countries, if you took a part of that which we are obligated to buy from them under this bill and under the law, and ship that directly from that source to wherever you will be consigning this later? Would you not save the transportation coming in and all the handling charges, which would run to about 8 \$million or \$10 million?

Mr. MORSE. The position of some sugar in the United States is close to export locations.

Senator WILLIAMS. But it still costs you money to get it from Cuba or the Philippines into this country, does it not?

Mr. MORSE. Yes, sir. This is sugar produced in the continental United States, that we would be exporting.

Senator WILLIAMS. I understand that. But I will put the question this way: Would there be a savings if you did allocate it from your purchases from these other countries and release, at the same time that you made these allocations, an equal amount of this sugar in the domestic market?

Mr. MORSE. There would have been savings if it had been shipped out by one of the foreign suppliers.

Senator WILLIAMS. The next question is, Would it not be the same answer, and just as equally fair to the American producers and the foreign producers and everybody involved under this bill?

Mr. MORSE. (No response.)

Senator WILLIAMS. I mean, by so doing, would there be any disadvantage to doing that, as far as any of the participants in this agreement are concerned?

Mr. MORSE. This procedure is within the scope of the authorities under which we are operating. The other was regulated by law.

Senator WILLIAMS. Now, what disadvantage would there be?

Mr. MORSE. Well, as I say, we could do this within the scope of our authority and with the governmental operations that we have in this country, and it was felt, therefore, that we should proceed within the authority that we have.

Senator WILLIAMS. I recognize that you can do it. But my question was, Had you adopted the other procedure of allocating this shipment from the source of production in the foreign fields direct rather than bring them into this country and then out, would that have worked to the disadvantage of any of the participants in the agreement?

Mr. MORSE. I am not sure——

Senator WILLIAMS. Had it been done simultaneously?

Mr. MORSE. I am not sure that I can fully answer that question. It would represent negotiations with the offshore suppliers and would have involved their operations. Just how it would have worked in all respects, I am hardly prepared to answer.

Senator WILLIAMS. Can you think of any way in which it could?

Mr. MYERS. Senator, I would grant immediately that with sufficient authority and successful negotiations, that an arrangement might have been worked out such as you suggest. It would have required legislation, for one thing, and second, it would have required, uniquely enough, some rather uncertain negotiations.

And let me cite you an example of a specific case that we had a few years ago, where we were supplying some sugar to Japan. It was back during the occupation of Japan. The Philippines were shipping sugar in here, and we had to ship sugar from Cuba to Japan.

We tried as best we could to work out a negotiation under which we would ship the Philippine sugar to Japan and the Cuban sugar in here, in lieu of it, and the Philippines did not want to do it, because they did not want to lose their record of supplying this market.

I cite that just to show the complications that it gets into.

Senator WILLIAMS. Yes. But could you not have given them assurance that it would have been credited to them just as if they had shipped it and maintained the quota the same?

Mr. MYERS. Senator, we wrote them every kind of telegram and letter that I know about, and we just could not get the job done.

Senator WILLIAMS. The minute we buy it from the Philippines or wherever we buy it, it is our sugar, is it not?

Mr. MYERS. Yes.

Senator WILLIAMS. Can't we ship it where we please?

Mr. MYERS. Yes; except that it provides for a quota that the sugar is shipped into this country, and it comes in through private trade sources. The Government is not the buyer of the sugar.

Senator WILLIAMS. I am not getting into the merits or the demerits of the proposal whether we should have bought the 100,000 tons. That is done under the authority of Congress, and you have authority to get rid of it. But it does seem to me rather silly to bring this sugar from the Philippines across the Pacific to the United States or from Cuba into the United States and then turn around and ship it all the way back, when we are going to give it away to get rid of it.

It seems to me it would be much cheaper to do it at the source than it would be with all this transportation, and I know you would save about \$6 million or \$8 million minimum.

Mr. MYERS. I think undoubtedly we would have saved some money but, as I say, it would have required some legislation, and there would have been complications.

Senator WILLIAMS. Legislation could have been provided for with a very simple amendment to this bill, and \$6 million or \$8 million,

saved, which nobody could get, would have gone a long way toward helping some of these farmers that were in trouble, would it not?

Mr. MYERS. I don't know how much money would have been saved. There would have been a little bit of saving in transportation and handling costs.

Senator WILLIAMS. Well, your transportation and handling costs, which run around 2½ or 3 cents a pound, minimum?

Mr. MYERS. Of course, it would be the difference between the ocean shipping costs from, let us say, Cuba to some of these destinations, versus from the United States to some of those destinations. I think there would have been some saving. It would not probably have been as much as you are thinking of offhand, because the Cuban sugar or the Philippine sugar also would have had to be shipped.

Senator WILLIAMS. That is right. It would have had to be shipped. But at least it all helps, and it looks to me that it is just that much money that you were paying out, for which nobody gets any benefit except your shipping companies, the few that would be handling it.

I believe in the free-enterprise system, but I do not think that it is only for shipping. I venture to say this, that neither you nor I in private business would be doing that.

Mr. MYERS. I will say that we bought the sugar at a price f. o. b. the seaport, and required our domestic sellers to absorb that freight cost. We felt that if they wanted to sell the sugar they should do that.

Senator WILLIAMS. No further questions, Mr. Chairman.

Senator FREAR. Senator Bennett?

Senator BENNETT. No questions.

Senator FREAR. Just one.

Mr. Secretary, what other programs, if any, operate in a similar manner as do the Sugar Act subsidies?

Mr. MORSE. I do not believe we have a directly comparable one. We have a subsidy on, or an incentive payment for, wool, which is another instance where we import a very substantial part of our requirements. As you know, two-thirds or three-fourths, of our wool requirements are imported, and we are paying an incentive to the woolgrowers of this country.

Senator FREAR. Do the duties we impose on the imported wool go into the general fund or go into the Treasury?

Mr. MORSE. I believe that is the case. And in that regard it operates similar to this.

Senator FREAR. And then the subsidy paid domestic woolgrowers is through appropriations by the Congress?

Mr. MORSE. I believe that is the mechanism. I would want to check that, Senator.

Senator FREAR. Do you know of any other similar program?

Mr. MORSE. I do not recall offhand another.

Senator FREAR. Somewhere along the line here I have gotten the figure of 8,350,000 tons of sugar. Can you tell me what that figure represents?

Mr. MORSE. That is the base from which the growth will be divided. In other words, it will be the increased consumption above that 8,350,000 tons. Last year our requirements were 8,400,000. The figure 8,350,000 was established in connection with this legislation



last year, and is a reasonable base. We have announced it as a consumption estimate to start this year.

Senator FREAR. So that the 1956 estimated consumption is 8,535,000, with the 135,000 over the 8,400,000 figure?

Mr. MORSE. Yes. That is applying the estimated increase due to population increases to 1954 requirements.

Senator FREAR. So that in order that domestic producers may have the advantage of this act, you are giving them a starting base of 8,350,000 rather than 8,400,000, or 8,535,000?

Mr. MORSE. Yes, sir. The actual consumption will depend upon many factors as the year develops.

Senator FREAR. Thank you, Mr. Secretary. On behalf of the chairman, I express our thanks to you for appearing here, as well as our thanks to Mr. Myers. Personally I can say that you have had an enduring constitution this afternoon. I hope you have enjoyed it somewhat.

Mr. MORSE. Thank you, Mr. Chairman. As your hearing proceeds or as the committee work proceeds, let us know how we can be of service. We will be glad to be of help in any way we can.

Senator FREAR. Thank you very much.

Mr. MYERS. Mr. Chairman, earlier Senator Malone asked for the refining margin on sugar. I have worked it out here roughly. It is \$1.70 a hundred pounds. So that is in the record.

Senator FREAR. That is a matter of record. Thank you.

Mr. Frank Kemp.

Mr. Kemp, if you will take a chair and identify yourself, as well as the industry or industries that you are representing——

Mr. KEMP. Thank you, sir.

#### STATEMENT OF FRANK A. KEMP, EXECUTIVE COMMITTEE CHAIRMAN, AMERICAN SUGAR BEET INDUSTRY POLICY COMMITTEE

Mr. KEMP. My name is Frank A. Kemp. My home is in Denver. For over 20 years I have been president and general manager of one of the beet-sugar companies.

Senator BENNETT. May I interrupt at that point, Mr. Kemp? You are referring to a beet-sugar refining company, or do you both grow and refine beets?

Mr. KEMP. We grow very little, sir. We merely process.

Senator BENNETT. After this discussion about direct subsidies to cane-sugar companies this afternoon, I was anxious that the record be clear, that you are basically a refiner.

Mr. KEMP. Very few of the beet-sugar companies produce any of the beets that they process. They buy them from farmers, and the companies themselves, the beet-sugar processing companies, receive little, if any, of the conditional payments that have been discussed here.

Senator BENNETT. Pardon the interruption.

Senator FREAR. That is all right.

I would like to get in at this time, if I may, Mr. Kemp, that Senator Millikin, the senior from Colorado, would like very much to have been here today to have introduced you to the committee and the audience, but as you probably know, Senator Millikin is not able to

be here today, but our last reports are that he is coming along very fine. Perhaps you know that. If not, I am sure you will be interested in it. And I know he is greatly disappointed that he cannot be here to introduce an old friend of his to this committee.

Mr. KEMP. Sir, that is very typical of Senator Millikin's great courtesy to everyone that has had anything to do with him. Indeed it is.

To go on with my statement, I am also chairman of the executive committee of the industrywide organization of the growers and processors of sugar beets in the United States.

I appear as a witness in support of the committee print of Senator Bennett's proposed amendment to the Sugar Act at the request and on behalf of all five of the domestic sugar producing and refining groups: (1) the sugar-beet growers and processors in 22 States from Michigan and Ohio on the east to the Pacific coast; (2) the sugarcane growers and processors of Louisiana and Florida and their constituent organizations; (3) the Hawaiian Sugar Planters' Association, through which the interests and concerns of the planters and mills of the Hawaiian Islands are voiced; (4) the Association of Sugar Producers of the fertile island of Puerto Rico; and (5) the United States Cane Sugar Refiners' Association, comprising the great majority of the refiners of cane sugar in the United States, with refineries in 8 coastal States from Massachusetts to Texas and California. I have sought to compress my statement and shall insert for the record, but will not stop to read, a complete list of the organizations for which I speak.

Senator FREAR. It may be inserted.

Mr. KEMP. Thank you, sir.

(The list above referred to is as follows:)

DOMESTIC SUGAR ORGANIZATIONS AND INTERESTS FOR WHOM THE WITNESS  
FRANK A. KEMP APPEARED

UNITED STATES SUGAR BEET INDUSTRY

Amalgamated Sugar Co.  
American Crystal Sugar Co.  
Big Horn Basin Beet Growers Association of Wyoming  
Black Hills Beet Growers Cooperative Association of South Dakota, Inc.  
Buckeye Sugars, Inc.  
California Beet Growers Association, Ltd.  
Central Nebraska Beet Growers Association  
Eastern Washington Cooperative Beet Growers Association  
Farmers & Manufacturers Beet Sugar Association, representing grower associations and processors of Michigan and Ohio  
Franklin County Sugar Co.  
The Garden City Co.  
Goshen County Cooperative Beet Growers Association of Wyoming  
Great Western Sugar Co.  
Gunnison Sugar, Inc.  
Holly Sugar Corp.  
Idaho Sugar Beet Growers Association  
Layton Sugar Co.  
Lower Snake River Sugar Beet Growers Association of Idaho  
Mason City District Beet Growers Association of Iowa  
Montana-Wyoming Beet Growers Association  
Mountain States Beet Growers Marketing Association of Colorado  
Mountain States Beet Growers Marketing Association of Montana  
National Beet Growers Federation  
National Sugar Manufacturing Co.  
Nebraska Non-Stock Cooperative Beet Growers Association  
Northern Montana Beet Growers Association

Nyssa-Nampa Beet Growers Association of Idaho and Oregon  
 Red River Valley Beet Growers Association of Minnesota and North Dakota  
 Southern Colorado Beet Growers Association  
 Southern Minnesota Beet Growers Association  
 Spreckels Sugar Co.  
 Tongue & Yellowstone Beet Growers Association of Montana  
 Union Sugar Division, Consolidated Foods Corp.  
 Utah-Idaho Sugar Co.  
 Utah Sugar Beet Growers Association  
 Western Beet Growers Association  
 Western Colorado Beet Growers Marketing Association  
 Western Montana Beet Growers Association

## MAINLAND SUGARCANE INDUSTRY

American Sugar Cane League  
 Florida Sugar Producers

## HAWAIIAN SUGAR INDUSTRY

Hawaiian Sugar Planters' Association

## PUERTO RICAN SUGAR INDUSTRY

Association of Sugar Producers of Puerto Rico

## UNITED STATES SUGAR REFINING INDUSTRY

United States Cane Sugar Refiners' Association

Mr. KEMP. These interests are keenly competitive. That they are united in support of the proposed amendment to present legislation, that they have agreed that their support may be voiced by a single witness, evidences the determination of the domestic sugar industry to accept necessary compromises and sacrifices and to unite upon legislation governing sugar that is in the best interests of the Nation. I should like to stress the fact that there is widespread harmony in the entire domestic sugar industry on the proposed bill. The testimony of officials from the Department of Agriculture and State who have preceded me shows that the executive branch of the Government also endorses in its entirety the proposed legislation. This hearing will establish that that large field of harmony and agreement is broadened by the approval and support of other interests.

Sugar legislation is an old acquaintance of the Congress and of this committee. The important principles of the present law were enacted in 1934. On nine different occasions since that year the law with respect to sugar has been reviewed, amended, or extended. Congress has repeatedly reconsidered the subject. The long record of the law and the repeated examination of its subject matter show the familiarity of Congress with the problems of the commodity and furnish uncontrovertible evidence that the law has worked well has protected the interests of consumers and of the industry and at the same time has promoted the foreign commerce of the Nation.

From the very beginning, sugar legislation has been written under the guiding principle that the interest of consumers was of great importance. That is the way it should have been. The industry depends for its existence on consumers. It understands fully the need for continually better and improved service and standards.

I shall take time briefly to point to some of the real benefits of our sugar system. Since 1934, the sugar law has provided for the sharing of the American market by both domestic and foreign suppliers, insuring the benefits of domestic production and at the same time pro-

viding a large volume of foreign trade. To enforce the market quotas prescribed and to achieve other objectives of the legislation, the law provides a series of strict controls supported and enforced by a tax-and-payment system which over the years has benefited the Treasury to the extent of many millions of dollars without itself adding to the price of sugar in the market because of concurrent and continued reductions that have been made in the once substantial tariff against sugar imports.

For the benefit of field workers, the law goes so far as to vest in a Government department what amounts to the right to prescribe the level of fair field wages on sugar farms. It has made available to the people of this country an ample and secure supply of sugar at modest prices. Measured in terms of the relatively small increase that has taken place in the price of sugar compared to the increase in the price of other things, the level of sugar prices in this country has been and is very modest indeed. Tested in terms of consumer purchasing power, by the time that it takes an average workman to earn money enough to buy a pound of sugar, the American sugar price is lower than in any other major country in the world.

Recent analysis by the purchasing department of my own company shows that compared with the 1947 indexed average price of the commodities that we buy in the manufacture of sugar, the 1955 cost was up on the average 52 percent. Added to the increase in our material costs of 52 percent, our labor costs since 1947 have increased 76 percent. Yet the manufacturer's basic price for sugar, which was \$8.10 per hundred pounds in January of 1947, is now \$8.30, an increase of only a little over 2 percent.

Secretary Benson recently pointed out that the spread between what the farmer receives for his products and the price paid by the housewife has increased 83 percent since 1945. I am not able to make a comparison for the identical period, but it is the fact that the spread between the farmer's returns for sugar beets and cane and the price paid by the housewife for sugar has increased less than 12 percent since 1947, most of which is represented by increases in freight and other items not retained in the sugar trade.

Senator FREAR. Would you desire to complete your testimony, or do you object to having questions asked as you proceed?

Mr. KEMP. No, indeed, sir. I will be glad to be interrupted at any time.

Senator FREAR. In the last two paragraphs that you have read, an increased cost of 52 percent and 76 percent, and only an increase in price of 20 cents a hundred, between \$8.10 and \$8.30, then is reflected in the decreased income to the producer?

Mr. KEMP. The producer has not had his income reduced by virtue of the percentage increases that I am talking about. That affects the processors. When you say "producer," I assume you mean the farmer.

Senator FREAR. Yes.

Mr. KEMP. The farmer is getting about the same price as he did 7 years ago for his beets, but everything he does, everything he uses, has gone up in cost.

Senator FREAR. Now, just let me ask another question if I may. Your company—I understood you to say that you bought beets from the producer, or the farmer.

Mr. KEMP. That is right; yes.

Senator FREAR. Yes, sir. In 1947 you paid him on the basis of \$8.10.

Mr. KEMP. We can use that as an illustration; yes.

Senator FREAR. All right. And you have absorbed—your company has absorbed—52 percent in material costs and absorbed a 76-percent increase in labor costs?

Mr. KEMP. That is precisely the case. There is no better illustration in the whole American economy of what they call the cost-price squeeze.

Senator FREAR. Yes. Of course, the question now is, Do you think that you were making too much?

Mr. KEMP. Did we—

Senator FREAR. If you can take that difference and only increase the cost, whatever this industry cost is, or the manufactured basis cost, between \$8.10 and \$8.30, or 20 cents a hundred, and you have absorbed 52 percent in material costs and 76 percent in labor costs, the question in my mind was that maybe in 1947 your profits were too high.

Mr. KEMP. I am sorry to have you draw that conclusion, sir. Perhaps some other things have happened. In other words, if we continue to go along without in some way offsetting the increase in cost that has affected so large a part of our operations, somebody is going to get into trouble.

We have benefited to some extent by increases in volume, by some improvement in our processes, by some other things of that kind. Otherwise, we would all be busted.

Senator FREAR. I am glad you added that. And I suspect also that in the figures that are going to be supplied by the two departments that were requested earlier in the day, there will be some reflection, and perhaps your company may be listed as one of them.

Mr. KEMP. The point that I have tried here to make, and to make with considerable emphasis, Senator Frear, is that the price of sugar has been very modest. It has increased, I think, 30 percent less than the increase in the price of all foods, and today, based upon its caloric value or anything else you want to take, is a very cheap purchase.

Senator FREAR. May I add that—

Mr. KEMP. And that is one of the results of the Sugar Act.

Senator FREAR. I am glad to hear that.

May I add, too, that whatever the price of sugar is at the present time, as far as I am concerned, it is worth it.

Mr. KEMP. Thank you, sir.

I come then in my prepared statement to something of a conclusion in respect to these facts that I have stated, and it is this, that if there be anyone with the temerity to compare the small increase in sugar prices with the higher costs of just about everything else we buy and use, he should first take his own actual sugar cost and compare it, as I have done, with the increase in the cost to him of other things, including wages, and the increase in the price of his own end product.

The production and refining of sugar have profound influence upon the economy of the country. In the report for the year 1955 of the president of the Hawaiian Sugar Planters' Association, it is said:

Sugar has long been Hawaii's greatest source of commercial income \* \* \* sugar provides Hawaii with more than one-third of all the money available to purchase imported goods \* \* \* every sugar dollar has an effect on the standard of living of Hawaii's people.

Of the entire return from the products of Puerto Rico more than 50 percent is represented by the proceeds of its sugar crop.

The cultivation of cane in Louisiana and Florida is of great importance to those States and of equal importance to their growing areas as cane cultivation is anywhere else on earth. The sugar beet crop and the farming and feeding system of which it is the hub is of tremendous benefit to the wide area in which it is grown. The Reclamation Service has shown that on many of its projects the beet crop, on a relatively small planted acreage, accounts for a large percentage of total farm returns.

The employment afforded by the great United States refineries is highly important. The market which they provide for the natural raw sugars of many lands and many producers, is of simply inestimable value to the latter. And in the variety of refined products that it provides to the consumer it furnishes a great service.

As one of its major effects, sugar legislation provides for the sharing of the American market. A division is made not only between the various domestic segments of the industry but between the domestic segment as a whole and foreign suppliers. It is natural that each supplying area would like to have the greatest possible share of the market and that they would contest for what they regard as their just proportion. For all of the domestic groups to agree on a single program, therefore, has required a great deal of compromise. No one group under this proposed program will get all that that group might ideally desire.

Time does not stand still. It was to be expected that as the years went by there would be evidence of need for some change in the law. The proposed statute makes certain changes in definitions that time has shown to be advisable, and in certain other respects, such as in providing for possible consideration of hardships in the making of acreage and marketing allotments within the total set, takes account of suggested change and improvement.

In all of the discussions over the last year or more, there has been very little said about any of these proposed changes except the one which again, as was the case prior to 1947, permits the domestic industry to share in the future growth and increase of the sugar market in this country. In the beginning, the domestic interests urged even greater participation in the market increase than is accorded in the draft under consideration.

Nevertheless, the industry, after long and thoughtful consideration, approved of the draft's concept as to the share of the market increase to the domestic areas. It is my understanding that no sugar interest, foreign or domestic, now opposes the provisions for domestic sharing of the market increase as expressed in the draft.

The law also changes the division of the share of the increase in this market accorded to foreign nations. On this point, the provisions are those recommended by the executive branch of the United States Government upon which, always subject to the will of Congress in legislative matters, devolves the duty of interpreting our relationships with foreign nations. The domestic industry defers on this point to the executive branch of the Government and accepts the judgment of the latter as to the market share to be accorded our foreign friends.

To turn for a moment to the small increase which the law makes possible for the domestic industry—the right to share in the growth of

the country, to participate in and partake of its progress and development, is a right which other American business has as a matter of course.

It would be a tragic thing were the domestic sugar people to be denied some share of the future. Such a denial would prevent realization of the sound results of scientific improvement, of the need to beneficially employ our lands, of the need to grow nonsurplus crops that has been accentuated by surplus-crop allotments and acreage restrictions. The acreage of three of the domestic sugar areas has been cut back. Even under the proposed amendment, it may take some time before the modest share awarded them in our increased consumption will restore the reduction that has been enforced.

The mainland beet and cane areas, and Puerto Rico and Hawaii as well, have produced in excess of their sugar quotas in recent years. In most cases, the overquota sugar thus produced has been expensive to handle, difficult to care for. Provision has been made for the lifting, by purchase in 1955, of some excess-quota sugar in both the cane and beet areas. That has been a help. But it has by no means relieved either branch of the industry of the basic problem out of which such excesses arose. In the Louisiana-Florida industry, for example, the quantity of sugar on hand on January 1 of this year was actually greater by several thousand tons than the quantity on hand on January 1, 1955.

In his message to the Congress last week, President Eisenhower spoke of the urgency of enacting a new sugar law in these words:

The legislation to renew the Sugar Act of 1948, as amended, should promptly be completed. The Congress is aware of the need to give producers, as well as foreign suppliers and the entire sugar industry, as much advance notice as possible in planning their operations.

To this I would like to add a few facts from the practical every-day needs of the sugar business. In the whole course of preparation, growth and harvesting, the sugar crop takes from 8 to 24 months. The present law expires on December 31 next. The 1956 beet crop and substantial cane acreage will be planted in approaching weeks. Plans for the maintenance and improvement of the equipment in factories and refineries need to be made. Both cropping plans and plant operations require certain knowledge of the provisions of law under which they will be carried out and completed. If the legislation is to have a beneficial effect upon American agriculture and business in this crucial year of 1956, it should be enacted as quickly as possible.

In conclusion, I would like to make one point with the greatest possible emphasis, and that is that the proposed law does not take away from Cuba the right to market one ounce of the quantity which that country had as a quota in this market when consideration of revision and extension of sugar legislation commenced in the House of Representatives last June nor does it deprive Cuba of one ounce of her present quota. Cuba's present quota, incidentally, reflects substantially all the growth in the United States market since 1947, and those 8 years of growth increased Cuba's basic share of our market by the huge total of about 1 million tons a year. The proposed law is vitally important to Cuba and exceedingly generous to that country because it not only protects her present preferred position in the United States market, but also because her present large quota,

with substantial sharing of the future market of the United States also provided, is extended and continued.

Sir, right there I would like, if I may, to impose upon the members of the committee, to discuss a little bit what the quota is, and what this increase that has been talked about really is and where it starts.

I think it may add to your understanding of the problem.

We consumed last year the largest quantity of sugar ever eaten in this country, something in the neighborhood of 8,375,000 tons, or thereabouts. The present law, of course, governed the right to supply that sugar in 1955, and 1955 has passed.

Going way back to the beginning of sugar legislation, the shares of the various supplying areas were placed on a percentage basis, so that it did not make any difference whether the consumption was 5,800,000, as it was when I first got into this business, or whether it was 7 million tons, or whether it got up to 8,500,000. If the division had been on a percentage basis, you would have gone up with it.

But in 1947, for reasons that are not particularly necessary here, that percentage scheme of allotment to the supplying areas was changed, and the domestic areas were given fixed quotas, not percentages, but fixed quantitative quotas. At the time, it looked as if it were a reasonably adequate appraisal of what was needed. We had just emerged from the war; sugar was still under price control; it was still under rationing, and ration cards and tickets.

No one knew what the country would eat. The beet people, a lot of our people, had been riding Patton's tanks. We had gone to war. And as a consequence our production, and the production of Hawaii and Puerto Rico and Florida and Louisiana were affected by the fact that we were active participants in that great struggle.

So we took fixed quotas. The first year of the law, the country consumed 7,200,000 tons. We were entitled to 1,800,000, and we could not supply it because we did not grow it, as Senator Smathers has pointed out.

But as things settled down, and our men came back, we got back into production and starting in 1948, we overproduced our quota; we did it again in 1950 and so on.

Louisiana, which had only a 500,000 ton quota—and I am sorry Senator Dworshak is not here—overproduced their quota by a much larger percentage than we did.

Senator BENNETT. You mean Louisiana and Florida?

Mr. KEMP. Together, of course. I should turn that around. Florida and Louisiana.

Senator SMATHERS. Right. That is for tonight, anyway.

Mr. KEMP. Thank you, sir.

Now, we have still got those fixed quotas and they are in this law. If something is not done about it they will go on forever.

Also 2,500,000 people are added to the population of this country every year, and they eat sugar. There is some question as to how much our consumption is going up and, quite obviously, because it is affected by the earning power of labor, and a lot of other things. It is not going up by steps, like in your house. It will go up and it will fall back and it will go up again. But it is estimated that it is going up at the rate of about 135,000 tons per year.

Now, the domestic people have said, after 7 years, and after 2 or 3 years of excess quota production, and after 3 years of being cut back



on acreage, "We ought to share in the growth of the country; we ought to share in this increased consumption brought about by our growing population."

And, as I have said in my statement, I do not think basically that there is anyone who would quarrel with that concept. I think it is completely fair.

All right. Now, the question immediately arises, "Well, when are you going to start to share?"

And we have said, "All right, let's take consumption as it has already been established. Let's take 8,350,000 tons. We are not going back and taking anything away from anybody. We are taking it where it is." And we will say, "All right. Let's take 8,350,000 as the basis upon which we will start measuring the increased use, and we will give to the domestic areas their proper proportion of that increase."

And mind you, we will give to our foreign suppliers the other 45 percent. And there is no instance that I know of, sir, in the whole economy of the world where one country guarantees to foreign nations a part of its own economic growth.

Senator BENNETT. Mr. Kemp, at this point could you tell the committee why you think 55 percent is the proper share?

Mr. KEMP. That is because, sir, that is the proportion of the 8,350,000 made up by the total fixed quotas of the domestic areas. In other words, that is the proportion we are supplying of the base.

Therefore, we say it is only proper that we should have that same proportion of the increase.

Senator BENNETT. And did not that same proportion hold more or less true through the first 12 or 15 years of the act?

Mr. KEMP. Yes, sir; because in the 1934 act, particularly as it was reenacted in 1937—I think the Department of Agriculture put that figure into the record—we had 55.49 percent of the total, so that the 55 has years of background for it; it is the basis of our present actual division.

I am sure that the members of this committee will understand my concern that I may not have presented the case for the domestic sugar producing and refining industry as adequately as I wished to do. I take comfort, however, in the understanding of the whole problem that I know the committee possesses and in the ease with which all can recognize the basic justice of the revisions which the law would make.

I know that in your deliberations as to what should be done, you will be guided by your interest and concern in the good of the country. By that measure our claims stand on solid ground.

If I could for a minute—and I am so sorry that Senator Byrd is not here—I would like very much to explain this sugar system—

Senator FREAR. I am kind of sorry he is not here, too.

Mr. KEMP (continuing). And what these payments mean, and what they come out of, and who pays them.

Senator BENNETT. I think, Mr. Chairman, it would be a fine thing to have that explanation for the record. It would be available to Senator Byrd within the next 24 hours.

Mr. KEMP. In order to make a comparison, sir, I think it is necessary that you have to start from scratch. You have to start some place. Let us go back to 1934, and I was here then.

The world was overproducing its sugar needs, and the sugar industry, not only in this country but everywhere else was prostrate. Raw sugar had sold here to net Cuba a half cent a pound, fifty-three one-hundredths of a cent a pound. Wages in Cuba were merely subsistence wages, what they could grow on the place, and it was not much better in the beet country. And that, mind you—that condition came about under a tariff that was 2½ cents a pound against the world and 2 cents against Cuba.

Now, it was pretty evident that the tariff was not protecting the industry, and this collapse of the sugar industry had much to do with setting off the chain of firecrackers that brought the whole world down in the depression of 1931 to 1934.

Senator FLEAR. I thought it was the dairy industry that did that.

Mr. KEMP. Sir, I think they went hand in hand.

Well, somebody said, tariff won't do it; why don't we try a quota system? Why don't we—bearing in mind the desirability of some division between the foreign trade of the United States and our domestic production and the benefits of each—why don't we try a quota system, leaving it to some Government department to fix that quota large enough so that the consumer will be protected in price and the industry cannot take advantage, pricewise?

If, then, we can fix the supply adequately and can control price by the valve of supply, everyone in the sugar industry who supplies this market may depend upon their share; the industry can become stabilized; the price can be held at that level which will be fair to consumers and at the same time will maintain the business.

Senator BARRETT. Mr. Chairman, might I ask a question at this point?

Senator FLEAR. The Senator from Wyoming, Senator Barrett.

Senator BARRETT. Before you get into that, I would like to ask you, Mr. Kemp, if it is not correct that the difficulty that we encountered at that time arose primarily from the fact that Cuba had increased its production from about 3 million tons in 1914 to 4,500,000 during World War I, and to nearly 6 million in 1929, and that really precipitated this difficulty that we encountered in the early thirties?

Mr. KEMP. Sir, the world was overproducing sugar. And let me say this. Except for this last war, the world has overproduced sugar all the time I have been in the business, and the sugar problem is one of trying to adjust excess production to demand.

Now, Cuba, in the first war, as she has been in this war, was a natural expansionist. She could expand her production, which she did, and she got it up higher than she had any market for, because the minute the war ended, the beet sugar industry in Europe came back in; other countries that had been forced to discontinue their production came back in. One large contributing factor was that the Philippines, who were back of the American tariff wall and got the benefit of the full tariff, increased their production from 350,000 tons to 1,400,000, and most of that increase came out of Cuba's hide.

Senator BARRETT. Cuba really jumped the gun after World War I—

Mr. KEMP. She did not get down fast enough, Senator, and it was a pretty difficult thing for her to do.

Senator BARRETT. It was not a question of going down, Mr. Kemp. As I recollect, she went up from 4,500,000 tons to nearly 6 million tons.

Mr. KEMP. I have forgotten those figures.

Senator BARRETT. And she just made a bad situation much worse, and the same thing happened after World War II, and the 1948 act brought them out of it.

Now, I think you ought to follow up with the thought you expressed here a moment ago, that our boys went to war in this country in Wyoming and in all these sugar-producing States of the Union, and production went down. Cuba, of course, was able to produce in great quantity. And then as a result of that, when the boys came back from the service and got into production, they could not get any acreage at all, and Cuba was taken care of. And it seems to me that it is high time we do something for these boys that went to war, as you said there, earlier.

Mr. KEMP. I would like to go on with that——

Senator SMATHERS. Mr. Chairman, let me say this. You know, it is awfully easy to wave the flag, and I do not think that anybody sitting here at this table has a mortgage on patriotism or anything like that.

I think that Mr. Kemp, is doing a good job of pointing out that while it is true that the Cubans did not go to war, nevertheless we needed what they produced. We looked for sugar in the place where we could best get it, which at that particular time, in World War I and World War II, happened to be Cuba. And I think the record will reveal that the Cuban people, certainly in World War II, were willing to sell that sugar to the people of the United States at a price less than they could have sold it on the world market, or even less than they could have sold it to the United States.

Senator BARRETT. I do not know about that.

Senator SMATHERS. Now, it is true that war dislocates a lot of things, and there is no doubt but what this particular demand on the part of domestic sugar producers is timely. It possibly should have happened several years ago. But I do not think it is quite fair to the people of Cuba to act as though they were war profiteers or war mongers to the disadvantage of the rest of us.

Senator BARRETT. If the Senator will yield to me, I did not say that, but what I did say was this: That they increased their production from 4,500,000 tons to 6 million tons after the war in 1929, and that precipitated the first big breakdown in our sugar production in this country.

Now, I think that they are entitled to credit for producing in war-times when we could not produce it here, probably, at home. Nevertheless, they are certainly not entitled to preempt the market forever, and that is what happened after World War I, as I was pointing out here, and certainly it happened after World War II, with the consent of the Congress for a temporary period in 1948.

Senator SMATHERS. I do not think that anyone could justifiably criticize the Cubans or the Puerto Ricans, or for that matter, anybody else who sought to sell as much sugar as they could, just as we do not criticize our own people for selling their goods, and, of course, we would not.

But I do think that we recognize, and certainly those who produce sugar as they do in our State and Louisiana and your State, that the time has come when our domestic producers should have a large share of this increased consumption. That is one point.

But to try to put the burden of whatever the fault is in the sugar market on the people of Cuba, who I think, as a matter of fact, have done a rather genuine service for us, and evidenced their regard for us when in World War II they did not go out and sell their sugar to people from whom they could get a bigger price, but still gave it to us—I do not think, as I said, it is quite right to put the kitty on their back.

Mr. KEMP. I would like to get back on this payment business, because I was right in the middle of it, and I want to finish this, if I can.

Now, I have explained where we were under a tariff. The price got down to a half cent a pound of sugar, practically. In May of 1934—no, it was in February—Franklin D. Roosevelt sent a message to the Congress on the sugar situation. He proposed a processing tax of a half cent per pound and a quota system. And he said in that message:

“Consumers need not and should not bear this tax. It is already within the Executive power to reduce the sugar tariff by an amount equal to the tax. In order to make certain that American consumers shall not bear an increased price due to this tax, Congress should provide that the rate of the processing tax shall in no event exceed the amount by which the tariff on sugar is reduced below the present rate of import duty.”

On May 9, the President, President Roosevelt, signed the Jones-Costigan Act. That is the first of the sugar acts. And at that time he issued the following statement pertaining to it:

I have today signed H. R. 8861, which I am advised will permit a rapid approach to the solution of the many vexing and difficult problems within the industry. Acting upon the unanimous recommendations of the United States Tariff Commission, I have today signed a proclamation reducing the rate of duty on sugar. The rate of the processing tax must not exceed the amount of the reduction as adjusted to this unit of measure. This means that the processing or compensatory taxes will not increase in themselves the price to be paid by the ultimate consumer.

Three years later, the President sent another message, and he recommended a tax of three-fourths of a cent a pound. And he said:

I am definitely advised that such a tax would not increase the average cost of sugar to consumers.

Later on, the Department of Agriculture issued several releases. In one of them they said—this is March 15, 1937:

One is likely to assume that excise taxes increase prices under all conditions, but an excise tax on sugar within certain limits, under a quota system, is one of the exceptions.

And a little later on the Department said:

The tax did not affect the retail price in any way, at least over any appreciable period of time, and so could not have been passed on to consumers.

Now, what I am saying here—Mr. Myers as an economist to the contrary notwithstanding—is that this tax is paid by the industry, and before you get mad at people that get a 30-cent payment after paying a 50-cent tax, I want you to realize that an impost of 50 cents has been put on their sugar, and they only got 30 cents of it back.

Senator FREAR. That was not passed on in any manner to the consumer?

Mr. KEMP. No, sir; because since that time, the tariff has been further reduced so that it is now only 50 cents a hundred; so if you start from the beginning, Senator Frear, the consumer has been protected against this tax. It is not a part of the present price. If it is not a part of the present price, he does not pay it. It comes out of the industry.

Senator FREAR. Let me get this clear.

Mr. KEMP. That is one of the reasons why this is——

Senator FREAR. That is the first industry that I know of that has not passed on to the consumer its increases.

Mr. KEMP. That is right, sir. That tax does not affect us here, because the price in this country is made not by the tax, not by this miserable little tariff, it is made by the quota system.

The supply of and demand for sugar, admitted into this country under the quota system, is what determines price here. And that is regulated by the Department of Agriculture with a view of being fair to consumers.

Senator FREAR. The sugar industry is pretty well regulated by the Government.

Mr. KEMP. It certainly is, sir.

Senator FREAR. The production of both sugar canes and sugar beets indirectly is pretty well regulated by the Government.

Mr. KEMP. Yes.

Senator FREAR. Imports are strictly regulated by the Government; is that right?

Mr. KEMP. Well, not any more strictly than we are. In fact, they are not regulated as strictly as we are because we are regulated even to the point of the wages we have to pay our help.

Senator FREAR. But so far as a pound of sugar imported into this country is concerned?

Mr. KEMP. They get a quota—we get a quota identically the same.

Senator FREAR. That is right. It is all under a quota system.

Mr. KEMP. Yes.

Senator FREAR. Now then, there are certain taxes on the sugar industry, including duties, that is import duties of nondomestic produced, but domestically consumed sugar to the extent of about \$80 million?

Mr. KEMP. No, that \$80 million, as has been discussed here, is the excise tax of 50 cents per hundred pounds of raw sugar, assessed upon all sugar manufactured in this country or imported into it.

And that is this excise tax that President Roosevelt was talking about.

Senator SMATHERS. \$30 million the import duty brought in, he testified.

Mr. KEMP. That 50 cents against the imported sugar, roughly the imports are 4 million tons, 50 cents on 4 million tons is about \$40 million.

Senator FREAR. The only way I can see it, and I would like to have my impression corrected if it is wrong—this is the way I see it. If your industry, that is, the processing industry, has absorbed the increase in the cost to pay the producer or a few millions more as the testimony has been given here—then either you are not making any money now, perhaps losing money, or you were making too much money before this started—that is you were——

Mr. KEMP. I think I said to you, sir, this, that I think something is going to have to give way here. [Laughter.]

Senator FREAR. I am in accord with that.

Mr. KEMP. That is right. And it is pretty hard for anybody to stand up here and say, "Well, this is what goes on; the price of sugar has to go up."

Senator FREAR. That is right.

Mr. KEMP. But it is going to have to go up, if this goes on. Every time they raise the cost of an automobile or something else, we have to pay it. We do not get any more for sugar.

And another thing I would like to talk a little bit about here is this so-called world market.

Senator FREAR. Are you willing to let my impression stand?

Mr. KEMP. That something has got to give, you bet.

Senator FREAR. One or the other is happening. Either you haven't passed this on to the consumer or else you are losing money now or made too much money previously.

Mr. KEMP. Senator Frear, that I think is not the only conclusion to which you could come.

Senator FREAR. I want to be clear on it.

Mr. KEMP. All right. We have had to absorb an increasing higher cost, yet sugar prices for all practical purposes have remained about the same.

You can look at Mr. Myers' charts here. You will see sugar prices were lower in 1955 than they were in any of the 3 preceding years by a small amount.

We have been able to absorb those higher costs, by greater efficiency in our business, by somewhat greater volume, by better luck, better sugar contents, the adaptation of scientific research to the business, and that is the only way in the world that you can absorb higher costs.

Our earnings were not too high then, sir. The industry as an industry is not a high earning industry.

Senator FREAR. You have reduced your costs?

Mr. KEMP. That is right.

Senator FREAR. To absorb this difference?

Mr. KEMP. We have had to.

Senator FREAR. Of course, I do not know whether you know I am in the milk industry or not, but you could have well told me that you cannot add water to sugar. [Laughter.]

Senator BENNETT. Does the Senator wish the record to carry the implication?

Senator FREAR. He can forget that.

Mr. KEMP. There are many milk products in which sugar merges to the advantage of all of us.

Senator FREAR. What percentage of the sugar consumed in this country is on the household table?

Mr. KEMP. It has changed a great deal. The habits of the housewife as in milk products is changing a great deal. Not nearly as much sugar is bought and put on the kitchen shelf as once was the case.

These prepared foods, like doughnuts and cake mixes and all of that, but they are still eating about 96 pounds per capita.

Senator FREAR. Who?

Mr. KEMP. The people of the United States. But it isn't being bought in household packages to nearly the same extent as was the case 10 years ago.

Senator FREAR. What percentage, roughly, at present goes on the table?

Mr. KEMP. I can't answer it because I can't answer it accurately.

Senator FREAR. What was it before?

Mr. KEMP. I would say 35 percent, perhaps, now is sold for household distribution.

Senator FREAR. How does that compare with 1934?

Mr. KEMP. It is lower. I would think maybe it was 50 percent then.

Senator FREAR. About 50 percent.

Mr. KEMP. It has gone down.

Senator FREAR. And the decrease in one, and the increase in the other has been because of the use of sugar industrially?

Mr. KEMP. That is right.

Senator FREAR. Is there any difference in the price that you processors charge to industry and that which goes to chain stores or some independent store to be sold to the housewife?

Mr. KEMP. The sugar manufacturer's price, well, it is to the wholesalers, and certainly, the chain store has developed a volume of demand that puts him on the manufacturer's list.

Senator FREAR. Processors generally sell through wholesalers and wholesalers supply both the industry and the household?

Mr. KEMP. That is right. Well, some of the industry is big enough to be direct on the list.

Senator FREAR. What is that?

Mr. KEMP. They get the wholesale price from us, because their purchasing power is large enough to warrant that.

Senator FREAR. Is that at a lesser price than if they would buy through the wholesaler?

Mr. KEMP. The wholesaler is in between us and the retailer. He gets usually about 25 cents a hundred pounds. It is a very nominal amount for handling it in the bag and so on.

I'd like here, if I can, to talk just a minute about this world price and what that means.

There was a good deal of colloquy about it.

The world today is producing about 40 million tons of sugar and that is more than it is consuming. It has gone to an international sugar agreement to try to get the production outside of this country into line with the world's consumption.

Every country in the world that amounts to anything in size except Portugal and Norway grow sugar. And everyone of those countries has been more or less determined to have their own sugar supply, to produce at home some part of their domestic requirement.

And everyone of them that does produce some sugar sees to it that that sugar is first consumed, and the only sugar they buy is what they need over and above what they produce.

That total amount of import requirements over domestic production is about 4½ million tons, about 10 percent of production, and that is what they call the world market, if you please.

And these English are pretty good about defining things—the London Economist characterizes that market—if I can find it in these papers—it is not a free market. It is a dumping market, and it takes the sugar that has no home in the world and the price is below the cost of production in Cuba, the principal country that has to export to the world market.

Senator BENNETT. May I interrupt to make this observation and check for its accuracy?

During the colloquy this afternoon there may have been some impression created that the world market for wheat and the world market for sugar were comparable in their operations. Is it true there is no relationship between those two terms as applied to those two products?

Mr. KEMP. There cannot be, sir. I know very little about the international wheat market, but I do know something about the sugar market.

Senator FREAR. Let me ask a question, sir; from either of you:

Last year or the year before we were called upon to pass legislation here in the Senate called the International Wheat Agreement.

The International Sugar Agreement, to which I believe Mr. Morse testified, or someone from the State Department testified today, was somewhat different and that we are not a member of the International Sugar Agreement, but we are a member of the International Wheat Agreement.

Mr. KEMP. That is right.

Senator BENNETT. May I correct that? We actually are members of the sugar agreement but our own domestic consumption requirements are outside of the agreement.

Mr. KEMP. We kept them out.

Senator BENNETT. The agreement does not cover them but we sit in as members of the agreement to watch the thing operate.

Senator FREAR. But it covers us under the wheat market?

Senator BENNETT. Yes.

Mr. KEMP. We have to keep the production in line. The London Economist recently made this observation:

Even the world price is not a true price nor is it free. Were it not for the huge tonnage that is sold under preferential arrangements the price of raw sugar sold in the free market would have to be higher than it is.

So I say that you cannot compare the price of sugar in this country with that particular price. You can take the difference, if you please, but it is not an honest difference, and it is not the kind of difference that anyone would take in attempting to draw conclusions as to what the price ought to be somewhere else.

Senator BENNETT. I would like to ask you another question. Is there any major country in the world that depends on the so-called world sugar market for its normal and standard source of supply?

Mr. KEMP. I know of none. In fact, they have got a beet industry in England now producing beet sugar in England that in 15 years has increased its production about 70 percent.

Yet, England is the country that you think of as being the largest purchaser in the so-called free market.

Senator BENNETT. Apparently, there exists in some minds, even in the Senate, the idea that if this Sugar Act were allowed to die, the price of sugar in the United States would drop automatically to the so-called world market price.

Mr. KEMP. That is not so, sir, because I think there is not a producer of sugar in the world who would not stand up and say that that price as the London Economist puts it, would have to be higher than it is.



Cuba gets the full benefit of the price in this country, just as the domestic people do, and in that respect our quota system is a god-send to the Cuban industry, exactly as it is to us.

Senator FREAR. The producer in Cuba gets exactly the same amount per hundredweight of raw sugar as does the producer of cane sugar in the United States?

Mr. KEMP. The man in Hawaii, the man in Puerto Rico, the man in Louisiana, except, perhaps, that he has to suffer to the extent of the 50-cent tariff.

Senator FREAR. Yes.

Mr. KEMP. Which is pretty small business.

Senator FREAR. What does he get, what does the average producer get for cane sugar per hundred pounds of raw sugar sold?

Mr. KEMP. The Florida-Louisiana industry, sir, I think they paid for this crop—and someone can correct me if I am wrong—somewhere on the basis of a little over 6 cents for the 14-week average price that prevailed here up to last week.

Senator FREAR. I am sorry to interrupt you. Have you finished your statement on the world supply?

Mr. KEMP. Yes, sir.

Senator SMATHERS. No questions. Thank you.

Senator BARRETT. I would like to pursue that point just a little bit further. I do not mind saying that I am having a great deal of difficulty in my State, Senator Smathers, in answering a good many of these boys that we settled on irrigation projects—how come they can't plant an acre of beets when they figure that is the best cash crop they can possibly get.

What I would like to ask you, Mr. Kemp, is this: This bill is not all that I should like to see it be. Nevertheless, I intend to go along with it.

I would like to ask your opinion because I think you are about the best informed man in the country on this subject. If this bill is enacted into law, what will be the prospects of the beet growers in the Western States to see some modest increase in acreage in the years that lie ahead?

Mr. KEMP. Sir, I think that we have that prospect. And may I say this for the record: This entire domestic industry, not only the beet people but the Florida-Louisiana people, the Hawaiians, and the Puerto Ricans are deeply indebted to Senator Bennett and to Senator Barrett—to the Senators from Idaho, to a lot of other people—from whom and from whose constituents there has been a tremendous interest expressed in what can be done with this quota.

Let me say this, gentlemen, that this scheme—and I have tried to cover that in my statement—is a series of compromises. That is one of the things that makes it such good legislation. Nobody gets everything he wants, and they pretty well police each other.

I have been an advocate of this scheme because I believe, although I am a domestic producer, that we should divide, if you please, our production and consumption between that we produce domestically and that we import.

The problem is how to do it fairly, and how to do it in the best interest of the country. I came from Wyoming many years ago and I know something about Senator Barrett's problem. I know something about Senator Bennett's problem.

Let me say this, if we increase our consumption by 135,000 tons a year the beet people will get 22 percent of it. And that will be spread around among the beet industry in ways that I hope, Senator, will take care of some of the need.

I think if we let this run for 3 or 4 years and see how we are doing, we will have accomplished a great deal for our people, and will then know whether we have done enough or not.

Senator BARRETT. I am might glad to hear you say that. I am hoping that it will work out as you suggest, but by the same token it does seem to me that tremendous concessions have been made in this amendment, and I hope that this committee and the Senate and the conferees will not go below the requirements here made in this piece of legislation.

Mr. KEMP. I hope so very sincerely myself. I have imposed upon your time, Senator Frear.

Senator FREAR. Well, that has been quite interesting and enlightening, Mr. Kemp.

Mr. KEMP. There is one last thing I would like to add on that payment business.

Senator FREAR. You may inspire some more questions.

Mr. KEMP. I don't mind. I wish I could, and I am going to try to persuade Senator Byrd that profit has nothing to do with this payment, because the payment comes out of the price they get for their sugar.

Senator FREAR. I would like to be in on that. Thank you very much, Mr. Kemp.

Mr. KEMP. Thank you very much.

Senator FREAR. Mr. E. W. Rising, Minnesota-Dakota Sugar Beet Development Association.

#### STATEMENT OF E. W. RISING, MINNESOTA-DAKOTA SUGAR BEET DEVELOPMENT ASSOCIATION

Mr. RISING. Mr. Chairman, my request was not to testify but simply to have the privilege of filing a resolution for the Minnesota-Dakota Sugar Beet Development Association and a 10-line statement to identify the association.

Senator FREAR. This committee is very grateful to you for that and I can assure you that it will be made a very important part of the record.

(The statement of the Minnesota-Dakota Sugar Beet Development Association is as follows:)

#### STATEMENT OF E. W. RISING FOR MINNESOTA-DAKOTA SUGAR BEET DEVELOPMENT ASSOCIATION

The Minnesota-Dakota Sugar Beet Development Association is an organization of 750 farmers in Pembina and Walsh Counties, N. Dak., and Kittson and Marshall Counties, Minn., owning over 460,000 acres of land, an average of 600 acres per farmer, and who desire to grow 55,000 additional acres of sugar beets annually, or in excess of 70 acres per individual farmer.

This organization while joining in support of the Bennett amendment committee print, January 13, 1956, to H. R. 7030, as being the best legislation obtainable at this time, desires to have included in the record of this hearing, the accompanying resolution in further explanation of its views relative to needed Sugar Act legislation.

## RESOLUTION

Whereas the Sugar Act of 1948, as amended, will expire on December 31, 1956, and consequently its protective provisions will apply only to sugar refined from beets grown in 1955 and sold in 1956; and

Whereas reenactment of present law, with retention of protective quota provisions for sugar beets produced in domestic areas, is therefore essential early in 2d session of 84th Congress; and

Whereas under the present act the sugar-beet crop has been subjected to acreage restrictions in 1954, 1955, and proposed for 1956 amounting to from 12 percent under previous plantings; and

Whereas the sugar-beet crop is a major and important crop and the need is imperative that full acreage be restored and reasonable future expansion be provided for new areas; and

Whereas the sugar-beet crop is of increasing importance due to the curtailment of other crops and because they furnish a reliable cash crop badly needed on new areas to meet high operating costs as well as old areas to carry the mounting expenses of farming; and

Whereas both domestic sugar beet and cane growing farmers in equity should have the right denied to them under present law to participate in the expanding market for sugar in this country; and

Whereas there is now pending before Congress legislation to reenact and amend the expiring act: Now, therefore, be it

*Resolved*, That the Minnesota-Dakota Sugar Beet Development Association hereby directs its officers to actively support new legislation which will:

1. Provide sugar quotas to continental beet areas which will restore opportunity for full production among growers with a historical beet growing base.

2. Provide immediate opportunity on both new as well as established areas for farmers who desire to add the beet-growing enterprise to their farming program to the extent that processing facilities are available.

3. Provide further that in sugar-quota allocations such division of the steadily increasing American market be made as will create a basis for additional sugar-processing facilities in areas adapted to beets, such as this, in which farmers do evidence a firm and continuing desire to grow beets.

4. Provide that deficits occurring in the quantities allotted to domestic areas be reallocated to other domestic areas; and be it further

*Resolved*, That this association actively support a provision in new legislation limiting the term of the Sugar Act now under consideration for a period of 4 years in order that in 1960 Congress may again reappraise the need for quotas in all domestic areas and their ability to consistently supply the amounts prescribed.

Senator FREAR. Mr. Gordon Peyton of the industrial sugar users group.

Senator BENNETT. Before Mr. Peyton begins, Mr. Chairman, Mr. Kemp would like permission to expand his testimony with a supplemental statement. I ask that may be given him.

Senator FREAR. That privilege will be extended to Mr. Kemp and not only to Mr. Kemp but to any other of the witnesses that have appeared before this committee, as is customary.

Thank you, Senator.

(The supplemental statement referred to follows:)

## SUPPLEMENTARY STATEMENT OF THE DOMESTIC SUGAR INDUSTRY

The following statement is offered to supplement the verbal testimony of Frank A. Kemp in behalf of domestic sugar producers, processors, and refiners.

## PART I

1. *The domestic sugar industry and all five of its component parts are vigorously opposed to the amendment proposed by Senator Magnuson which would authorize and direct the setting aside, out of any increased quota resulting from revision of the act, an amount of acreage for new beet-sugar production on reclamation projects*

Restriction of production on every area supplying the American market is of the essence of the present plan for the legislative control of sugar in this country.

Because of the restrictions imposed by the law and the resultant need to hold beet-sugar production within its quota of 1,800,000 tons, 1955 crop sugar-beet acreage was severely restricted by the Department of Agriculture and it is again being severely restricted for the 1956 crop. The restriction cut the 1955 crop acreage 10 percent for the country as a whole from 1954 plantings, with some States suffering cuts of as high as 13 and 14 percent. In other words, large segments of the industry that have been in the business for years past and have made heavy and substantial investments in machinery, factories, etc., are now being required to operate on a severely restricted basis. This is due to the fact that in relatively recent years prior to 1955 the industry had been extended to areas, principally in the West, in which sugar beets had not previously been grown or processed and this new acreage was considered when acreage allotments were imposed. The amendment proposed by Senator Magnuson would have the effect of still further diluting the right to participate in the business, still further restrict those now engaged in it and further postpone the time when the historical basis of operation of the existing areas could be restored to them.

Such a policy would be inequitable and destructive. It would have the further effect of enlarging and promoting continued demand for larger domestic shares of the market, and it would do this immediately. That is what the proponents of the amendment want, namely, to force the entire industry actively to support their claims for greater quotas.

This whole subject has been debated carefully and at length by the sugar beet industry. At a meeting of the industry held at Salt Lake City on December 20, 1955, after thorough discussion of the subject, the meeting passed unanimously the following resolution:

*"Be it resolved,* That the American Sugar Beet Industry Policy Committee, meeting at Salt Lake on December 20, 1955, hereby expresses its opposition and objection to any attempted amendment to the Sugar Act or other device, which would segregate or earmark, or have the effect of setting aside or specifically awarding, any part of any quota increase or benefit that may be given to the sugar-beet industry in the revision in 1956 of the existing Sugar Act, to any special group or area or to other than the entire industry, and the entire domestic beet sugar area."

I desire further to point out that one of the members of the beet-sugar industry is the Eastern Washington Cooperative Beet Growers Association, an organization of farmers whose members include approximately 90 percent of the beet-growing farmers in the State of Washington. This organization of Washington farmers, through its duly accredited representative, subscribed to the resolution above quoted and is opposed to the Magnuson amendment.

The proposed amendment is both special and class legislation. It would confer benefits only on reclamation district farmers. Splendid people as these men are, it is questionable that they are entitled to privileges that would not be extended to other new farmers; farmers on new lands brought in by private enterprise; farmers in rainfall areas not subject to reclamation endeavor.

The very situation of the industry today shows that expansion of beet growing has taken place under the provisions of the present law. No earmarking or setting aside of acreage for special interests of special groups is needed. Experience of the past has proved that the opportunities afforded by the present statute are real and workable.

We are deeply appreciative of Senator Magnuson's expressed interest in domestic sugar producers and his support of legislation that would improve the position of the domestic industry. He has been and is a great and good friend of the business. We believe, however, that the proposed amendment which has been suggested to him, places undue emphasis on the contentions of a particular group, that in limiting consideration under the amendment to reclamation projects as such, it is too narrow, that earmarking of any kind would be destructive of the splendid record of the law and that it would promote contention, unnecessarily, and in a form that would be disadvantageous to everyone concerned.

We earnestly request that the amendment be not approved.

## *2. American sugar producers are the world's most efficient*

There has been a good deal of misunderstanding of the sugar business. One mistaken view occasionally expressed is that the American sugar industry is "inefficient," or "marginal," or "hothouse."

That view is simply at variance with the facts.

There are people who make themselves ridiculous by talking about a "hothouse" American sugar industry, by comparisons such as "growing bananas in Maine." Let's look at the facts. There are two great plants in nature's

cornucopia which produce sucrose—the sugar beet and sugarcane. Both plants are among the most efficient converters of solar energy in the whole list of things that grow. Sugarcane grows in the tropics and needs a frost-free climate, warm and humid, with abundant moisture. The other, the sugar beet, grows best in the temperate zone. The ideal location for beets includes an area and climate where the days are warm and the nights are cool, and the crop does not need a large amount of precipitation. The sugar beet has many indirect values to the areas in which it is grown. Being intensively cultivated, it helps the farmer rid his land of weeds. The soil is stirred up, humus created. Its byproducts support an extensive livestock-feeding industry. But let's go back to a real comparison of sugar production from the two crops—to a comparison of yields—to a comparison of efficiency.

*Every segment of the American industry produces more sugar per acre than is produced in Cuba.*—(1) The Hawaiian sugar industry has the greatest production record of any sugar-growing area on earth. During the last 7 years, 1949 through 1955, Hawaii produced each year on the average 9.54 tons of raw sugar per acre. This production in Hawaii was more than four times as great as the average production per acre in Cuba for the same period.

(2) In Puerto Rico, the production of sugar per harvested acre for those 7 years averaged 3.40 tons. This is 52 percent greater than the average of 2.23 tons in that same period in Cuba.

(3) The average production of beet sugar in the United States in that period was 2.31 tons per acre, with some districts harvesting yields of sugar more than  $3\frac{1}{4}$  tons per acre. These beet yields are achieved in a 1-year land use, whereas the Cuban figure represents land use of from 14 to 21 months. The beet sugar industry actually outyields its Cuban competitors.

(4) In the mainland cane area, the Florida yields averaged 3.25 tons per acre—nearly half again as large as the Cuban yields.

*With American efficiency the United States sugar-producing areas turn out a ton of sugar with fewer hours of effort than is the case in Cuba.*—In 1954 American sugar beet farmers produced a ton of raw sugar with only 4.2 man-days of labor in the fields. Hawaii in 1954 led the world in efficiency in cane sugar production with only 2.63 man-days of fieldwork required for each ton of raw sugar produced. Florida, using 4.31 man-days per ton, was a close second in cane sugar production efficiency. These figures cannot be approached by cane sugar production in Cuba. It is also of interest to point out that American efficiency of production is steadily increasing while Cuba's efficiency declines. Sugar beets in our Western States, for the 5 years ending 1923, were grown at an average yield of 8.5 tons per acre. Thirty years later this average yield had increased 63 percent—to 14 tons per acre. Sugar produced from each acre had increased even more—from 2,298 pounds raw value during the 1919–23 period to 4,183 pounds in the 1949–53 period. That represents an increase of 82 percent.

Cuba's production of cane per acre shows a sharp decline of 21 percent during this same period, from 19.2 tons average in the years 1919–23 to 15.2 tons in the years 1949–53. Average Cuban raw sugar production has decreased 11.5 percent from 4,331 pounds to 3,833 pounds during the same period.

The average acre planted to sugar beets during the 1949–53 period produced about 9 percent more sugar than the average acre of cane grown in Cuba during the same period.

This record of increasing and declining productivity of itself has an influence on the third comparison that will be made, that of cost of production. It must be remembered that in maintaining the fertility of their lands, the American sugar producers wisely spend money for the purpose in fertilization and other modern farming practices which for the most part are ignored in Cuba.

*The comparative cost of production.*—Cuba is outyielded by the American sugar areas. Cuba is less efficient. It does produce sugar at a smaller dollar cost. How does it do this?

Simply because it spends less money than do the American producers. It does little to maintain land fertility and the center of production has constantly moved toward the eastern end of Cuba. It is almost literally true that it is easier in Cuba to move over to a new piece of ground than it is to fertilize and take care of the field being farmed. The testimony in this record shows that Cuba's basic field wage ranges from \$2.50 to \$3 per day and the basic factory wage is about \$4. American beet farmers in 1954, the latest year for which data are available, paid their field workers an average cash wage of \$7.71 per day plus perquisites, including housing. The lowest paid laborer in the factory of a typical beet sugar processor last year earned \$11.70 for an 8-hour day.

Wages in Hawaii are particularly noteworthy. The average field wage for the last reported year was \$10.98. The lowest factory wage for an 8-hour day was \$8.48.

These very substantial differences in wages merely reflect the differences in the American pattern under American standards with those of the tropical island. Taxes are higher here. Transportation costs are higher here. Everything we do costs more here. Sugar is no exception.

Sugar produced under the American flag outyields tropical sugar and is produced with greater efficiency. It is produced at higher cost and it is in the interest of the United States and its people that this be so.

## PART 2

### 1. *Background of the present act*

The marketing of sugar in the United States is regulated by a system of quotas which allocate the total market among the various areas supplying sugar for United States consumers. This system has been in effect since passage of the Jones-Costigan Act of 1934. The act has been amended various times by the Congress, as the need arose and as changing conditions required readjustment of the quota pattern or other revisions of the law. The law now in effect is the Sugar Act of 1948, as amended. This act was passed in 1947, and amendments were enacted in 1951.

The Sugar Act of 1948 established quotas for the domestic sugar producing areas expressed in terms of a specific tonnage for each area, supplanting quotas which in prior legislation had been expressed in terms of percentages of the total market. The total of all percentages assigned to the present domestic producing areas in the Sugar Act of 1937, for example, amounted to 55.59 percent of the total market, and quotas of the Philippines (then a part of the United States), Cuba and other foreign nations added up to 44.41 percent of the total. With quotas expressed in percentages, the tonnage figure for each area increased proportionately and automatically with each increase in the total United States sugar market resulting from population growth or other factors.

Fixed-tonnage quotas were applied to the domestic industry in the Sugar Act of 1948, and all the growth for a temporary period given to Cuba and other foreign nations, for the express purpose of helping Cuba make, in the immediate postwar period, an orderly adjustment of her production downward from wartime peaks to peacetime requirements. Cuba was given other valuable concessions on a temporary basis under this act, for the same purpose. For example, she was given the privilege of marketing 95 percent of any amount by which the new Republic of the Philippines might fail to fill her quota during the time the Philippine industry, almost completely destroyed in the war, was being rebuilt. Cuba was also given the right to continue sharing with domestic areas in making up any deficits that might occur in domestic areas. Cuba has marketed some 5,750,000 extra tons of sugar in the United States—almost 30 percent more than her basic quota—as the direct result of the special provisions of the Sugar Act of 1948.

### 2. *Temporary nature of the 1948 concessions to Cuba*

It was never intended by the Congress that the fixed-quota provisions of the Sugar Act of 1948 should establish a permanent pattern for all future sugar quota legislation.

The following statement appeared in the report issued by the Senate Finance Committee on the Sugar Act of 1948:

“The committee believes that it should be made abundantly clear that the distribution of the American sugar market among the producers of the United States and foreign countries and the provisions for the establishment of quotas for the ensuing 5 years on the basis provided for in this bill is not intended to establish, and should not be construed as establishing, a permanent production and distribution pattern nor as waiving American producers’ rights to such portions of the American market as they can supply at the conclusion of the 5-year period covered by the bill.”

The Congress in 1951 demonstrated that the 1948 quotas were not to be permanent by making an adjustment in the quotas of Puerto Rico and the Virgin Islands, increasing the former by 170,000 tons and the latter by 6,000 tons. In its report on the amendment which made this quota adjustment, the Senate Finance Committee again pointed out the temporary nature of provisions of the Sugar Act of 1948, in this language:

“It was emphasized that the Sugar Act of 1948, was designed to meet problems of the temporary postwar transition period and was not to be regarded as the establishment of longtime national sugar policy.”

Witnesses for the domestic sugar industry at congressional hearings in previous years have reserved the right to petition the Congress for changes in the quota pattern or any other phase of sugar legislation at any time events or developments should make such changes necessary or advisable. This right again is reserved. The provisions of the committee print of amendments to H. R. 7030, which are today endorsed by the signatories to this statement, are the result of many compromises and are accepted as the most practical that can be obtained now, and workable in the light of present conditions. But should the future, which no man can forecast, bring developments which in our judgment require further amendment of the act, we shall direct such matters to the attention of the Congress and ask for consideration of them, at any time such a situation may arise.

The right of the Congress to amend the Sugar Act at its discretion is, of course, a right which applies to all laws of the United States. The fact that the Sugar Act is always subject to amendment is recognized even among Cuban sugar interests. On January 29, 1955, the well-known Cuban sugar firm, Messrs. Luis Mendoza & Co., wrote:

"The truth is that the Sugar Act is not a permanent treaty between the United States, Cuba and all the other countries that participate in the American market; neither is it an act of mercy of the United States Government. The act is an example of conscientious legislation dating back to 1934 and modified in 1937, 1948, and 1951, and subject to further modifications."

This same Cuban sugar firm also recognizes the basic justice of the domestic industry's request to amend the present law and restore the right to supply 55 percent of the growth in the American market. In a letter dated July 22, 1955, this statement was made:

"Therefore we might be disappointed but we cannot state that an injustice has been done to us if the American domestic areas claim for the future 55 percent of the increases in consumption which is their proportion in the supply of the United States market."

### *3. Changed conditions require amendment of Sugar Act now*

Great changes have taken place in the sugar world since 1948 and even since 1951 which necessitate revision now of the existing sugar legislation. The changes include these important developments:

(1) The population of the United States has risen more than 23 million since 1947, and is still increasing at the rate of approximately 2½ million people a year. As a consequence the market for sugar in this country increases annually in a substantial amount. For example, the initial consumption estimate for this year is 150,000 tons higher than for 1955.

(2) Led and encouraged by technical and research findings of the great body of agricultural scientists, the domestic sugar industry, both beet and cane, has substantially increased its per-acre yields through adopting improved farming methods, planting better seed, using fertilizer more widely and more intelligently, and other technological improvements.

(3) Acreage restrictions of other crops have led farmers to search for substitute land and farm machinery use, as a consequence of which there has been a material demand in recent years to shift to sugar beets and some to sugarcane, land formerly planted to crops that are now restricted.

(4) Fertile lands in a number of Western States recently have been supplied with water, and this has permitted the settling of these lands in family-size farms and the building of new homes. In many of these areas the sugar beet is essential to sound crop rotation. These new farmers, many of them veterans from World War II and Korea, have demanded the right to grow beets, and that demand has been added to the equally urgent needs of the thousands of farmers who have been in the beet growing business for many years and have helped to build the industry.

These four major changes since the last revision of the Sugar Act have had widespread effects.

The expanding population is increasing sugar consumption by 135,000 to 150,000 tons a year. But the existing law was written soon after the close of the war, before anyone knew how fast our population would increase or how fast our sugar consumption would grow. This law set the share of the domestic sugar areas in this market at rigid, fixed tonnages, unchangeable except by direct legislative action. Except for the adjustments in the Puerto Rico and Virgin Island quotas, enacted in 1951, these figures have remained the same since 1948 in spite of the tremendous increase in our consumption.

The effect of this has been to deny the beet and mainland cane areas and Hawaii any share in the growth of the country since 1947, and to condemn all the domestic

areas to a life without prospect of growth. Deprived of any chance for upward adjustment, they face the certainty of inevitable decline and deterioration. The domestic people believe they have the right as American citizens to share in the growth of their country and in its increased sugar demand. The increase should not, as now is the case, be handed over completely as a windfall to foreign suppliers.

As a result of the improved technology and farming practices, the same acre of either cane or beets is producing more sugar than was formerly possible. For example, the average yield of beet sugar per acre in the 21 Western States increased 26 percent between 1948 and 1954, and the yield of cane sugar in Louisiana increased 33 percent during the same period.

Traditionally in this country, progress is rewarded. In the case of the domestic sugar industry, it is imposing a severe penalty—we must reduce the number of acres grown as we improve our yields.

Here are some examples:

In the Louisiana-Florida industry, for a number of years after 1948 the harvested acreage was relatively stable. In 1954 an acreage cut of 11 percent was enforced. The industry was cut again last year to a total reduction of 18 percent. A further reduction was ordered for 1956 of 11.5 percent below the acreage authorized for 1955.

In the sugar beet States, enforced reductions in 1955 ranged up to 15 and 16 percent in some of the States, and the average for all the 21 beet-producing States was 10 percent. Similar acreage restrictions have been ordered for 1956.

The improvement in per-acre yields has resulted in production of more sugar than could be sold under the fixed quotas, despite efforts to hold production in line with acreage limitations. In Louisiana and Florida, with the exception of the freeze-damage year of 1951, the industry made more sugar than its 500,000-ton quota for each of the last 7 years. Even with the stringent acreage reductions in effect last year, production was 580,000 tons, or 80,000 tons of sugar above the quota.

In 1954, 1,978,000 tons of sugar, raw value, were produced in the beet area—178,000 tons more than the industry's quota. The 1953-crop beet sugar output exceeded the quota by 76,000 tons. Yet the planted beet acreage of the 1953 crop, as well as that of 1954, was less than that planted in 1933—more than 20 years earlier. Plantings in 1953 totaled 802,000 acres compared with 1,034,000 acres in 1933, a decline of 23 percent. Plantings in 1953 were 18 percent below the 984,000 acres planted in 1947, the year in which the Sugar Act of 1948 was passed.

What are the farmers to do with their land? Other crops, which we produce in surplus, are also being restricted. If acres taken out of sugar beets are planted to those crops, the surplus problem is further complicated. Yet the irony of it is that we do not produce more sugar in this country than we can use. We import about 45 percent of our needs. We suffer the acreage restrictions on sugarcane and sugar beets because fixed quotas imposed on the domestic industry prohibit Americans from taking part in the growth of America.

It is difficult for farmers to understand the logic of this situation.

#### *4. Amendment will keep Cuba's favored position*

Throughout the history of our sugar-quota legislation, Cuba has been the most favored of all foreign nations in that she has been permitted to supply a larger portion of the United States market than any other foreign country. Outside of the Philippines, she has had a virtual monopoly of all the foreign share of the market. Cuba has also supplied a larger percentage of the market than any single domestic producing area.

Cuba's favored position will be retained under terms of the proposed amendments.

She will retain all the gains in basic quota that she has made since 1947 as recipient of nearly all of the growth in our market. This has increased her basic annual quota by nearly a million tons in 8 years. Her basic quota in 1948 was 1,923,480 tons, and amounted to 26.7 percent of the total quotas of 7,200,000 tons. Her initial basic quota in 1956 is 2,808,960 tons, amounting to approximately 34 percent of the initial consumption estimate of 8,350,000 tons.

Cuba's present quota will not be reduced by a single ounce. Participation by the domestic industry in the growth of the market applies only to that part of the market that exceeds 8,350,000 tons. Under terms of the proposal, Cuba will in 1956 receive 96 percent of the foreign share of any increases—or 43.2 percent of total consumption increases over that figure.

Official forecasts of the United States Department of Agriculture estimate the final consumption figure for 1956 will be 8,535,000 tons. On this assumption,



Cuba's present quota will be increased this year by 79,920 tons, to 2,888,880 tons. This will be 29,040 tons more than Cuba's final quota for 1955.

Cuba will also continue to share in the growth in 1957 and following years. Under terms of the amendment, she will still have 27 percent of each year's total growth, beginning in 1957 (60 percent of the foreign share). The Department of Agriculture's official projection of future sugar needs indicates that the 1957 total consumption figure will be 8,670,000 tons. This will give Cuba a final 1957 quota of 2,925,330 tons—or 36,450 tons more than her expected final 1956 quota and 65,490 tons more than in 1955.

So the amendments will not "take away" from Cuba anything she now has, but will in fact continue to give her a generous share of the future growth in the United States sugar market. Of course the growth of her sugar quota will not be so fast as it has been since 1948, because she has had a virtual monopoly of all the yearly increase in our sugar market. But assuming that our market will continue to grow—as official reports of the Department of Agriculture forecast—Cuba's share of the market will also continue to grow.

#### *5. Act will continue as basis for important export trade*

One of the fundamental purposes of the Sugar Act, as expressed by Congress in the preamble to the 1948 act, is "to promote the export trade of the United States." It does this, of course, by providing an assured market in the United States for the product of specified foreign countries, thus enabling those countries to obtain dollars to buy from us. The Sugar Act, in fact, is the only legislation that actually guarantees a huge American market for foreign countries.

This particular purpose of the Sugar Act will continue to be achieved under the proposed amendments. The present levels of quotas for all foreign countries that now have United States sugar quotas will not be reduced, and 45 percent of all the market growth above the present consumption estimate of 8,350,000 tons will be reserved for foreign nations. Foreign quotas therefore will continue to grow as long as the total annual United States consumption grows.

#### *6. Conditional payments*

One of the features of the Sugar Act which has attracted considerable attention and misapprehension is the matter of conditional payments, under which domestic sugar farmers receive certain sums from the Government, based on the amount of sugar they produce.

To understand these payments and their effects and why they are made, it must first be understood that they go hand in glove with the quota system. They are in fact a part of the quota system. It is, therefore, necessary to appear to digress—though it is not really a digression—and speak for a moment about these quotas.

As a means of regulating the sugar commerce of the United States and thus avoid the alternating periods of too much sugar and too little—and the erratic and often ruinous price fluctuations which accompanied them—the Congress wrote certain "quota provisions" into the act. Among other things, these provisions require the Secretary of Agriculture to make an annual finding of what supplies of sugar probably will be needed during the forthcoming year. His tentative finding is based upon thorough investigation and expert opinion, and is followed by an equally careful consideration of what this amount of sugar is likely to do to prices. If the Secretary concludes prices might become unfairly high or unreasonably low, he is authorized to adjust his determination of consumption so as to avoid such dangers.

On the basis of these determinations, in any event, quotas are assigned as to the amount of sugar that may be sold in our market. Lumped together, these quotas will approximate the predicted demand.

History has proved to us how admirably effective this system of quota provisions has been in maintaining a stable industry while at the same time keeping prices fair and reasonable. It could not have achieved its ends, however, without the accompanying conditional payment program.

For the quota system would quickly become impractical and useless if farmers produced sugar without regard to demand. To avoid the disruptions which inevitably would result from protracted periods of excess production beyond the quotas, the Secretary apportions domestic acreage not only among the various producing areas in the pattern prescribed by the laws but also among individual farms, the latter's allotment being known as a proportionate share.

Nothing in the law requires the farmer to stay within his proportionate share. If he exceeds it, however, he is subject to loss of his conditional payments. Since such a loss would mean a severe reduction in income, growers comply with the

conditions. These conditions, it should be mentioned, include not only compliance with proportionate share determinations but also with prohibitions against using child labor, regulations setting minimum-wage standards, and other restrictions. In order to qualify for the conditional payment, the sugar farmer is subject to more restrictions and regulations than is any other American agricultural producer.

The payments range from 80 cents per hundred pounds of sugar, raw value, for the smaller producers, down to 30 cents a hundred pounds for the larger growers. That might seem to indicate that the program would cost a lot of money. The fact is, however, that it results in a net gain to the United States Treasury.

For the same producers who receive the conditional payments are also contributing huge sums to the Treasury in the form of excise taxes. These taxes amount to 50 cents per hundred pounds of sugar, raw value, on all sugar sold in this country. Thus while about \$64 million is taken from the Treasury to make the conditional payments and also to cover costs of administering the program, \$82 million is put into the Treasury by these excise taxes, resulting in an annual net gain of about \$18 million. Since start of the sugar program the Federal Treasury has profited by approximately \$310 million by this arrangement.

In many areas sugar can be produced profitably only if the farming operation is a large one. One such area is Hawaii. Conditional payments made to such farms are, of course large, and some persons have erroneously concluded that these farmers have received a bonanza. What is forgotten is that the larger the sugar farm operation, the lower the rate of conditional payments, while the tax stays at 50 cents no matter what the amount of sugar produced. The net result is that these particularly large growers in effect are paying out more in excise taxes than they are receiving in conditional payments.

In any event, it is not accurate to describe the domestic sugar industry as being highly subsidized. The producers do indeed receive special Government payments. But they also in reality bear the burden of the excise tax, and so they make special Government payments, for adhering to special and more stringent Government regulations. These regulations, and the payments which are based upon them, are at the very heart of a system of quota controls which has at the same time freed the grower from the constant threat of bankruptcy and the housewife from price squeezes.

#### *7. Excise tax does not affect sugar prices*

During the course of this hearing surprise was expressed at the statement that the excise tax has not been passed on to the consumer. Such a feeling is understandable, since this is usually what happens. Sugar, however, is an exception, and the reason is that we operate under a quota system. The key word is "quota."

As was explained previously, each December the Secretary of Agriculture makes a determination of our sugar needs for the following year, taking into account how the supplies made available will affect the price to consumers.

It is, of course, axiomatic that the price of sugar or any other commodity is determined by the supply in relationship to the demand.

In the case of sugar, the supply is set by the Secretary, and he makes his determination chiefly on the basis of what requirements will be. There is, of course, keen competition among the various sugar companies to capture the largest possible amount of this market, but the quota system tends to keep needs and supplies in reasonable and fair balance.

The excise tax has no effect one way or the other. It does not increase or decrease demand; it does not increase or decrease supply. Therefore, it has no influence on what the consumer pays for sugar.

Early in 1936, as some members of this committee may well recall, the predecessor of the present 50-cent excise tax—it was called a processing tax and was in the same amount—was invalidated. Yet the 1936 price of sugar was higher than that for 1935 only by one-tenth of a cent, a difference so small as to be statistically meaningless, whether it had been a rise or a decline.

In this connection it is illuminating to examine an analysis made by the Bureau of Internal Revenue on what effect the above-mentioned processing tax had on prices of a number of commodities. This study, which compared prices during the period the tax was effective and after it had been removed, had this to say:

"Since the total quota for sugar was completely filled each year, the quota system definitely limited the quantity of sugar made available for sale in the United States, regardless of the processing tax. Consumers would pay only a given price and aggregate amount for such a quantity, depending upon the existing state of demand, which is largely influenced by consumer purchasing power

Therefore, the tax did not affect the retail price in any way, at least over an appreciable period of time, and so could not have been passed on to consumers."

Someone pays the excise tax, of course, and if the consumer does not, who does? The answer is that the producer does. The sugarcane refiner or the beet-sugar processor deducts the appropriate tax, at the rate of 50 cents per hundred pounds of sugar, before settling with the grower for his crop. The amounts thus deducted are forwarded to the Federal Treasury, from which payments subsequently are made to those growers who comply with conditions set forth in the act.

#### *8. Sugar prices are low prices*

High prices for sugar unfortunately are not unknown in our country's history, and they are a part of everyday living in some parts of the world today. Shortly after World War I the American consumer found sugar selling at 30 cents a pound, 3 times the present price. Perhaps someone might imagine sugar producers liked this situation. They did not. Nor did they like the period during the early 1930's when sugar sold for so little that company after company fell to pieces, ripping apart the economic fabric of community after community as they did so.

The Sugar Act of 1934—embodying the principle of quotas and controls we have mentioned—was an attempt to bring order out of the disruptions and contortions of the sugar industry and sugar prices. Whatever questions there may have been about the act when it was first proposed, it is now recognized as one of our finest pieces of legislation. It has proved itself in action.

It has proved itself by the fact that between the 1935-39 period and 1954, the price of sugar rose 35 percent less than the price of foods in general, 70 percent less than the per capita disposable income.

During recent years there has been a steady increase in the industrial use of sugar. Today almost two-thirds of the sugar we consume goes into commercially prepared foods bought as finished products at the supermarket. The price of none of the various ingredients used in these sugar-containing products has risen by so small a percentage as sugar.

It is reported that Russians pay about \$1.10 a pound for sugar. That our sugar sells for only a small fraction of that is hardly worth mentioning, but we should take note of the fact that American consumers also pay less for sugar than those of three-fourths of the other important sugar-consuming nations—and this is figured on the basis of translating their money into American dollars, taking no account of how much further our money would go in such countries.

One of the basic goals of the Sugar Act was to see that American consumers had ample supplies of sugar available at reasonable prices. The act has done its job well.

### **STATEMENT OF GORDON PICKETT PEYTON, GENERAL COUNSEL FOR THE ASSOCIATION OF COCOA AND CHOCOLATE MANU- FACTURERS OF THE UNITED STATES**

Mr. PEYTON. My name is Gordon Pickett Peyton. I am general counsel for the Association of Cocoa and Chocolate Manufacturers of the United States. I appear here today for and on behalf of the following: American Bakers Association, American Bottlers of Carbonated Beverages, Associated Retail Bakers of America, Associated Retail Confectioners of the United States, Association of Cocoa and Chocolate Manufacturers of the United States, International Association of Ice Cream Manufacturers, National Bakers Supply House Association, National Confectioners' Association of the United States, Inc., National Fruit & Syrup Manufacturers Association, National Manufacturers of Beverage Flavors, National Preservers' Association, Inc.

The members of these associations are manufacturers of all kinds of food products which depend on sugar as an essential ingredient. These include manufacturers of confectionery products, ice cream, flavorings, preserves, soft drinks, cocoa and chocolate products, and bread and other bakery products.

We estimate that the manufacturer members of the organizations here represented utilize over three-fourths of all sugar used industrially in this country.

Senator FREAR. As to the membership of all of these associations that you represent, are they large in number? Would there be an extremely large number?

Mr. PEYTON. I don't know the exact numbers in each one of the associations, but the firms represented would certainly be large in number. I think that the American baking industry alone numbers 30,000 bakers.

Senator FREAR. I can see that it would be too large to ask you to supplement by giving the names of the membership, so I will refrain from that.

Mr. PEYTON. It represents a very substantial segment of the food industry of this country as you can see.

Not only that, I think, Mr. Chairman, but the commodities provided by the members of these associations go much further than into the individual products that might be manufactured by the individual members.

This single presentation is being made so as to save the time of this committee and to emphasize the unified position of these important groups.

I don't know whether I copied that from Mr. Kemp or he copied it from me, but we seem to be doing the same thing.

Senator FREAR. I can assure you that the committee is very indebted to you.

Mr. PEYTON. We believe that the interest of those using sugar for manufacturing purposes is the same as the interest of those using sugar in other commercial channels and for home use. Our view is, we feel, the view of all domestic consumers of sugar cognizant of the facts.

#### BASIS OF INTEREST OF INDUSTRIAL USERS OF SUGAR IN PENDING LEGISLATION

I believe this answers one of the questions that the chairman asked.

The industrial users of sugar have a steadily increasing interest in sugar legislation. Whereas only a few years ago industrial use of sugar accounted for about one-third of total domestic use, it now accounts for about two-thirds of such use, or over 5 million tons of sugar.

This has been brought about by the change in the habits of the consuming public, which now purchases more finished products and semifinished mixes to which sugar has already been added than ever before.

Sugar, therefore, has become a more and more important and essential ingredient in industrial food processing, and consequently laws which affect its supply and price are vital to food manufacturers.

#### THE SUGAR ACT

Sugar legislation is complicated, and its administration involves highly specialized knowledge of the industry. The Sugar Act of 1948, as amended, is a continuation of legislation which began with the enactment of the Jones-Costigan Act of 1934.

In basic concept there has been little change since the inauguration of the sugar quota system. It was acknowledged initially by the President and accepted by the Congress that the sugar quota system was a means—

of keeping down the price of sugar to consumers, of providing for the retention of beet and cane farming within our continental limits, and also to provide against further expansion of this necessarily expensive industry.

This quotation is from the message to the Congress by President Franklin D. Roosevelt, February 8, 1934, which was referred to by Mr. Kemp but not quoted by Mr. Kemp.

We must particularly not lose sight of this concept of sugar legislation when considering proposals to provide unneeded supplies from continental sources so dependent upon subsidies.

The Sugar Act enables the Secretary, in accordance with his discretion to place import quotas on the importation of sugar. As the United States is a deficit nation insofar as sugar is concerned, this power to limit supply becomes clearly in instrument of price fixing.

The quota system has so been used, with import quotas set at figures which would make available less sugar than known requirements. For instance, in announcing a change in the determination of consumption requirements on April 10, 1953, the Secretary of Agriculture said:

In order to provide a stimulus to raw sugar prices the initial determination of sugar requirements made last December was set at a level about 400,000 tons below estimated consumption.

The quota system is implemented by a tariff, a processing tax, an import price which supports the world market, and by direct benefit payments. No agricultural commodity enjoys the protection afforded sugar. This is a Government-sponsored cartel.

There is before this committee H. R. 7030, passed by the House of Representatives at the last session. I understand there is now before this committee the committee amendment submitted by Senator Bennett. It provides for certain technical amendments to the Sugar Act; it provides for an unneeded increase in continental United States sugar production on a subsidized basis; and it extends the act for a 4-year period.

The committee print, I believe, extends it for a 6-year period.

We are not opposing at this time legislation to extend the Sugar Act or amendatory language easing the burdens of administration. We think new legislation should delete the outmoded price index factor now in section 201 of the act and that in lieu thereof language should be inserted which would assure consumers a supply of sugar of no less than the per capita average for the 3-year period ending October 31 next preceding the year for which quotas are set, multiplied by the latest current population figures issued by the Bureau of Census.

We do oppose the proposal to increase highly subsidized unneeded domestic production.

Senator Frear, I have here some copies of language of 201 as it would have to be amended to meet that situation.

Senator FREAR. Are you going to read that into the record?

Mr. PEYTON. I think that it might be well to read it into the record unless you would wish to have it incorporated without reading it.

Senator FREAR. It is entirely up to you. You can read it.

Senator BENNETT. I would suggest that it be incorporated at this point in your testimony, which refers to the proposed changes.

Senator FREAR. Very well.

Mr. PEYTON. All right, sir.

Senator FREAR. It is so ordered.

Senator BENNETT. I think we are all getting a bit interested in saving time at this hour of the night.

(The proposed amendment to sec. 201 is as follows:)

Section 201 of the Sugar Act of 1948, as amended, is amended by striking the second sentence thereof and inserting in lieu thereof the words, "In making such determinations the Secretary in order to protect the welfare of consumers and 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 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 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; *Provided, however,* That the Secretary shall in no event set such determination at a lesser quantity of sugar than that calculated on the basis of the average three-year per capita distribution of sugar for the period ending October 31 next preceding the year for which such determination is made, multiplied by the latest estimate of existing population of the continental United States issued by the Bureau of the Census."

Mr. PEYTON. Domestic producer support of H. R. 7030: There would appear to be only two valid reasons for domestic producers of beet and mainland cane sugar to ask for an increased production. One would be an inadequate supply of sugar, and the other, an inadequate return to producers. Neither of these reasons now obtains.

Let us examine the first. There is a world surplus of sugar. The domestic offshore areas of Hawaii and Puerto Rico, along with our mainland domestic producers, under present production limitations when supplemented by our chief sources of foreign supply, will provide consumers in this country with all the sugar that could possibly be needed.

There is readily available, barring unreasonable regulatory controls, not only adequate sugar for current needs, but also for adequate reserve supplies. There is then no supply problem which prompts amendatory action to sugar legislation.

Let us examine the need for increased returns to domestic producers. The return to producers of mainland cane-sugar growers for 1955 averaged 90.2 percent of parity, while beet producers received an average of 95 percent of parity.

In December 1955 the return to beet-sugar producers was 98.2 percent of parity. In terms of parity percentage, this December figure represents 12 percent more than rice farmers received, 20 percent more than wheat farmers received, and 25 percent more than corn farmers received.

Aside from these basic food commodity comparisons, in terms of parity percentage, beet-sugar producers in December received 22 percent more than producers of butterfat, 34 percent more than beef-cattle producers, and 59 percent more than hog raisers.

The plight of mainland cane and beet sugar producers is hardly such as to require amendatory sugar legislation to bolster prices.

Senator BENNETT. You were in the room and heard Senator Barrett, and also Senator Welker from Idaho, suggest the fact that there were many young returning veterans who were anxious to get into farming in the irrigated area. You do not consider their needs a valid need, a valid reason for increasing consumption?

Mr. PEYTON. Senator Bennett, certainly I consider the desires and needs of our returning veterans something that we should take into careful consideration and certainly give heed to.

I am not sure at all that we should encourage them to go into an uneconomic industry or to go into an industry which would have to be supported by consumers of the product and by the taxpayers on a subsidized basis.

Senator BENNETT. The taxpayers are supporting the wheat farmers and all of the rest of them. They are supporting agriculture generally.

Mr. PEYTON. This is one where we don't have to invite surpluses. We have learned an awful lesson from surpluses now.

Senator BENNETT. Yes; but I am sure you gathered from the Senators from the beet-producing States who spoke today a very definite feeling that maybe the producers from the foreign countries should take up some of the slack and allow our domestic industry to have some of the benefit of our increased production.

Mr. PEYTON. Our domestic industry can only get the benefit of increased production if those benefits are in the form of subsidies.

Senator BENNETT. Well, as I say——

Mr. PEYTON. This thing is so attractive, this industry has become so attractive through subsidy that that is why they want to go into it. You do not think these people would come here, Senator Bennett, and ask for increased production—and I know that I am talking right in your home bailiwick now and I tread lightly—they would not come in here asking for this increased production if it was not economic for them to do so.

Senator BENNETT. Part of their problem is that they are under pressure to get out of the surplus crops and get into something else, and this is one of the "something elses." It has always been reasonably attractive; there is no question about it.

But is not one of our problems in our agricultural situation to change the face of agriculture so that it is attractive and people are not thinking of it in terms of a tragic and serious problem all of the time?

Mr. PEYTON. This is thinking about it in terms of Government-doled-out cash.

Senator BENNETT. You do not agree with Mr. Kemp's analysis?

Mr. PEYTON. I completely disagree with it.

Senator BENNETT. I expected you would. [Laughter.]

Mr. PEYTON. I think Mr. Kemp did, too, Senator Bennett.

Why do industrial users oppose increased subsidized domestic production of sugar?

It must first be made clear that industrial users of sugar do not oppose the expansion of domestic production if such expanded production is competitive in the open market, without the benefit of producer payments. We do object to unnecessary increased domestic production at needless expense to the Government and the public.

When the quota system on sugar was instituted it was recognized by the Congress that we were supporting a necessarily expensive domestic industry.

It was felt, however, that domestic production in limited quantity was desirable to protect those in the industry, and for purposes of the type of emergency as might be brought about by war. It was also acknowledged that expansion of the industry on an expensively subsidized basis was undesirable.

The facts make it clearly evident that producers of mainland cane and sugar beets now have ample protection. Insofar as war emergency is concerned, the Cuban source of supply is closer to our shores than our own domestic areas of Puerto Rico and Hawaii. Cuba has proved itself able to meet such an emergency situation.

Those favoring expansion of the domestic industry now base their position upon the right of the domestic grower to participate in the population increase and the expanded economy.

This is a new and false concept of sugar legislation. The desire on the part of mainland sugar producers to sell more sugar under an umbrella of guaranteed markets at high prices may be understandable but it is not consistent with the overall purposes of the Sugar Act.

The potential of domestic production has come about through the attractiveness of Government subsidies, with full knowledge on the part of growers that expansion of the industry was not within the framework of sugar legislation. The production of domestic sugar does not have to be increased to maintain and protect the industry.

Increased subsidized domestic production of sugar would raise the price of sugar to consumers: It would seem axiomatic that when we bring about a situation where a greater portion of the sugar we use would cost us more money the price of all sugar goes up. We would be bringing such a situation about if we support a larger portion of mainland production at uneconomic levels.

In the event mainland production was increased by statute, there would be the clear implication that producers were entitled to have a price for such increase as would make expanded production economically attractive. This would have to be done by further subsidizing.

The authorized increase would have to be fairly and evenly distributed and consequently could not be handed out to the most efficient producers. The level of support then would have to take into account the return to the less efficient producer, thereby causing a general price rise.

Our quota system invites a higher price from foreign sources of supply. Currently the Cuban price to us is about 2 cents a pound above the world market.

I believe it was testified here by Mr. Myers, that out of current quotations it was 1.75.

The less sugar we get from Cuba the higher the Cuban price must be to us so that Cuba can maintain an economic position in the world market.

Senator BENNETT. Mr. Peyton, has not the testimony been very clear that we are not going to reduce the quantity of sugar we take from Cuba?

Mr. PEYTON. The statements have been made.

Senator BENNETT. I think they are accurate. Cuba will get its present share of 8,350,000 tons. There will not be a present ounce of its present allotment taken away from it, so that this statement, "the less sugar we get from Cuba," is academic because we are not going to get less sugar from Cuba.



Mr. PEYTON. The distribution of the estimated requirements of the United States for the next year was given by the Department of Agriculture as 8,535,000 tons, I believe, sir.

Senator BENNETT. That is as I remember it.

Mr. PEYTON. The distribution for the past year will be very close to 8.5 million. They are talking about a base of 8,350,000. Already Cuba loses before you start this system of expanding on the basis of population increase. They are down before they start.

Senator BENNETT. No; I don't think they are.

Mr. PEYTON. I believe they are the figures.

Senator BENNETT. The law goes into effect with a level of 8,350,000, which is approximately the level at which the quotas are set January 1, 1956. We are talking about changing the law for 1956, and as of now, Cuba has not lost a single ounce and it will not.

Mr. PEYTON. When making that quota estimate, when setting those quotas, based upon consumption requirements in the United States, the Secretary of Agriculture admits that our requirements will be 8,535,000 tons. Maybe there will be. We think it will be closer to 8.7 million.

Senator BENNETT. But Cuba is losing what they confidently hoped to get, not what they actually have sold.

Mr. PEYTON. She is not losing what she actually has sold.

Senator BENNETT. That is right. So there will not be any less sugar from Cuba. There will be less than Cuba hoped to get, but not less than she has previously sold.

Mr. PEYTON. Well, I think it all depends on where you put this base. The people that I represent are against the principle.

Senator BENNETT. Well, but I just wanted to make the point.

Mr. PEYTON. It reminds me of a story which I can't tell here. [Laughter.]

Senator BENNETT. Just to make the point, if this bill passes it is not automatically going to force Cuba's price higher to us, so that she can maintain her economic position. The bill will maintain her present economic position.

Mr. PEYTON. Well, I think, Senator Bennett, that as soon as our price goes up in this country because of the necessity for taking care of more marginal sugar producers than we now take care of, that necessarily we are going to pay Cuba a higher price because our price is going to set that Cuban price.

And there is something that has not been said here that I think is important, that will be more nearly brought about by this legislation and that is that Cuba now, in order to average out and make economic her sales of sugar, sells England, for instance, I think there was a recent—I am sure that somebody will correct me on this—50,000 tons purchased by England at 3.5, which is about 2 cents less than our present price that we pay to Cuba.

As soon as the situation develops where Cuba sells us less sugar, then they are going to have to raise their price to England.

Senator BENNETT. You are now saying we are going to pay Cuba more money. Now you are paying Cuba less money.

Mr. PEYTON. Cuba will take advantage of a tighter market situation in this country under quotas.

And one of the paramount reasons why we want this amendment, section 201, is because we want the Congress to guarantee to the

consumers of this country a quota based on a per capita consumption average multiplied by the last current year's population figure, below which the Secretary cannot go. This will guarantee consumers an adequate supply.

Now, above that the Secretary can increase that quota to any level he sees fit that might be prompted by demand factors, by forward population increases, or by national income, inventory position, or any of the factors now in 201 which we did not recommend removing.

Senator FREAR. May I ask why you are proposing this amendment for only 1 year. It is not possible that there may be catastrophes that would throw the thing out of kilter based on 1 year?

Mr. PEYTON. No. The only catastrophe that could happen to throw our suggestion out of kilter, would be some drastic population change.

You see, for instance, for 1956, we would take the years 1953, 1954, and 1955, get the per capita average consumption for those years, and multiply that by the latest Bureau of Census population figure for 1955.

So we are taking the 3-year per capita average to prevent just what I think you refer to.

Senator FREAR. But instead of consuming 98 pounds of sugar per capita, suppose it dropped to 50 pounds—just 1 year?

Mr. PEYTON. I think if that happened, if any situation like that developed, quotas would be lifted anyway. That would be a sort of war situation. I just don't think you would have sugar quotas. I don't believe that can happen.

An increase in the production of sugar beets would involve a marketing problem beyond the normal marketing area for beet sugar, thereby making such production and distribution even more uneconomic, with consequent price increases necessary.

The movement of beet sugar toward the northeast would involve allowances for transportation costs which would in turn increase the price at which this area would normally get cane sugar.

We therefore oppose a further bolstering of the world market at the expense of our Government and our domestic consumers of sugar. It is not in the interest of the American public to encourage curtailment of sugar production where it can be the most economically produced while fostering through subsidies unnecessary production in the continental United States.

Why do we favor a mandatory provision to protect consumer supplies? This takes us back to section 201 again.

Sugar legislation prior to the Sugar Act of 1948 contained a provision whereby a minimum per capita consumption formula had to be observed in determining domestic consumption requirements.

A moving per capita average below which the Secretary of Agriculture cannot go in setting domestic quotas seems a fair and reasonable legislative check on administrative discretion.

We suggest the last current 3-year per capita average applied to the year immediately prior to that for which the domestic requirements estimate is set, so that no 1 year would be a deciding factor.

A situation could not then exist where through the exercise of administrative discretion supply would be inordinately reduced by purposeful price aims contrary to the basic concepts of the Sugar Act.

Why do we feel that any sugar legislation should be effective for a period no longer than 3 years?

In these volatile international times and the uncertainties that we face with regard to the direction of our agricultural policy, the re-examination of the sugar situation within a 3-year period is most reasonable and desirable.

We feel that the cartel system espoused by our Government in sugar is one which should be given the most careful and continued study. Under all the circumstances a simple renewal of the Sugar Act as it now stands pending further study might well be appropriate.

There is little likelihood that a satisfactory legislative answer to the sugar problem can now be found that will meet the situation we may face in 1960 or 1962.

The price index factor in section 201 of the present act should be deleted.

The factor that the Secretary in making his requirements determination—

shall take into consideration the relationship between the prices at wholesale for refined sugar that would result from such determination and the general cost of living in the United States as compared with the relationship between prices at wholesale for refined sugar and the general cost of living in the United States obtaining during 1947 prior to the termination of price control of sugar as indicated by the Consumers' Price Index as published by the Bureau of Labor Statistics of the Department of Labor—

is outmoded and unrealistic.

It is not in line with any other farm legislation. This factor, while on its face appearing to be protective to consumers, is not so in operation and should be discarded in favor of a clear legislative mandate in terms of minimum supply rather than price.

Who would benefit by the unnecessary and expensively subsidized expansion of domestic production?

Certainly consumers would not benefit from an increase in subsidized production of sugar, and relatively few farmers would profit. The chief beneficiaries would be the larger beet processors and the bigger domestic cane producers.

In 1953 there were approximately 40,000 recipients of benefit payments under the domestic sugar-beet program. The total amount paid out was \$30,310,000. Of this amount less than 15,000 payees, or about two-fifths of the total, got four-fifths of the total payments.

In Hawaii, in 1953, out of 1,200 payees, 32 received about 90 percent of total payments of \$10,155,600. The same year in Puerto Rico, approximately 10 percent of the payees got more than 80 percent of the total payments of \$17 million.

There were 7,565 recipients of benefit payments in the mainland cane area in 1953, amounting to \$8,625,000. Of these, 5 payees got 20 percent of the total, or \$1,500,000, and less than 4 percent of the total payees received more than 60 percent of the total payments.

Proponents of higher sugar prices based on Government aid cannot base their cause on benefits to be derived by the small farmer.

Senator FREAR. May I ask a question? On this payment or tax or contribution or whatever you want to call it, on the processing somebody collects that half cent per pound, which the previous witness said was not passed on to the consumer, and also that the distribution to the producers ranged from 30 to 80 cents, as was testified to earlier in the day.

I asked the previous witness the question, that they could lose the difference between, if they were on a 30-cent cost basis, and paying the tax of 50 cents, or 20 cents a hundred pounds. Do you agree to that?

Mr. PEYTON. Well, I think they adjust their operations to a profit basis and I think there is one thing that should be made very clear here, that is, that this processing tax, like other taxes, goes into the general fund of the Treasury. It is not earmarked for sugar, and the half-cent-a-pound tariff goes into the general funds of the Treasury, and when we hear that this sugar program does not cost us anything, it is sort of like your wife going down and buying a \$5,000 mink coat for \$3,000 thereby saving you \$2,000.

Senator FREAR. That is right. The principle is possible in what we said for the processor to lose something. If he pays 50 cents and does not receive that much back from the Government he has to adjust that in his cost of production somehow.

Mr. PEYTON. I think he may have to adjust that in the cost of his production; yes, sir.

Senator BENNETT. Again, the tax is collected from the processor. The man who actually grows the crop on the ground is the one who receives the benefit then. In most cases that is not the same person.

Senator FREAR. That is true.

Mr. PEYTON. When the producer is paid by the processor, the half cent processing tax is taken into account in the computation of his payment. There are people more expert than I am on that point but I believe that is true.

Senator FREAR. I wonder if one of the reasons for the processing tax in the first place was not to increase the income to the producer. I think it was.

Mr. PEYTON. I think it was a further means of subsidizing the industry. That is right.

Senator FREAR. Subsidizing the production side of the industry.

Mr. PEYTON. That is right.

Senator FREAR. I do not think the processors need any subsidization

Mr. PEYTON. No, I do not believe so, either.

Conclusion:

(A) We do not at this time oppose an amendment to the Sugar Act of 1948, as amended, providing for advisable technical amendments and extending sugar legislation for no more than 3 years.

(B) We favor deletion of the cost-of-living index factor in section 201.

(C) We favor an amendment to section 201 whereby the Congress would take the responsibility of assuring a minimum supply of sugar to consumers rather than leaving the supply determination completely subject to administrative discretion.

(D) We oppose the fostering of an agricultural policy of encouraging unneeded continental sugar production through subsidy incentives.

Senator FREAR. Does that complete your testimony?

Mr. PEYTON. That completes my testimony.

Senator FREAR. Thank you for your appearance and for your patience in waiting until this hour.

Mr. PEYTON. Thank you very much.

(The following telegram was received for the record:)

BRYAN, TEX., *January 16, 1956.*

FINANCE COMMITTEE,  
*United States Senate,  
Senate Office Building, Room 310:*

Bottlers of Texas would like for the record to show that we associate ourselves with the presentation of Mr. Gordon P. Peyton before your committee.

The current cost of sugar is too high and we shall be most grateful for your valued consideration on behalf of the 6,000 men of this industry in our State who are adversely affected.

CLIFTON C. CARTER,  
*President, Texas State Bottlers Association.*

Senator FREAR. Mr. John D. J. Moore, I believe of the Association of the Sugar Producers, will appear Tuesday morning, it was stated.

Mr. Frank K. Woolley, of the American Farm Bureau Federation.

### STATEMENT OF FRANK K. WOOLLEY, LEGISLATIVE COUNSEL, AMERICAN FARM BUREAU FEDERATION

Mr. WOOLLEY. My name is Frank K. Woolley and I am legislative counsel for the American Farm Bureau Federation.

We appreciate this opportunity to present our views on H. R. 7030 now being considered by your committee which passed the House too late last session for adequate consideration and action by the Senate prior to adjournment.

As a general farm organization with member units in all 48 States and Puerto Rico, the Farm Bureau is interested in sugar legislation from different points of view. Many of our members, practically all of whom are farmers, grow sugar beets or sugarcane. In some areas our members are interested in the production of sugar crops as a possible use for diverted acres or for use on new land that has been recently brought into production through reclamation or drainage projects. All of our members are directly or indirectly interested in the effect that sugar legislation may have on international relations and on markets for the exports of agricultural commodities. Of course, we are interested as taxpayers and consumers.

We have been long interested in the principles of the present sugar program as a means of dealing with the problems peculiar to this industry. At the same time we have recognized that such a program must be reviewed and revised from time to time to take account of changing conditions. After a careful consideration of the many factors involved, we concluded last spring that a pressing need existed for new sugar legislation to become effective in 1955. Some of the difficulties that we foresaw at that time have come into being as a result of Congress not passing legislation last year. While the United States Department of Agriculture has purchased 92,000 tons of sugar for distribution in foreign outlets, it has been of very little assistance in relieving the pressure on sugar growers. With the passage of time, the need for sugar legislation is now more urgent than it was last year. It is urgent that action be taken immediately to give relief to domestic areas with respect to quotas. The mainland cane and beet areas and Puerto Rico all have sugar that cannot be marketed within their present quota.

The situation remains particularly acute in the case of the mainland cane area. Even after the purchase of 71,500 tons from the mainland cane area, the carryover exceeds 400,000 tons in comparison

with a statutory quota of 500,000 tons. The accumulated carryover has been produced and there is not now a sufficient quota to permit it being marketed. In the face of cuts for the last 3 years including a 12 percent cut for 1956 in the acreage of mainland cane, production in 1956 may again exceed the areas' quotas and increase the year-end carryover to a more burdensome level.

Throughout its history, the American Farm Bureau Federation has favored the expansion of world trade on a mutually advantageous basis among countries. I am sure you are aware of our traditional position on world trade. We recognize the importance of Cuba as a market for commodities produced by United States farmers. However, we cannot simultaneously cut the acreage devoted to the production of export crops and forego any participation in the expansion of the United States market for crops which are in short supply in the United States. Such money as is earned by producing sugar in this country will be spent for the products of American labor and industry.

The statutory quotas for the mainland cane and beet areas have remained unchanged since originally established in the Sugar Act of 1948. In the meantime, technological developments and improved farming methods have increased per acre sugar yields. On a per acre basis, the average 1954 production of sugar was 21.5 percent above the 1943-47 average in the beet area and 19.7 above this pre-1948 act average in the mainland cane area.

The acreage devoted to sugar beets and mainland cane has increased somewhat from the 1943-47 average, but has been reduced under the control program to less than the acreage that was harvested in 1947. It should be remembered, however, that the production of sugar crops was restricted during the war and early postwar years by a labor shortage and the need for increased supplies of other crops.

The beet areas and Puerto Rico also need quota relief, even though their surpluses are not proportionately as great as the mainland cane area.

Immediate congressional action is needed for another reason. Acreage restrictions on the production of wheat, cotton, and rice imposed by the Federal Government at the direction of Congress in order to maintain price supports has caused a difficult situation with the producers of those crops and also the producers of other commodities such as vegetables, beef, dairy, hogs, et cetera, since the acreage diverted from price-supported crops is used to increase production of other agricultural commodities which undermines the markets for those commodities. At a time when the rest of the country is enjoying the highest level of income in history, these restrictions on acreage and the shifting of production to other commodities are severely reducing farmers' net income.

Reduction in volume of production on farms is increasing unit costs. The producers of cotton, rice, and wheat are unable to understand why they are not being given an opportunity for a modest increase in the right to produce sugar, a crop of which we do not grow enough to supply the needs of the United States. It is difficult to explain to farmers why foreign countries should be given all of the increase in the American market for sugar while at the same time, the Government is requiring them to reduce production on sugar as well as export crops.

Puerto Rico and Hawaii also have experienced increases in per acre yields and moderate increases in acreage as a result of technological developments, improved practices, and an adjustment to postwar conditions. Puerto Rico received an adjustment in its basic quota, by amendments passed in 1951, effective in 1953, but still found it necessary to accept production restrictions ahead of the mainland areas.

The Puerto Rican situation presents a peculiar problem that deserves special consideration. Section 11 of the January 13, 1956, committee print of H. R. 7030 in effect says that Puerto Rico shall be permitted to refine only a very small additional amount of direct consumption sugar. In 1930 import duties were placed on refined sugar to protect the continental domestic refining industry. Since that time there has been a great increase in consumption of sugar in the United States. As the quantity of sugar that Puerto Rico could market in the United States has increased, there has not been a comparable increase in their right to produce refined sugar. Puerto Rico is only asking to expand as its quota increases due to the growth formula, that amount of refined sugar which is shipped to the United States. Since this doesn't deduct from the continental domestic refiners' present share of the domestic market, this request seems reasonable and should be permitted.

The United States consumption of sugar has been increasing year by year. Consumption for 1955 as now recorded by the Department of Agriculture is 8.383 million tons. Possible future adjustments in this figure may increase it to as much as 8.4 million tons.

Under the present law all increases in domestic consumption must be apportioned to foreign countries—primarily Cuba.

In the early years of the present program domestic areas having surplus sugar sometimes received some relief through the reallocation of deficits occurring in other domestic areas although Cuba also shared in such reallocations. In addition, a substantial quantity of overquota Puerto Rican sugar was purchased by the Government for foreign-aid purposes. These sources of relief are now closed.

We are now in a situation where all domestic areas are able to fill their statutory quotas. If the domestic sugar industry is to avoid further acreage cuts on a scale that would be ruinous to the producers in some areas, provision must be made for domestic producers to supply a part of the normal growth in the national demand for sugar.

The specific increases to be allotted each of the four affected areas were carefully worked out in a long series of conferences sponsored by industry groups and the Farm Bureau. They represented a compromise that was reached in an effort to take account of the relative needs of the various areas and at the same time hold the total to a completely defensible level.

A provision of this original compromise was contained in S. 1635 as introduced in the Senate by 49 Senators. Under the pending bill the domestic areas of the United States would begin to share in the growth of the United States market to the extent of 55 percent of such increases. The increase would be calculated from a base of 8,350,000 tons. The remaining 45 percent would be divided among foreign suppliers. The domestic quotas would be adjusted in two steps. First, 188,000 tons would be added to the present base of 4,444,000 tons. This would be accomplished by first adding 165,000

tons to the domestic beet-sugar areas and the mainland cane-sugar area—approximately 85,000 tons to beets and 80,000 tons to cane.

Second, the next 20,000 tons of Puerto Rico; third, the next 3,000 tons of the Virgin Islands. When these amounts have been added to the various areas' quotas, their new base will be approximately as follows:

	<i>Tons</i>
Domestic beets.....	1, 885, 000
Mainland cane.....	580, 000
Hawaii.....	1, 052, 000
Puerto Rico.....	1, 100, 000
Virgin Islands.....	15, 000

Fifty-five percent of any further growth in the consumption in the United States will be added to these areas on the basis of these newly adjusted quotas.

In view of the fact that domestic growers have not been sharing in the growth of the United States market in recent years, the Farm Bureau believes that all of the first 188,000 tons above a domestic consumption of 8,350,000 should be used to make the above-mentioned adjustments in basic domestic area quotas and that the 55-45 formula should come into operation after this initial adjustment has been made. This will require an amendment to the bill.

As you know, the bill passed by the House of Representatives divides the consumption growth in the United States on a basis of 50 percent to domestic areas and 50 percent to foreign areas. The 1956 domestic share of the United States consumption growth assigns 87.8 percent to mainland areas, 10.6 percent to Puerto Rico and 1.6 percent to the Virgin Islands. The domestic share of additional growth in 1957 and subsequent years is prorated among all domestic areas in proportion to the quotas as adjusted above.

There is one other difference between the bill passed by the House and the bill pending before this committee which is of particular interest in working out this legislation. The House bill assigns 50 percent of the foreign share of the growth in United States consumption to Cuba and 50 percent to other countries. The bill pending before this committee assigns 60 percent to Cuba and 40 percent to other countries. However, an important difference exists here in that the division between the foreign countries is only 45 percent of the United States growth rather than 50 percent. We favor the 55-45 percent division between the domestic and foreign countries since this division represents the approximate historical division of the United States sugar market that existed before enactment of the 1948 act.

It seems to us to be entirely fair and reasonable to permit the domestic sugar industry to grow in proportion to the expansion of our total consumption of sugar. The increase in domestic quotas will not be sufficient to bring about an immediate liquidation of existing sugar surpluses. It is hoped, however, that the growth in the domestic market will be sufficient to materially relieve the worst aspects of the situation and permit production restrictions to be set at a more tolerable level for the period immediately ahead. Once we get out of the present situation, the normal growth in the domestic market should greatly reduce the possibility of further serious difficulties with sugar.

We therefore urge immediate action on the proposed legislation with the amendment we suggested.



In the House there was an attempt made to require sugar producers, as a condition of eligibility for payment, to recognize labor unions as the bargaining agent for their workers or to bargain collectively with employees, and also to require compliance by sugar producers with the conditions of the Fair Labor Standards Act. We are opposed to both of these requirements.

Collective bargaining was established as a means of equalizing the bargaining power of employees with that of employers. No such need exists in agriculture, which remains primarily an industry of family farms. Collective bargaining in agriculture would result in domination of farms by unions.

Farmers are peculiarly vulnerable to the concerted activities of workers associated with collective bargaining. Most industrial plants can shut down for a week or a month without serious harm to the company, or even, in many instances, seriously affecting the annual earnings of the concern. The impact of a work stoppage is mitigated by filling orders from inventory or by meeting accumulated demand when work is resumed.

But a farm cannot be shut down. Crops must be harvested on schedule. In many instances a work stoppage of a week or two during the harvest season (and this is the time they could be expected) would not only result in a net loss to the farmer for the year, but in addition substantially impair his capital position.

Farm labor wages are fairly well established by industrial wages in nearby areas and through competition for workers. The exemption of farmworkers from coverage under the Fair Labor Standards Act is not resulting in unduly depressed wage rates for such employees. This is indicated by the following comparison of farm prices and farm wages:

	Index of farm prices, 1910-14=100	Index of farm wages, 1910-14=100		Index of farm prices, 1910-14=100	Index of farm wages, 1910-14=100
1947.....	276	424	1952.....	288	508
1948.....	287	445	1953.....	258	517
1949.....	250	430	1954.....	250	508
1950.....	258	432	1955 <sup>1</sup> .....	232	518
1951.....	302	481			

<sup>1</sup> As of Oct. 1, 1955.

To summarize briefly, 1955 farm wage rates were 5 times as high as in 1910-14, while farm prices were less than 2½ times as high as in 1910-14. Since 1947 farm prices have declined approximately 12 percent but farm wages have increased over 20 percent.

In addition it should be noted that farmworkers receive many perquisites not reflected in cash wage comparisons; second, living costs are substantially lower in rural areas; third, farmers must pay wages sufficient to prevent needed employees from being attracted to city employment and finally, farmers are required to pay fair and reasonable wages as determined by the Secretary of Agriculture pursuant to a public hearing which takes into account all relevant factors.

The regulations applicable to concerns covered by minimum wage and hour provisions of the act provide that each employer must

maintain and permit inspection of a very burdensome amount of data under conditions which are not entirely clear to an amateur in this field of administrative law. The maintenance of such records for agricultural workers is wholly impractical and would represent a heavy cost burden which is completely unjustifiable under the circumstances.

By way of summary, H. R. 7030, with the amendments we suggest, should be passed immediately because:

(1) Domestic areas are being forced to carry overexpensive inventories of sugar, mainly due to increased yields, at a time when this country is a deficit sugar-producing area.

(2) The consumption of sugar is increasing in the United States but such increased consumption is being met by production from foreign countries, mainly, Cuba.

(3) The curtailment of production of traditional American export crops and simultaneously the curtailment of the production of the domestic sugar crop is imposing an undue hardship on farmers in the United States.

(4) The amount of relief being requested for the domestic industries is very modest and takes into account the United States interests in expanded foreign trade.

The opportunity of presenting the viewpoints of the American Farm Bureau Federation on the issues before this committee is appreciated.

Senator FREAR. Senator Bennett?

Senator BENNETT. No.

Senator FREAR. Mr. Woolley, you consider the payments made by the Federal Government to the producers of both beet and cane sugar a subsidy?

Mr. WOOLLEY. In one manner of speaking, yes, it is a subsidy, but I would like to explain a little bit about that.

We think the subsidy is not a subsidy that is purely in the interest of producers alone. We think it is in the interest of the producers and consumers alike for this reason: Prior to the Sugar Act the prices of sugar fluctuated very widely. They fluctuated down to a few cents per pound, up to a very high price.

I can remember, as a matter of fact, going to the grocery store for my mother and paying more than 25 cents a pound for sugar.

With that sort of a fluctuating situation the sugar processors never knew what was going to happen. So the way they handled the situation was to hold out on the sugar producers of the United States just as much as they could as a hedge against the possibility that a sharp decline might occur.

Senator SMATHERS. You mean hold out against the consumers?

Mr. WOOLLEY. No; hold out against the farmers. They could not pay the farmer what his raw sugar was worth because they had to make provision for the risk of a decline in prices.

Senator FREAR. Who was this?

Mr. WOOLLEY. The sugar processors.

Now, under the Sugar Act, you have leveled the cost of sugar out to a point where the processor knows what he can expect on a reasonable basis. Therefore, he passes on to the producer the maximum amount he can—he has to meet competition—and in passing that on to the producer, a stable production of sugar is maintained at a stable price, so that rather than paying 30 cents a pound for sugar at one

time and then 3 cents a pound, the price of sugar remains relatively level, around 5 to 8 cents.

Senator FREAR. Is that the only domestic crop that is peculiarly affected right now?

Mr. WOOLLEY. It has singular characteristics.

Senator FREAR. And you are speaking for the American Farm Bureau?

Mr. WOOLLEY. The American Farm Bureau Federation.

We think as long as it is a net import crop and has other singular characteristics that this is the logical way to handle it.

Senator FREAR. Would the Farm Bureau take the same position on wool?

Mr. WOOLLEY. We took the position on wool that, because we were in an import situation, that we preferred to have a payment made to the woolgrowers rather than to raise the tariff.

Senator FREAR. And sugar?

Mr. WOOLLEY. And sugar.

Senator FREAR. Those are the only two?

Mr. WOOLLEY. Those are the only two which come to mind.

Senator FREAR. And that is because you feel, at least your American Farm Bureau feels, there is something peculiar about them?

Senator BENNETT. Well, Mr. Chairman, there is this thing that they have in common, that they are both shortage crops in the United States. We import, in the case of wool, more than half of what we use.

Mr. WOOLLEY. Oh, yes; almost three-quarters of our requirements of wool are imported.

Senator BENNETT. And with respect to sugar, it is approximately half.

Senator FREAR. Do you want to set that as a general rule, that any crop of which we do not produce sufficient for our domestic supply, you are willing to go along with a subsidy?

Mr. WOOLLEY. No; we want to be very careful to look into all of the implications of how a particular type of program might work out with respect to any commodity.

Senator FREAR. Each person has a right to look, including any member of the Farm Bureau, and naturally once in a while a person agrees or disagrees, but generally speaking the Farm Bureau on a particular crop wants to look but in a general category, they don't want to look and—

Mr. WOOLLEY. Well, as experience accumulates over the years, you find there is no single mold that you can put a commodity into and be successful. We have felt that the Sugar Act has worked satisfactorily.

I might point out this, that one of the primary reasons why areas of the Farm Bureau that do not grow sugar are receptive to the idea of increasing the sugar quota, is that they feel that it will help take care of some of the diverted acres and thus avoid those acres being dumped onto producers of vegetables and other crops.

Senator FREAR. From how many State organizations does the Farm Bureau have agreement to this statement you have made today, other than the cane and beet producing States?

Mr. WOOLLEY. This statement is based on principles passed by the voting delegates.

Senator FREAR. In other words, your membership of the Farm Bureau has not decided this; it is the executive committee?

Mr. WOOLLEY. Well, the voting delegates in December 1955 adopted our resolutions, which I will be happy to put in the record here. The principles from which we produced this statement that has been presented to the committee was based on those resolutions.

Senator FREAR. Why, I think it would be most informative.

Mr. WOOLLEY. It is only about three or four lines. Could I read it?

Senator FREAR. All right.

Mr. WOOLLEY (reading):

We have supported the Sugar Act as a means of dealing with the problems peculiar in this industry.

We urge this act be extended with amendments (1) providing a growth formula for prevailing domestic area sugar quotas, (2) granting emergency increases in present domestic area quotas to relieve the existing surplus situation, and (3) specifically reserving the right of the Congress to enact further amendments.

Senator FREAR. All right. Did I understand you to say that the Farm Bureau generally opposed Federal subsidies?

Mr. WOOLLEY. We feel that subsidies should not be paid out to farmers on the basis of making farming profitable. We do not think that is the basis for a sound farm program.

Senator FREAR. Well, what is this Sugar Act, then?

Mr. WOOLLEY. We think the circumstances with respect to sugar are peculiar and if we did not have the kind of program we have, that there would be a very strong demand for increasing tariffs to equalize the situation. The harm that would be done to the American farmer generally by increasing the tariffs would far outweigh anything that we lose by engaging in this kind of a subsidy program.

Senator BENNETT. Mr. Chairman, I think that the testimony earlier indicated that the tariffs had been reduced from approximately 2½ cents, down to approximately one-half cent, while the payment under this program is one-half cent, so that the net reduction in tariffs was—well, I am too tired tonight to figure it, but it is about 2 cents—about a cent and a half, the tariff has been reduced from 2½ to one-half, and that is 2 cents reduction and it has been written back on this basis, so it is about 1½ cents.

Senator FREAR. The production of beet sugar is marginal, generally speaking?

Mr. WOOLLEY. Well, it could be considered in some areas, however, not as a general proposition.

Senator FREAR. Now, is it fair for me to assume that the Farm Bureau will support marginal farming with Federal subsidies?

Mr. WOOLLEY. As a basic proposition, we are opposed to the supporting of marginal farmers by subsidization.

However, we live in the world as we find it, not as we would like to have it, and we find ourselves in a situation where many people have gotten themselves into the position where they can administer prices; industry has itself in that position in many places, and we find that labor has itself in a position where they can indulge in monopoly practices.

We do not think that the answer is for the American farmer to reciprocate by starting a monopoly of his own—some people think that is the way to do it, but we think such an approach is unsound.

But, primarily, we are trying to work ourselves out of where we are now, not where we would like to be. I would say that the prevailing

philosophy of the Farm Bureau is to choose as free a market as circumstances permit. When we find that we are blocked off by circumstances, then, we will do the best we can to go in that direction.

Senator FREAR. I was of the opinion that in their objectives they, generally speaking, opposed Federal subsidies.

Now, I assume, from the reading of the papers and the testimony, and so forth, that we have a labor shortage in this country, generally speaking, overall labor shortage. Now, do you think that the Federal Government should subsidize labor any greater than it is?

Mr. WOOLLEY. According to the information that I have read, by reason of the increase in the number of people in the labor market, there will be probably more unemployment next year than there is this year.

Senator FREAR. On page 8 of your statement you show your index of farm prices and farm wages.

Mr. WOOLLEY. Yes.

Senator FREAR. And according to that, the index rose from 276 in 1947 to 302 in 1951.

Mr. WOOLLEY. That is correct.

Senator FREAR. That is, you take the difference between that and the 1955 index of 232, the decrease would be considerably greater than the 12 percent outlined in the following paragraph.

Mr. WOOLLEY. I did not calculate——

Senator FREAR. I think your figures are correct——

Mr. WOOLLEY. I did not calculate from 1951, I calculated from 1947.

Senator FREAR. I know, what I was trying to bring out, the index of farm prices was considerably on the rise until 1951.

Mr. WOOLLEY. That is true. One of the reasons that we use 1947 as a basis for comparison is that 1947 was the year when we had the highest net farm income in history.

Our cash receipts have maintained about the same level, but our costs have gone up to such an extent that farmers have been caught in a squeeze.

Senator FREAR. You say farming receipts for 1955 are about the same as they had been for the previous year?

Mr. WOOLLEY. Cash receipts for 1955 are only slightly below those of 1954. I have the figures here:

In 1947 cash receipts were \$34 billion. In 1954 they were \$34 billion. Farmers made a net income of around \$17 billion in 1947, but in 1954 it was down to \$12 billion and now it is down to around \$11 billion. Practically the whole decrease is attributable to three things, the increase in costs, the curtailment of the production of crops under the marketing quota program, and drought.

Of course, there has been an impact recently in the last 6 months in the cash receipts for hogs because the amount of feed that has been available throughout the country has lowered the feed ratio to such an extent that we have had a tremendous production of hogs and therefore glutted the market.

Senator FREAR. Would you repeat the second reason after you mentioned quotas? You said there were two reasons. What was the second reason?

Mr. WOOLLEY. The curtailment of acreage brought about by the restrictions in the Sugar Act, in the marketing quotas under the

Agricultural Adjustment Act of 1938, as amended, with respect to cotton, tobacco, peanuts, rice, and wheat.

Senator FREAR. Well, did your organization say the same thing toward rice and tobacco when quota restrictions were placed, the same as you do on sugar?

Mr. WOOLLEY. Well, on cotton, wheat, and the other quota crops, we say that the maintenance of a price support at 90 percent of parity without regard to which as you know is only a statistical figure, will eventually bring a commodity into serious trouble through surpluses.

The parity prices of citrus for many years has been below 50 percent of parity, but nevertheless those producers do not think they ought to have a price support program on citrus.

The point I am making—

Senator SMATHERS. Some of them don't think that. [Laughter.]

Mr. WOOLLEY. Yes; that is right. Well, they have done very well in expanding their market, which would never have occurred if they had been put in the same kind of straitjacket with respect to citrus as with respect to other commodities.

We believe that the maintenance of uneconomic prices is against the interests of producers since it destroys their markets.

Senator FREAR. What is an uneconomic price, what is its definition?

Mr. WOOLLEY. Well, we think an uneconomic price is a price that will not permit the commodity to move into consumption and will result in encouraging production beyond what the market will take.

Senator FREAR. I see—at a loss.

Mr. WOOLLEY. That is right. We think that what happens is that an artificial price gets capitalized into land value and as that land changes hands, the increase in land value, which was a pleasant experience to the original holder of the land, is a cost to the second taker and is a basis for higher taxes and operating expenses.

Senator FREAR. Yes; but that same idea would go to the owner of ground that produces beet sugar or cane sugar.

Mr. WOOLLEY. Well, of course, in that connection, we don't see that this program has the effect of destroying our market. As a matter of fact, if we could get a larger quota, it is just the reverse.

Senator FREAR. How much do you think we can safely produce of our domestic production of sugar in this country?

Mr. WOOLLEY. You mean, how far do the producers want to go?

Senator FREAR. No. Your organization. Maybe, if your organization has not discussed this, we might have your own personal opinion.

How far would you suggest that we should go in making acreage allotments for domestic consumption—or pounds or whatever way?

Mr. WOOLLEY. Well, the acreage we now have devoted to sugar beets, if it were expanded on a reasonable basis over a period of time, which this legislation contemplates, would not be unreasonable.

With respect to cane, approximately the same situation.

The reason I say that is this. As I said in my direct testimony, the acreage that is devoted to these crops is being cut below what it was in 1947, when the present Sugar Act was passed, and there is a point below which these acreages cannot be cut and still maintain economic production on a particular unit. We do not feel that the current situation is burdensome to consumers. We think producers ought to be permitted to go up to the extent that the bill pending before this committee suggests plus the 188,000 tons.

The reason why we suggest 188,000 tons is they need that to get out of the situation they are in now. They are facing a very difficult situation.

Senator BENNETT. Well, Mr. Chairman, can I ask a question?

Senator FREAR. You may.

Senator BENNETT. Isn't it a fact that there have been some very important and dramatic improvements both in strains of seeds and in the mechanization of harvesting, so that the actual production per acre has been stepped up, oh, 200 percent or 300 percent over the past 20 years, and it is possible to answer the chairman's question, that the domestic industry would expand 65, 70, maybe even 75 percent of the total American market, but they are not asking for that because they recognize the obligation of our traditional relationship with Cuba?

Mr. WOOLLEY. I agree that the possibility for increases in efficiency in production are very great.

The people in the sugar industry have found themselves in a squeeze; they have been caught. They have increased their yields and then as a penalty for increasing their yields, they get acreage cut to a point where production costs go up. So, they have increased efficiency and then been penalized for increasing efficiency, and this we do not think makes very much sense.

Senator FREAR. Isn't that true also of the producers of corn?

Mr. WOOLLEY. Not to the same extent in corn, I wouldn't say.

I would say this, that the reduction in the cost of producing corn has been reflected and been passed on to the consumer in the form of livestock products, because while there has been a price support program on corn, actually the market price for the farmer is derived from the sale of livestock products and in the end, they are actually on a free market basis.

Senator FREAR. Well, sometimes that is true, but it is not the same class of producers, when you say corn producers, you have other people producing hogs and livestock—I mean, you have a particular class of producers when you are talking about beet and cane sugar, from the little information I know about it.

Mr. WOOLLEY. I think it justifies special treatment.

Senator FREAR. How about potatoes?

Mr. WOOLLEY. Potatoes—we have had a rather bad experience with potatoes.

As you know, mandatory price support was put on potatoes as a result of the Steagall amendment. They were treated as a necessary war crop and as a consequence they came under the 2-year postwar guaranty of 90 percent price support.

The potato producers showed such ingenuity in pulling their rows together and pulling the hills together and getting a variety of potatoes that yielded more, and the application of fertilizer and insecticides, so that regardless of what the Department of Agriculture could do by acreage allotments, production continued to outrun consumption by about 100 million bushels a year. Over a period of about 3 or 4 years, the Department of Agriculture, on about 2 million acres of potatoes, lost through the CCC and section 32, over \$500 million, which is at a rate of in excess of \$250 per acre, with that kind of an experience, with Life photographers taking pictures of potatoes out on airstrips,

the publicity was such that I am sure farmers don't want to have a part of returning to such a program.

Senator FLEAR. You are not alarmed at the ingenuity of the cane and beet producers, you don't think it is comparable to the potato producer?

Mr. WOOLLEY. We are not alarmed at all; quite the contrary.

Senator BENNETT. There is this difference. There is a quota. No matter how much sugar they produce, they cannot sell it and it rots in the warehouses.

Mr. WOOLLEY. That is right, there was no effective way of controlling the production or distribution of potatoes.

Senator FLEAR. Any questions, Senator Smathers?

Senator SMATHERS. I have no questions. I think they have all been well answered.

Senator FLEAR. Not as well answered as if you had asked them.

Now, the reason for the delay is that I had a cup of coffee and the stimulant in it was, by the way, "sugar." [Laughter.] And that accounts for it.

The committee will recess until 10 o'clock tomorrow morning.

(By direction of the chairman the following is made a part of the record:)

MIAMI-DADE COUNTY CHAMBER OF COMMERCE,  
*Miami 32, Fla., June 24, 1955.*

HON. HARRY FLOOD BYRD,  
*Chairman, Senate Finance Committee, Washington, D. C.*

DEAR SENATOR BYRD: We believe that the enclosed copy of a resolution adopted June 13, 1955, and amended June 22, 1955, by the board of directors of the Miami-Dade County Chamber of Commerce is self-explanatory. Copies of letters submitted by the Greater Miami Hotel Association, the Miami Beach Hotel Association, the retail merchants division, and the international affairs department of the Miami-Dade County Chamber of Commerce, also enclosed, further illustrate the feeling of the businessmen of this area regarding the pending sugar-quota legislation.

We would like to further urge your complete support of this resolution as being in the best interests of the entire State of Florida. An enlightened United States foreign policy in the national rather than in the individual interest is of prime importance.

Again urging your objective support of this resolution, I remain  
Sincerely yours,

A. CANEL, *General Manager.*

#### RESOLUTION

Whereas bills now pending in the Congress of the United States would, if enacted, reduce Cuban sugar quotas for import into the United States by 240,000 tons during 1955; and

Whereas a so-called compromise policy just has been announced, the effect of which would be to reduce Cuban sugar sales in the United States by 185,000 tons during the ensuing year; and

Whereas the effect of such proposals would be to reduce Cuban sugar sales to the United States from between \$18,500,000 and \$24 million annually; and

Whereas under the proposed sugar legislation, Florida producers of sugar would be permitted to market an additional 42,000 tons of sugar in 1955 and 1956, the value of which is approximately \$5 million; and

Whereas domestic producers of sugar cane, including the growers in Florida, receive substantial subsidy payments at the expense of the American taxpayer; and

Whereas United States exports to Cuba in 1953 were valued at \$426 million and a survey shows that thousands of firms throughout the State of Florida produce millions of dollars worth of commodities for export to Cuba every year; and



Whereas the total value of all shipments to Cuba through Florida ports in 1953 was approximately \$87 million; and

Whereas during the same year, Cuban tourists spent millions of dollars in the United States, the greater percentage of which was spent in the State of Florida; and

Whereas a reduction of Cuban sugar quotas would adversely affect numerous industries in the State of Florida while benefiting a relatively few domestic producers: Now, therefore, be it

*Resolved by the board of directors of the Miami-Dade County Chamber of Commerce,* That the Florida congressional delegation be urged to vigorously resist all efforts in Congress by the domestic sugar producers to reduce the Cuban sugar quota at this time; and be it further

*Resolved,* That the manager of the Miami-Dade County Chamber of Commerce be directed to enlist the support of other interested groups in south Florida to join in an effort to prevent enactment of this discriminatory and economy-wrecking legislation against our good friend and neighbor, the Republic of Cuba.

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GREATER MIAMI HOTEL ASSOCIATION,  
*Miami 32, Fla., June 15, 1955.*

BOARD OF DIRECTORS, MIAMI-DADE COUNTY CHAMBER OF COMMERCE,  
*Chamber of Commerce Building, Miami 32, Fla.*

GENTLEMEN: It was most gratifying to see the chamber take a positive stand against the proposal now being considered in Washington to extend the quota of subsidized domestic sugar producers at the expense of the Republic of Cuba. There is no doubt in my mind that if the proposed bill is enacted, it will be detrimental not only to our good customer and neighbor, the Republic of Cuba, but also to the best economic interest of the United States.

Of even greater importance is the fact that it would further encourage subsidization and discourage free trade.

Sincerely yours,

J. J. "SKIP" SHEPARD, *President.*

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MIAMI BEACH HOTEL ASSOCIATION,  
*Miami Beach 39, Fla., June 20, 1955.*

BOARD OF DIRECTORS, MIAMI CHAMBER OF COMMERCE,  
*Chamber of Commerce Building, Miami, Fla.*

GENTLEMEN: It has been brought to our attention that recently your group went on record as opposing the proposal that our Government increase the quota of subsidized domestic sugar producers at the expense of the Cuban quota.

Our organization joins with you in objecting to the proposal in the interest of our friendly neighbor and good customer, the Republic of Cuba.

Cordially yours,

L. C. McASKILL, *Executive Director.*

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RETAIL MERCHANTS DIVISION OF THE  
MIAMI CHAMBER OF COMMERCE,  
*Miami, Fla., June 22, 1955.*

BOARD OF DIRECTORS, MIAMI-DADE COUNTY CHAMBER OF COMMERCE,  
*Miami, Fla.*

GENTLEMEN: The Board of Directors of the Retail Merchants Division, Miami-Dade County Chamber of Commerce, wishes to go on record as supporting the resolution adopted by the chamber directorate in meeting June 13, 1955, which opposes the pending congressional legislation to reduce the Cuban sugar quota for import into the United States.

Sincerely,

E. C. NICHOLSON, Jr., *President.*

RECOMMENDATION TO THE BOARD OF DIRECTORS, MIAMI-DADE COUNTY CHAMBER OF COMMERCE BY E. T. DESMOND, EXECUTIVE DIRECTOR, INTERNATIONAL AFFAIRS DEPARTMENT, MIAMI-DADE COUNTY CHAMBER OF COMMERCE, IN BEHALF OF THE BOARD OF DIRECTORS OF THE INTERNATIONAL AFFAIRS DEPARTMENT, JUNE 22, 1955 IN REFERENCE TO THE SUGAR-QUOTA RESOLUTION

Before presenting the recommendation of the board of directors of the international affairs department on the sugar-quota resolution, I have been asked by the board to transmit to you their feelings on this matter.

First, the board of directors of the department is most pleased to see that the board of directors of the chamber has taken a firm stand on the sugar-quota question which is not only of vital importance to the immediate area, but also to the State of Florida, the national economy and the international trade relations of the United States. They hope that you will continue in the future to look at and examine all matters of this sort objectively and fairly and come to a just conclusion and decision as you have in this case.

Without going into great detail, the first matter considered by the board of directors of the department was the contract made between the United States and Cuban Governments in 1952 whereby the Sugar Act was to expire December 31, 1956. The proposal of the domestic sugar producers to amend the Sugar Act now and make such amendments retroactive to January 1, 1955 would be clearly a breach of contract. On the promised and solemn word of the United States Government in 1952 the Cuban Government and sugar growers adjusted their economy to conform with the Sugar Act expiring December 31, 1956. Already, money has been borrowed on the sugar crops to be sold this year and next year and any change in quota allotments would be disastrous to the Republic of Cuba. Any reduction in the United States quota for Cuban sugar will force our Cuban friends to reduce their purchases of United States products and would affect to a great degree the State of Florida. The important point is, however, that a solemn contract has been made and must be kept. The problem of Cuban sugar exports to the United States has assumed an important role in the overall problem of hemispheric relations and, therefore, the decision to be made will be considered by the rest of Latin America as the official "moral policy" of the United States Government in her dealings with foreign countries.

Aside from the moral obligation of the United States Government to fulfill its contract with the Cuban Government, the question of the overall interest of the many as opposed to the interest of a few was considered by the board of directors of the international affairs department. Briefly, the well-being and economic position of 5 million people in the State of Florida is certainly more important than that of interests representing 3 sugar corporations. The same thing can be said for the national interest versus the regional or State interest.

Further, the opinion of the board of directors of the international affairs department is that any crop, in this case sugar, which has to be subsidized to the extent of 80 cents per 100 pounds, raw value, for an average subsidy payment of approximately 67 cents per 100 pounds of domestic sugar that is marketed, protected by a tariff of 50 cents on Cuban sugar imports and 62.5 cents on other foreign countries in addition to quota protection is certainly an uneconomical operation and venture for the United States Government which is the United States taxpayer.

In view of the foregoing comments, necessarily brief because of the time limit, the board of directors of the international affairs department believe that this is certainly the time for the board of directors of the Miami-Dade County Chamber of Commerce to stand up and be counted on for a firm policy on the original sugar quota resolution without compromising or hedging and that the resolution as presented to the board on Monday, June 13, be adopted without change as being in the best interests of the entire State of Florida and with the thought in mind that an enlightened United States foreign policy in the national, rather than in the individual interest, is paramount.

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MARSHALL COUNTY SUGAR BEET GROWERS ASSOCIATION,  
Warren, Minn., December 29, 1955.

CHAIRMAN, SENATE COMMITTEE ON FINANCE,  
United States Senate, Washington, D. C.

DEAR SIR: Enclosed for your information and consideration is a copy of the resolutions of the Marshall County Sugar Beet Growers Association, Warren, Minn., adopted at our annual meeting November 25, 1955. We appreciatively

ask that resolution number one be included in any records of a hearing on sugar legislation conducted before your August committee.

Thank you.

Very truly yours,

WALTER MALM, *President.*

RESOLUTION NO. 1—AMENDMENT OF SUGAR ACT OF 1948

Whereas the Sugar Act of 1948, as amended, will expire on December 31, 1956, and consequently its protective provisions will apply only to sugar refined from beets grown in 1955 and sold in 1956; and

Whereas reenactment of present law, with retention of protective quota provisions for sugar beets produced in domestic areas, is therefore essential early in 2d session of 84th Congress; and

Whereas under the present act the sugar-beet crop has been subjected to acreage restrictions in 1954, 1955, and proposed for 1956 amounting to from 12 percent under previous plantings; and

Whereas the sugar-beet crop is a major and important crop and the need is imperative that full acreage be restored and reasonable future expansion be provided for new areas; and

Whereas the sugar-beet crop is of increasing importance due to the curtailment of other crops and because they furnish a reliable cash crop badly needed on new areas to meet high operating costs as well as old areas to carry the mounting expenses of farming; and

Whereas both domestic sugar-beet and cane-growing farmers in equity should have the right denied to them under present law, to participate in the expanding market for sugar in this country; and

Whereas there is now pending before Congress, legislation to reenact and amend the expiring act: Now, therefore, be it

*Resolved*, That the Marshall County Sugar Beet Growers Association hereby directs its officers to actively support new legislation which will:

1. Provide sugar quotas to continental beet areas which will restore opportunity for full production among growers with a historical beet-growing base.

2. Provide immediate opportunity on both new as well as established areas for farmers who desire to add the beet-growing enterprise to their farming program to the extent that processing facilities are available.

3. Provide further that in sugar-quota allocations such division of the steadily increasing American market be made as will create a basis for additional sugar processing facilities in areas adapted to beets, such as this, in which farmers do evidence a firm and continuing desire to grow beets.

4. Provide that deficits occurring in the quantities allotted to domestic areas be reallocated to other domestic areas; and be it further

*Resolved*, That this association actively support a provision in new legislation limiting the term of the Sugar Act now under consideration for a period of 4 years in order that in 1960 Congress may again reappraise the need for quotas in all domestic areas and their ability to consistently supply the amounts prescribed.

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STATEMENT BY JOHN W. HAW, CHAIRMAN, SPECIAL NRA COMMITTEE ON SUGAR AMENDMENT LEGISLATION

It is requested that the National Reclamation Association's resolution respecting pending reenactment with amendment of the Sugar Act of 1948, unanimously adopted at its 24th annual meeting in Lincoln, Nebr., October 24-26, 1955, be made a part of the record during consideration of H. R. 7030.

A resolution of similar import passed by the association's annual meeting in Portland, Oreg., in the fall of 1954 was presented at the hearings on similar legislation before the House Agriculture Committee in June 1955.

This association consistently has made a record over the past 22 years of dissatisfaction with sugar legislation severely limiting the portion of the American sugar market which can be supplied by sugar beet and cane growers in the continental United States. As to no other farm commodity is the American producer arbitrarily fenced out of his own market by a law setting up quotas strongly favoring producers in foreign countries.

The production of sugar beets is important to the solvency of many irrigation projects in the 17 Western States and particularly those in northern latitudes, indeed, without the ability to expand sugar-beet acreage several new and important

Federal irrigation projects, notably the Columbia Basin, will encounter grave difficulty in meeting their contractual payout schedules.

This association supports passage of the pending bill not because of a belief that it will fully meet the organization's objectives as to the expansion of beet growing, but because it is a modification of existing law in the right direction and because of representations that it is all that can be accomplished at this time in curing the inequities in the legislation now in force.

Following is the resolution which sets forth the position of the National Reclamation Association on sugar amendment legislation.

RESOLUTION NO. 30—AMENDMENT OF THE SUGAR ACT OF 1948

Whereas the Sugar Act of 1948, as amended, will expire on December 31, 1956 and consequently its protective provisions will apply only to sugar refined from beets grown in 1955 and sold in 1956; and

Whereas reenactment of the present law, with retention of protective quota provisions, as well as provisions designed to bring about a parity price for sugar beets and cane produced in domestic areas, is therefore essential early in the 2d session of the 84th Congress; and

Whereas under the present act, the sugar beet and cane crop has been subjected to acreage restrictions in 1954 and 1955, amounting to from 12 percent in beet areas to 18 percent in cane areas under previous plantings; and

Whereas the sugar-beet crop is a major and important crop on western irrigation projects and the need is imperative that full acreage be restored and reasonable future expansion be provided for on newly irrigated areas as well as on established projects; and

Whereas the sugar-beet crop is of increasing importance due to the curtailment of other crops and because they furnish a reliable cash crop badly needed on new irrigation projects to meet high development costs as well as on old projects to carry the mounting expenses of irrigation farming; and

Whereas both domestic sugar-beet and cane-growing farmers in equity should have the right, denied to them under present law, to participate in the expanding market for sugar in this country; and

Whereas there is now pending before Congress, legislation to reenact and amend the expiring act: Now, therefore, be it

*Resolved*, That the National Reclamation Association hereby directs its officers to actively support new legislation, which will:

1. Provide sugar quotas to continental beet areas which will restore opportunity for full production among growers with a historical beet growing base.

2. Provide immediate opportunity on both new irrigation projects as well as established projects for farmers, who desire to add the beet-growing enterprise to their farming program to the extent that processing facilities are available.

3. Provide further that in sugar quota allocations such division of the steadily increasing American market be made as will create a basis for additional sugar-processing facilities in irrigated areas adapted to beets and in which farmers evidence a firm and continuing desire to grow beets.

4. Provide that deficits occurring in the quantities allotted to continental areas be reallocated to other continental areas; and be it further

*Resolved*, That this association actively support a provision in new legislation limiting the term of the Sugar Act, now under consideration, for a period of 4 years in order that in 1960, Congress may again reappraise the need for quotas in all domestic areas and their ability to consistently supply the amounts prescribed.

We appreciate the privilege of submitting this statement.

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STATEMENT OF NATIONAL AGRICULTURAL WORKERS UNION SUBMITTED BY  
H. L. MITCHELL

The National Agricultural Workers Union has a vital interest in the proposals before your committee to extend the national Sugar Act for another period of years. Among the purposes of this act are to regulate commerce, to promote the export trade of the United States, to protect the welfare of consumers, and to protect the welfare of those engaged in the domestic sugar producing industry.

In official publications of the United States Department of Agriculture the principles and objectives of the act have been repeatedly set forth. These include an obligation by the Department of Agriculture to fix a fair division of returns between growers and processors; to fix a fair and reasonable wage for

those engaged in producing, cultivating, and harvesting sugar cane and beets and to assure a fair division of the benefits of the program between growers and farm workers. These objectives, together with the administrative orders and procedures, make up the United States sugar program.

Our interest is not only based on the language of the present law but on the proposals now under consideration. These proposals would extend the act until 1962, increase the benefit payments to growers of sugarcane and beets and increase the tonnage allotments to domestic producers.

According to publications of the United States Department of Agriculture (Sugar Reports 41, September 1955) there were 127,500 workers employed in sugar beet fields and on sugarcane plantations on the mainland of the United States in 1954 at the peak of the harvest season. The 85,000 workers employed in harvesting sugar beets were paid on the basis of an average minimum wage rate of \$6.10 per day, while 40,000 workers on the sugarcane plantations of Louisiana received \$3.94 for a 9-hour day. While the Department estimated that the prevailing wage rate for field work on the plantation was 7½ cents an hour more than the minimum rate set in Louisiana, our own independent surveys both in 1953 and 1954 show that the actual wage received is less than the estimates of the Department and near the minimum actually set.

In this statement we do not propose to go into the question of the percentage of quotas of foreign and domestic producers. We limit our statement to the facts we have concerning the glaring failures of administration of the act in the sugarcane industry of Louisiana which produces the bulk of the mainland sugarcane, and we raise the fundamental question: Is this committee to recommend that the Congress extend the law which will increase the cash benefit payments to large corporations engaged in producing sugarcane without inquiring whether the present benefits are being fairly divided between large producers, small producers, and the workers involved?

In his message on the farm problem just recently, President Eisenhower requested that Congress give consideration to placing a dollar limit on the price-support program. Is it the intention of your committee to give any consideration to a limit being placed on benefit payments made to the sugarcane corporations which produce over 75 percent of the mainland sugarcane?

In 1951 total payments made to sugarcane producers in Louisiana amounted to \$5,379,203. Six thousand seven hundred and ninety-six payees received \$806,088 while one hundred and eighty-one received \$2,513,481. A still smaller group of 81 sugar planters received \$1,657,000. Among these were the Southcoast Sugar Corp. which received \$165,836, Southdown Sugars received \$127,713, and Godchaux Sugars received \$90,159. Since 1951 there has been further decrease in the amount paid to small producers and a corresponding increase to the larger sugarcane corporations. We suggest the limitation on dollar price support to any single corporation or individual engaged in agricultural production start with the extension of the 1948 Sugar Act.

Congress is being asked to approve additional cash benefits ranging from one-half million to two and a half million dollars, depending on the tonnage and final allotments to domestic growers without regard to the size of operation. Congress is also expected to extend the act without considering the failure of the program to achieve one of its fundamental objectives—to protect the welfare of workers engaged in the producing, cultivating, and harvesting of sugarcane. From the standpoint of our union and the plantation workers we represent, the sugar program is a failure.

A documented study of wage payments received on corporation-owned plantations in Louisiana in 1953 reveals that adult plantation workers other than year-round employees received no more than \$550 to \$650 annually. Permanently employed tractor drivers and machine operators made from \$1,100 to \$1,250 a year. Only a small group of skilled mechanics earned \$1,800 to \$2,000 for a year's work. Members of our union working more or less the year round earned between \$900 and \$1,000 a year. No one could be proud of such wages, not even a spokesman for the sugarcane corporations who pay these wages. He is quoted as saying "We regret that we cannot speak with pride of the wage rates paid by us."

The Secretary of Agriculture who, on October 10, 1955, issued the order fixing the minimum-wage rates to be paid sugarcane production and harvest workers in Louisiana at the rate of 41½ cents an hour during 1956, apparently expressed no similar regrets that such a wage would be determined by the greatest and wealthiest country in the world for its citizens. The Secretary also set a minimum wage of 40 cents an hour for sugarcane workers in the Virgin Islands and a 60-cent rate in Florida.

## COVERAGE OF WORKERS UNDER THE LAW

The Sugar Act extends its benefits to "those engaged in the domestic sugar-producing industry." Because employees of refineries and grinding mills are covered by the provisions of other Federal laws on wages, hours, and other aspects of employment, the Sugar Act is superfluous with respect to these groups of employees.

With regard to all other workers, it might be expected that the law means what it says. But again we discover a signal failure of the sugar program. There is a group of plantation employees, whose number is undertermined but which runs into the hundreds in Louisiana alone, who are outside the law. These are the welders, carpenters, mechanics, painters, electricians and other types of skilled maintenance men who keep the tractors, mechanical harvesters, loaders, cane wagons, trailers, plows, and draglines in repair. Without their services the planting, cultivating, and harvesting of sugarcane in Louisiana would come to a dead stop, for the industry is highly mechanized and becoming more so each year.

Why is such an important element of the plantation-labor force deprived of all legal protection?

In 1953 our union presented several hundred claims for unpaid time in behalf of maintenance mechanics employed on the plantations. The Department of Agriculture ruled that this type of employee is not covered by the Sugar Act. A letter went to Louisiana from Washington saying just that. An officer of the Department vested himself with plenipotentiary judicial powers in order to hand down an interpretation of the Sugar Act under which the claims were filed. These were his orders written on April 10, 1953: "It is our interpretation that workers performing services which are directly connected with production, cultivation, and harvesting of sugarcane are covered under the wage provisions of the Sugar Act. Workers who are indirectly connected with sugarcane production, cultivation and harvesting are not covered under the wage provisions. These workers include, but are not limited to, yardmen, carpenters, balcksmiths, electricians, stablemen, welders, maintenance men, and repairmen."

Two years later the Supreme Court of the United States handed down a decision in the *Waiialua* case (Sup. Ct. May 23, 1955, vol. 75, No. 15, pp. 719-732). In this decision the Court held that the agricultural exemption of the Fair Labor Standards Act applies to those engaged in the repair of equipment used in performing agricultural functions \* \* \* mechanics, electricians, welders, carpenters, plumbers and painters." In the same decision the Court made this significant reference: The Fair Labor Standards Act clearly covers those engaged in refining sugar; and the Sugar Act provides for reasonable wages for those engaged in the production, cultivation or harvesting of sugarcane.

We wish to call your attention to the fact that the Department of Agriculture includes these very same skilled mechanics in the statistical averages of wage rates and earnings published by the Department (United States Sugar Program, p. 25, Fig. 5). The comparatively higher earnings of these skilled men are needed to pad the wage levels which the Department sets as minimums in Louisiana sugarcane. But the men who earn these wages are excluded from legal coverage under the Sugar Act as well as the Fair Labor Standards Act.

The Sugar Act purports to "protect the welfare \* \* \* of those engaged in the domestic sugar-producing industry." Nothing is more important to the welfare of workers than the prompt, just and fair hearing and settlement of their grievances.

The Sugar Act sets up a grievance procedure unique in American legislation. This procedure is set forth in Circular SU-193 entitled "Instructions for the Handling of Claims by Laborers Against Producers for Unpaid Wages."

There exists in Louisiana what are called parish committees composed entirely of growers in whose hands the Department of Agriculture places the grassroots control of the sugar program. The parish committee is composed of employers only. Yet it is the channel by which claims are processed, the agent by whom they are investigated, the tribunal to which they are appealed and the judge by whom they are adjudicated. Claims are investigated only if the parish committee deems it necessary.

There isn't a lawyer in Congress who would defend such a system. There isn't a legislator who would willingly subject himself and his affairs to this kind of administrative procedure. But it happens to sugarcane plantation workers in the State of Louisiana every day. It is one of the signal failures of the sugar program.

## COLLECTIVE BARGAINING AND UNION ORGANIZATION

The Sugar Act, as interpreted by the Department of Agriculture, is the plantation workers' substitute for organization and collective bargaining. Wages, grievance procedures, and all the other vital concerns of a worker are settled for the Louisiana plantation employees by the Secretary of Agriculture.

Just how do the corporations in Louisiana sugarcane appraise the Sugar Act in conjunction with other Federal legislation dealing with labor relations?

Two years ago three of the leading sugar corporations in that State obtained a cruel and unusual injunction by which they broke a strike of their employees. Counsel for the companies, in argument before the court, said: "The Labor Management Relations Act of 1947 \* \* \* and the National Labor Relations Act of 1935 \* \* \* excluded agricultural workers \* \* \* and \* \* \* the foregoing exclusions are based upon sound reasons of public policy and were specifically made to hamper and prevent individual agricultural workers from organizing and acting in concert for the purpose of obtaining recognition as a union."

Again, in a statement made by a representative of Southdown Sugars, Inc., on October 8, 1953, the following language appears: "Indeed, the policy of the Federal Government as well as the State of Louisiana has been to exclude agricultural workers from any legislation granting the right of workers generally to organize and act in concert." There exists, according to the same statement, "a very strong policy on the part of both Governments, State and National, to prevent agricultural workers from organizing and acting in concert."

The spokesmen of the sugarcane corporations of the State of Louisiana have, therefore, interpreted the policy of Congress to prevent the organization of farm workers, to make it possible for them to act in concert.

The Louisiana Supreme Court, the sugarcane corporations and the Secretary of Agriculture, all apparently were in agreement with the district judge who, in signing the injunction against the union, stated that the property interests of the sugarcane corporations transcended the human rights of the plantation workers. However, the United States Supreme Court evidently did not accept this premise as valid as it ordered the Louisiana court to vacate the injunction on November 21, 1955.

We do not want to end this statement without mentioning one other major flaw in the national sugar program, namely, its failure to protect the interests and welfare of the small cane growers of Louisiana.

## THE SMALL CANE FARMERS

There can be no doubt that this was one of the major objectives of the original Federal sugar legislation. The plight of the small grower, the tenant farmer and the sharecropper in cane was a foremost concern in Congress; and the Sugar Act was devised for the purpose, among others, of arresting the decline of the family farm.

What has happened in the 18 years of operation of the sugar program?

In 1934 there were 9,540 farms listed as producing units in the Cane Belt of Louisiana. In 1952 there were 4,463. By 1950 90 percent of the farms employed less than 7 percent of all wage labor in the industry. They represented around 43 percent of all acreage, while some 240 farms represented 57 percent of the land planted to sugarcane.

Today the position of the small cane grower in the Louisiana industry is at the low point of this decline. He has about as much voice in the administration of the Sugar Act as the wage workers of the plantations. He earns less for his personal, individual labor than even the harvest workers on the plantations. He sells his cane under the terms of a contract he has not even read and whose particulars he knows little or nothing about. (Marketing Sugarcane in Louisiana, 1949, p. 25). He pays dues to the American Sugar Cane League under a checkoff system that is all but compulsory. He suspects, with good reason, that his share of the sugar consumer's dollar is whittled down by arbitrary trash penalties, by complicated purity tests and by unsupervised sucrose analysis. He is the "average small farmer" whose sweaty shirt is often waved in election campaigns, but who is never himself seen or heard. If a delegation of such small farmers has appeared in Washington during these hearings we have not been aware of it.

Like the wage workers of the industry, the small cane farmers come in for the short end of the "fair division of the proceeds of the industry."

We are opposed to any amendments to the Sugar Act which close the doors on the indefensible record of the industry and the Department of Agriculture in respect to agricultural workers.

We request consideration for and enactment into law of the following:

To amend title III, section 301 (c) (1) of the Sugar Act of 1948, as amended, to require the payment of wages as determined by the Secretary of Agriculture under the Fair Labor Standards Act of 1938, as amended, and to permit employees of producers to organize, form, join, or assist labor organizations and to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for their mutual aid or protection and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That title III, section 301 (c) (1) of the Sugar Act of 1948, as amended, is amended as follows: Following the first semicolon and after the word "consideration" strike out "the standards therefor formerly established by him under the Agricultural Act, as amended," and insert in lieu thereof "the basic hourly rates established under the Fair Labor Standards Act of 1938, as amended"; and that said subsection be further amended by adding at the end thereof the following new sentence: "The Secretary shall withhold payments from a producer who denies one or more of his employees their right to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, or to refrain from any or all such activities, while so employed in the production, cultivation and harvesting of sugar beets or cane with respect to which an application for payment is made".

In addition to the above, we urge that there be written into the act a provision that no individual producer or corporation engaged in producing sugarcane or beets shall receive more than \$25,000 in benefits paid from the processing tax collected on sugar. We also ask that the accumulated surplus be allocated to small producers receiving less than \$5,000 in payments.

(Whereupon, at 7:45 p. m., the committee adjourned, to reconvene at 10 a. m. Tuesday, January 17, 1956.)



## SUGAR ACT EXTENSION

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TUESDAY, JANUARY 17, 1956

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

The committee met, pursuant to recess, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Smathers, Frear, Williams, Flanders, Carlson, Bennett, Malone, and Barkley.

Also present: Hon. Herman Welker, United States Senator from Idaho; Hon. Henry C. Dworshak, United States Senator from Idaho; and Hon. Edward J. Thye, United States Senator from Minnesota.

Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order. As all of you know, Senator Millikin is ill and unable to attend the hearings in person. He is following the activities very closely, however, and has asked that I insert in the record of the hearings a letter giving his unqualified endorsement of the principles of Senator Bennett's proposed amendment.

(The letter is as follows:)

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*January 17, 1956.*

Hon. HARRY F. BYRD,  
*United States Senate,*  
*Washington, D. C.*

DEAR SENATOR BYRD: With reference to the proposed amendments to the Sugar Act:

This subject is of great importance to me and to my State. I have watched with intense interest, over a number of years, the development of the beet-sugar industry in Colorado and in the other States of the Rocky Mountain region, and have observed the very close relationship between the success of a community and the acreage of sugar beets on the farms surrounding that community. The contribution the beet-sugar industry has made to the stability of the agriculture and the entire business life of this vast area of the United States is indeed great.

It has been my privilege for many years to have had a responsible part in shaping our Nation's sugar legislation. In helping to develop the present Sugar Act and the various amendments to it, I have always recognized not only the vital needs of the sugar-beet farmer of the great West and our other domestic sugar-producing areas but also the importance of this legislation to our relations with other nations—and above all, our obligations to the consumers of the United States. It is generally recognized that the Sugar Act has been eminently successful in achieving all its various purposes.

The need for amending the present law, however, has been apparent for some time—to restore to American sugar producers the right to share once more in the growth of our own Nation. To effect the needed change in the law, I joined with 48 of my senatorial colleagues in introducing an amendment last year. The measure now before the Committee on Finance introduced by Senator Bennett is an outgrowth of those efforts.

I wish the record to show my unqualified endorsement of the principles of Senator Bennett's bill. His proposal has been endorsed by the entire domestic sugar industry and also by the Department of Agriculture. It will restore the principles of sugar legislation that have worked so well.

I shall appreciate it if these comments may be made a part of the record of the hearings.

With very best regards, I am,  
Sincerely,

EUGENE D. MILLIKIN.

The CHAIRMAN. The Chair would also like to announce that Senator Long is detained in Louisiana today on account of the election. He is very much interested in this legislation. It has been agreed that no action would be taken by the Finance Committee until Senator Long returns. I am sorry he cannot be here today.

I understand that Senator Barrett of Wyoming has a brief statement.

Senator BARRETT. Thank you very much, Mr. Chairman.

**STATEMENT OF HON. FRANK A. BARRETT, UNITED STATES  
SENATOR FROM THE STATE OF WYOMING**

Senator BARRETT. At the outset, let me say to you, Mr. Chairman, that I am very appreciative of the fact that you have set this bill down for hearings at this time, and I am very hopeful that we can get the matter up in the Senate shortly and enacted into law at an early date so that the growers can be certain just what the situation is before they begin their spring work.

Now, Mr. Chairman, it has been the policy of the Congress for more than 20 years to promote a sound and prosperous domestic sugar industry in this country, and I am sure that this committee feels precisely that way about it.

We have grown as much as 50,000 acres of sugar beets in Wyoming. In 1954 our acreage was around 39,000; however we were required to cut that back to something over 34,000 in 1955.

Something has been said here at the hearings to the effect that sugar beets are grown on marginal lands. As a matter of fact, Mr. Chairman, the best irrigated lands in Wyoming are used to grow sugar beets in rotation with other crops. As a result, we have been able to increase the production of other crops, inasmuch as the sugar beet enriches the soil. In addition, sugar beets are a very desirable crop, particularly in our section of the country, since it fits in so well with the livestock economy. The byproducts from an acre of sugar beets are sufficient to produce about 300 pounds of meat when properly fed. The tops from an acre of sugar beets are considered to have the feeding value of a ton of alfalfa.

We are having great difficulty in our State in explaining to our people, particularly to a lot of the young people who have settled on irrigated farms in the last 10 years, that we cannot give them any acreage in sugar beets. It is a mighty good cash crop.

Now, my sole purpose in coming here today, Mr. Chairman, is to tell the committee that I realize that all legislation is a matter of compromise, and this legislation is no exception to the general rule. This bill is not entirely satisfactory to the beet growers of the West, and I assume that is true, also, of the sugarcane people of Louisiana and Florida.

On the other hand that fact no doubt indicates that it is a pretty fair piece of legislation on a reasonably satisfactory compromise. However, it does seem to me that the people of this country are eminently entitled to a fair share in the increased demand growing out of the growth in the population of our country. I think that the committee is eminently wise in adhering to the historic division in that respect. The provisions of the amendment offered by Senator Bennett seem to me to be fully justified in every respect.

I think that this committee owes a duty, however, now, to the people of this country to see that the bill that comes back from conference is no worse, as far as the domestic producers are concerned, than the proposed amendment now before this committee.

In other words, it seems to me that we are justified in saying to our people that this is the best piece of legislation that we can get for the sugar farmers of our country and, so, we accept it. I am very hopeful that you, Mr. Chairman, and the conferees will insist on the terms and provisions of our amendment introduced by Senator Bennett.

Again I want to thank you for the opportunity to be heard.

The CHAIRMAN. Thank you very much, Senator Barrett. We are always very glad to have you, sir.

Senator BARRETT. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Senator Douglas. Senator Douglas, we are very happy to have you with us. You may proceed.

#### STATEMENT OF HON. PAUL H. DOUGLAS, UNITED STATES SENATOR FROM THE STATE OF ILLINOIS

Senator DOUGLAS. Mr. Chairman and members of the committee, I want to thank you for your courtesy in inviting me to appear, and the few comments that I have to make will be of a very general nature.

But I do want to say that I hope that the interests of the consumers of the country will not be lost sight of in this struggle between producers in the United States, both cane and beet, and the producers in other countries.

It is very easy to lose sight of the interests of consumers, because their interests are diffused and do not amount to a great deal so far as each individual or each family is concerned, but amount to a very large amount if their total numbers are taken into account.

Now, if you look at the natural physical features of the United States and the Caribbean countries, I think there can be no question that the Caribbean area is far better adapted to the production of sugar than the United States; that the yield, not only per acre, but per man, would be much higher there; and that therefore if we could organize North America upon rational principles, the most economic use of labor and capital would be to have the sugar consumed in the United States grown primarily in the Caribbean area, by Cuba, by Puerto Rico, by Mexico, probably, to some degree, and possibly by Haiti as well, and of course, by San Domingo.

Now, some 25 years ago I gave a little attention to the cost of the then-existing tariff to the consumers of the United States and worked over the figures which Dr. Philip Wright prepared in his book on Sugar and the Tariff, a book which was published by the Brookings Institute. Dr. Wright was a mathematician and a completely unbiased and scientific man, one of the finest characters whom I have

ever known. As I remember his study, his conclusion was that the tariff was then costing the consumers of this country approximately 1 cent a pound.

Now, from the inquiries that I have made, I think the cost is approximately the same now, a cent a pound, or \$20 a ton. The consumption of sugar in this country, as you probably know, is about 100 pounds per capita, so that the present Sugar Act costs the consumers approximately \$1 per capita for something more than 165 million people who live in the United States, and that therefore it amounts to an indirect subsidy, or it comes to an indirect subsidy in this amount to the beet and sugar producers of this country.

Make no mistake about it. This comes out of the pockets of consumers, whether in the form of the processing tax or the tariff itself.

So I would like to say that if we could start afresh on this business and sweep away the tariff and eliminate the processing tax, the consumers of the country would benefit by \$165 million or \$170 million. That is a considerable factor, particularly among the low-income groups who, after all consume the majority of the sugar, whether directly or indirectly.

I would like also to point out what surely should be obvious, that if we admitted more sugar from Cuba and Santo Domingo and Mexico and Haiti and the other countries of the Caribbean area, the inevitable result would be that they would buy more goods from us. And what is not often realized in popular discussions, although I am sure you gentlemen have it clearly in mind, is that if we shut off or restrict imports into this country, the effect is to restrict our exports. The opposite is also true. Thus, if we allow sugar to be imported in greater quantities there would grow up an additional export trade which would absorb and more than absorb any labor or capital displaced from the growing or processing of sugar beets and cane sugar in this country.

And what is more, it would be labor and capital devoted to more totally productive uses, so that the net income, both of the United States and of the Caribbean countries, would increase.

Now, I am afraid this will stir up my western friends still more, and particularly the States of the mountain area. But one has to speak here in the national interests.

The same thing is, I believe, true in the case of wool, if we could organize the world on a rational basis. The natural areas for the wool industry and grazing industry are Australia and New Zealand—they are marvelous countries for wool growing—and if we were to get our wool from Australia and New Zealand, by a reciprocal agreement, we should be able to get them to allow us to manufacture their automobiles. The logical trade——

Senator BENNETT. May I interrupt at this point?

Senator DOUGLAS. Certainly.

Senator BENNETT. I am interested in your last statement, that if we could organize the world——

Senator DOUGLAS. On a rational basis.

Senator BENNETT. On the same rational basis. The automobiles would not be made in the United States.

Senator DOUGLAS. Oh, yes, they would.

Senator BENNETT. There is cheaper iron in South America, cheaper labor, and it would not be very long, if we operated on this solely ra-

tional basis, before the United States, which is an island of a high standard of living, would disappear from the production of most things, because on this rational basis, there are raw materials available elsewhere in the world in pools of cheap labor markets, and I think the statement you have just made invalidates the partial argument that if we could organize the Caribbean on a rational basis, we could do away with the Mountain States.

Senator DOUGLAS. Well, this is a long subject, Senator, but I just want to say that the American standard of living is primarily due to the high productivity of American labor and American capital, and I do not believe that we need fear this foreign competition. The automobile factories in Detroit are probably the most efficient example of production in the whole world, and the American manufacturer can look the whole world in the face and fear not any man.

Senator KERR. The manufacturers in Detroit?

Senator DOUGLAS. What?

Senator KERR. The manufacturers in Detroit? You say, the automobile manufacturers in Detroit?

Senator DOUGLAS. Yes.

Senator KERR. Now, you do not want to slight South Bend and Pontiac.

Senator DOUGLAS. Oh, no. I was just simply taking Detroit as an illustration.

Senator KERR. Oh, yes.

Senator DOUGLAS. I will not exclude the assembly plants in Chicago, either.

Senator FLANDERS. Mr. Chairman, I would like to suggest to our witness that know-how is exportable far more—it is the most exportable commodity that we have, almost, and already the American manufacturers are moving out, partly due, it is true, to tariff and quota restrictions, but I saw Willys-Overland jeeps being made in India, and so far as I could judge, quite economically, and the American manufacturers have plants in Germany; they have plants in England; and if China were to come out from behind her Iron Curtain and join the families of the world and if there were no other restrictions, I would expect that most of our automobiles would be made in China.

Senator KERR. Would the Senator yield?

Senator FLANDERS. I yield.

Senator KERR. Is it not a fact that Ford automobiles made in Canada undersell those made across the river in Detroit?

Senator FLANDERS. That is true.

So I think it is pretty dangerous to talk about an organized world. I think perhaps this country would do one thing, and that is that it would raise to better advantage than any other country the great staples by extensive cultivation. That still would remain to the United States, and maybe the Mountain States could find a dim future in that particular type of operation.

Senator DOUGLAS. I knew that I would stir up the animals by this comment of mine. I was very afraid of that.

I do not want to take up the time of the committee unduly, except to say that a good deal of the manufacture of automobiles in European countries, at least, has been due to this very tariff system. The European countries put on tariffs, too, partially in retaliation to our

tariffs and partly in response to protectionist movements within their own countries, and this has forced many of our manufacturers to have plants abroad.

So far as this ability to export know-how is concerned, I have sufficient faith in the American temperament to believe that we will always keep ahead, and that American labor can take over the know-how and adapt it more efficiently.

I see the distinguished Senator from Vermont has expressed these fears about the ability of Yankee know-how to keep up with the rest of the world, and it suddenly flashed across my mind that he was a great inventor, too, and he has many inventions in the field of manufacture of tools, and so forth, which are extremely valuable, and I think that his mind, if it were not encumbered with the details of the Senate, would be a continuous stream of fresh invention which would be applied to his factory up in Vermont, so that I wish to give the Senator from Vermont a vote of confidence in his ability to keep ahead of the world, and I have more faith in him than he apparently has in himself.

Senator FLANDERS. Mr. Chairman, may I just say briefly that whatever know-how I have is exportable. It only requires that I resign from the Senate and buy a ticket to some low-cost producing country.

Senator DOUGLAS. It may be exportable, but it is not expendable.

Senator KERR. Mr. Chairman, I hope our good friend from Illinois is not suggesting that he wanted one of the distinguished members of this committee to retire from the Senate.

Senator DOUGLAS. No, no; not at all. I am merely saying that if he did retire, a continuous stream of invention would pour forth from him, and, of course, the Senator from Vermont would not say that he was unique in this respect. There are hundreds of thousands of businessmen in the country like him.

Senator FLANDERS. There are.

Senator DOUGLAS. In fact, it was that consciousness on his part which I am sure made him feel that American business would go on even though he became a Member of the Senate.

Senator FLANDERS. Still we are exportable.

Senator DOUGLAS. Pardon?

Senator FLANDERS. I say, still we are exportable.

Senator DOUGLAS. You cannot export American labor.

Mr. Chairman, there is, however, an objection to this division of labor on the wool question which is not present in the matter of sugar, namely, the great ocean distances between this continent and Australia. It is a long, long trip, and in the event of war it is quite true that the possibility of submarines and air attacks might cut out the ocean connection with Australia, as it was nearly cut in the early days of World War II.

But this objection does not prevail in the case of the Caribbean. The distance between Habana and Key West is a very short one, and it can be protected, and the distance between Habana and Miami is only a little greater, so that we do not have, to anywhere near the same degree, the same need for national self-sufficiency for sugar in the case of war that we have for wool. And, therefore, I would smooth down my western friends by saying that I am not urging as much action in the field of wool as in the case of sugar.

Gentlemen, I recognize that this is a real world; what I have said about the need for geographical division of labor, in the interests of the consumers and the producers and the real national income of all countries is true. But I know also that because of past mistakes and the pressure both from the cane regions in Louisiana and the beet-sugar regions, we have built up these tariffs, and that powerful producing interests have been created and erected behind it.

The interests of people are deeply involved in this. They are powerful in defending their interests, as is their right. And I am also perfectly aware that in these matters, the consuming interest, as I have said, is diffused. The head of a family of 5 who loses only \$5 from this is not a matter that would justify a trip to Washington or an appearance before a congressional committee, and therefore I know that the Congress of the United States cannot, as a practical matter, suddenly adopt what would be the most sensible course. I know that.

But I would urge you, if I may, to be as sensible as possible and to consider the consumer in these matters and to try to get as much sugar as we can from the areas which can produce that sugar more cheaply.

That is all I have to say.

Senator FLANDERS. Mr. Chairman, I would like to ask the Senator from Illinois what, then, do you suggest that we do with this bill?

Senator DOUGLAS. Well, I would suggest that you give much larger quotas to Cuba, Santo Domingo, Mexico, and other countries.

Senator FLANDERS. I just wanted to get your definite suggestion.

Senator DOUGLAS. That is all right. I would favor very appreciably larger quotas, probably much larger quotas than the Congress would approve.

Senator KERR. Does the Senator think that if the price of sugar was reduced to the producer a penny a pound, the consumer would benefit a penny a pound?

Senator DOUGLAS. Oh, there would probably be some absorption along the way, Senator Kerr. But in the long run——

Senator KERR. Is it not a fact that the price of farm products has gone down 35 percent in the last 3 years, and yet the price to the consumer has gone down practically nothing?

Senator DOUGLAS. That is true. There is a lag in this. That is why I would like to see a more truly competitive system, whereby reductions in cost would be passed on to the consumer. One of our troubles is, of course, that there is insufficient competition in these processing and fabricating industries. There would not be perfect transmission of these lower costs, but if we could get more competition in the industries the reduction in cost would naturally be passed on.

Even in the case of candy, I think you would find that the nickel bar would in many cases become larger. The competition would not perhaps take the form of a 4-cent bar. It would take the form of a larger bar.

Senator BENNETT. I am sorry when we had a representative of the manufacturing industries before us last night we did not ask him to supply us information as to the relative percentage that the cost of sugar bears to the retail price. I think we would find it is very small. The cost of labor is infinitely more important.

Senator DOUGLAS. That may very well be. I am not arguing that point. I am simply saying that to the degree that we have a competitive system—and we do not have as competitive a system as we should—the reductions in cost will tend to be passed on.

Senator BENNETT. I have not memorized the figures, but I have the impression from the testimony that the price of sugar over the twenty-odd years this system has operated has risen much less than the price of farm products in the free market.

Senator DOUGLAS. I do not know about that, Senator. That may well be true.

All I am saying is that if we would admit more low-cost, low-priced sugar from the Caribbean, the price of sugar would fall, and the the national income in this country would increase.

The CHAIRMAN. Thank you very much, sir.

Senator DOUGLAS. Thank you very much.

The CHAIRMAN. I submit for the record a statement by Mr. William M. Carson, of Weiser, Idaho, in support of the Bennett amendment to H. R. 7030.

(The statement of Mr. Carson is as follows:)

Mr. Chairman and members of the committee, my name is William M. Carson. I am a farmer residing at 687 West Butterfield, Weiser, Idaho, and am the president of the Nyssa-Nampa District Beet Growers Association which represents about 4,000 sugar-beet growers in southwestern Idaho and eastern Oregon. I wish to testify in favor of Senator Bennett's amendment to H. R. 7030.

During more than 40 years of farming and ranching in the Weiser area, I have experienced a fair share of the problems which confront the farmer in both good and bad times. It appears that the farm economy is now going through a period of unsettlement. The Nation is faced with considerable surpluses in some farm commodities and restricted production in many of them. Sugar beets are one of the presently restricted crops and always have been a deficit crop, since we produce in the continental United States less than one-third of the sugar consumed in the Nation. Under such a situation, the industry should be encouraged to greater production rather than restricted production.

To the farmer of the West the sugar-beet crop is one of the few available crops which offers a measure of security. It provides a fair return on his farm efforts and investment; it is a contract crop; it is a crop which can be depended upon for reasonable yield; it tends to reduce surplus crops; and it is a crop susceptible of a sound farm rotation program, productive of several byproducts for livestock feed.

We are happy to report to this committee that the legislation under consideration has the complete indorsement of the executive branch of the Government which includes the State Department. We are grateful for this support. However, we would be less than honest if we did not register our disappointment in the inexcusable slowness of the executive branch to take a position on this legislation.

Since the adoption of the Sugar Act of 1948, our continental sugar industry has been limited by fixed marketing quotas. Marketing from continental production was not permitted to exceed the fixed quota of 2,300,000 tons, yet our consumption in the United States rose from 7,200,000 tons in 1948 to 8,400,000 tons in 1955. As you well know, both continental cane and beet growers have been producing more than our quotas the past several years and consequently the refiners and processors have had sugar that they must carry over for a considerable time before being able to market it. Acreage restrictions were imposed on cane growers in 1954 and 1955 and on beet growers in 1955.

This year the sugar-beet farmer is limited in his production to a maximum of 850,000 acres in the United States. This is a reduction of 83,792 acres from the acreage planted in 1954. While such limitation may be the result of necessity, nevertheless a more equitable approach to the problem would be the adoption of a growth formula which would allow the continental farmer a fair share of the increase of sugar consumption in the country. At present, foreign countries receive 100 percent of all increased consumption by reason of our national growth. We believe a fair distribution of such growth consumption would be 55 percent to the domestic industry and 45 percent to foreign producers. This division is



not an arbitrary formula but represents the thinking of the Congress when it passed the Sugar Act of 1937 and amendments thereto prior to the Sugar Act of 1948. It also is the thinking of all segments of the domestic industry today.

We propose this recommendation not on a basis of handout, but entirely on the basis of equitable distribution. Our industry serves many important roles in our national economy. Not only does it provide hundreds of millions of dollars in annual income to the farmers, sugar producers and the related industries, it indirectly provides the lifeblood in the existence of untold small businesses throughout the West.

Aside from the equities of our position, we believe our Government should not lose sight of the fact that overlooking the full interests of the American farmer not alone affects the farmer but industry in every form as well. We must not forget that the American farmer is one of the best customers for American farm equipment, American automobiles, and many other American heavy and light industries. He pays his share of taxes with the rest of our citizens and serves his country in equal full measure with all other citizens. In times of war emergency he is pressed into all-out effort for mass production of food. After war he is patted on the back as he surveys the negative results of his overproduction to help his country and, as peace settles, he apparently becomes the forgotten man.

We hope this Congress will not fail the domestic sugar producers and that the Senate will pass H. R. 7030 as amended to give the domestic industry a much greater share of the United States market—a share which would include at least 55 percent of the increase in sugar consumption, due to the increase in population.

Thank you for the privilege of presenting this statement.

The CHAIRMAN. The next witness is Mr. Oscar Chapman, representing the Mexican Sugar Producers Council.

Mr. Chapman, we are very glad to have you, sir.

Mr. CHAPMAN. Thank you, Mr. Chairman. I would like, if my economist could sit with me here.

#### **STATEMENT OF OSCAR L. CHAPMAN, COUNSEL, MEXICAN SUGAR PRODUCERS COUNCIL, ACCOMPANIED BY OLIVER M. KISICH, ECONOMIST**

Mr. CHAPMAN. Mr. Chairman, after listening to the last two witnesses, may I state for the record here, I wish that I were also appearing here to state a case or to firm up the case of the domestic sugar-beet growers and cane growers. I feel they have a justified position in our market, and under this law that can be demonstrated and justified.

While there are many questions that have been raised regarding subsidies—I realize that—when you look over the history of the industry from the beginning of this law in 1934, you see it when it was in chaos and a critical condition as an industry. Consequently, the workers and people who relied upon that industry were in equally dire distress. And to find it today in a most healthy condition, where even the chairman was raising legitimate questions as to the amount of subsidy to be paid to a company when they were already making a profit, I think that in itself is commendable for the legislation as a basic principle, and I state that with the deep conviction of the need for legislation to keep a stabilized industry of this nature.

Mr. Chairman and members of the committee, my name is Oscar L. Chapman. I am appearing here on behalf of the association of sugar producers of Mexico. The legislation pending before the Senate, which is now before your committee, is of great importance not only to the sugar producers of Mexico but to the entire Mexican economy and to the Mexican people as a whole. On behalf of the many thousands of Mexican people who are following these proceedings

with keen interest, may I take this occasion to thank the committee for its courtesy and cooperation in affording me this opportunity to appear and state the case of Mexico.

On June 17, 1955, I filed in the Senate and the House of Representatives a petition on behalf of the sugar producers of Mexico which was referred to your committee. This petition sets forth the economic basis of Mexico's claim for a more equitable quota under the United States Sugar Act. On June 25, 1955, I appeared before the Committee on Agriculture of the House of Representatives in support of the Mexican position. Both the petition of the Mexican sugar producers and my testimony before the House Committee on Agriculture appear in full in the printed record of the House hearings. I am sure that the record in the House of Representatives will be considered by your committee and, therefore, I will not burden the record of this committee with a repetition of the detailed showing which was made on behalf of Mexico before the House.

I do want to address myself, however, to the bill which is before you as a committee print. I would also like to comment briefly on the testimony of the Assistant Secretary of State for Latin American Affairs which was presented to the committee yesterday.

Referring first to the committee print which is before you for consideration, this is the same proposal which was introduced in the House of Representatives at the request of the executive branch. Under this proposal the extent of Mexico's participation in the United States sugar market would be based solely on the extent of Mexico's shipments of sugar to the United States within a past base period during which Mexico's sales of sugar to the United States were severely limited by our own Sugar Act.

The House of Representatives after extensive hearings rejected this, what I consider was an unfair and unrealistic approach to the establishment of sugar quotas, and granted a substantial increase in quota to Mexico. The proposal before you would have the effect of stripping from Mexico all of the gains represented by the bill as passed by the House of Representatives. The net effect of such legislation would be to freeze Mexico out of any substantial or reasonable participation in the growth of the United States sugar market despite the phenomenal development of Mexico as a purchaser of United States goods.

To begin with, I wish to make it absolutely clear that we take no position with respect to what share of the United States sugar market Congress should allot to domestic United States producers. That is a responsibility which I do not feel it appropriate for me as representing a foreign client, to come before this committee to suggest what you should allocate to a domestic producer.

It is our view that Congress has not only the right but the duty to look after the best interests of the domestic economy of the United States first and to do whatever it considers necessary and desirable in those best interests. Mexico's claims go solely to whatever share of the market is left for division among foreign producers.

The Mexican people feel very strongly that among foreign producers Mexico is morally, politically, and economically entitled to fair, nondiscriminatory treatment, in line with its ability to produce and in line with its economic contribution to the United States. The committee print before you would not afford such fair and non-discriminatory treatment. On the contrary, it continues and extends

the evil of the present act by failing to recognize the tremendous development of Mexico as a bulwark of the United States economy.

Mexico is the largest purchaser of United States goods and services of any Latin American country including Cuba and, in fact, is now the third largest purchaser of United States products in the entire world. Moreover, Mexico's stature as a sugar producer, among the Latin American quota countries is second only to that of Cuba. In face of these facts, however, Mexico now has only a nominal quota under the United States Sugar Act. Mexico's present quota is only about 12,000 tons as compared with approximately 2,800,000 for Cuba, 56,000 for Peru and 30,000 for the Dominican Republic.

From Mexico's standpoint, perhaps the worst feature of the proposed legislation is its reliance upon sugar shipments to the United States during the period 1951-54 as the sole basis for proration of quotas among the full-duty countries. Of course, Mexico shipped relatively little sugar to the United States during this base period. This is simply because under the act now in force, Mexico was not allowed to make any more than token shipments to the United States. The act now in force also relates back to a past base period, and so on back to the inception of the sugar program itself. Thus from the beginning, Mexico has been barred from reasonable access to our sugar market.

Mr. Chairman, the time for making some corrective adjustment in the quotas resulting from this base period approach is long overdue. We must not continue indefinitely to rely blindly on the past and to close our eyes to what is happening around us today. Today Mexico is the second largest sugar producer among the Latin American quota countries and is by far the largest purchaser of United States goods of all the quota countries. Yet, despite the tremendous development in the economic ties between the United States and Mexico, the approach taken by the executive departments would continue to frustrate Mexico's efforts to share equitably in the United States sugar market.

The legislation proposed by the executive departments makes no attempt to deal with the problem of foreign sugar quotas on its merits. In fact, it represents an attempt to sidestep the problem. Such legislation can usually be counted on to create more problems than it avoids.

Boiled down to its simplest terms the evils of the proposed bill are as follows:

1. It sacrifices the equities of Mexico and the other full-duty countries to the demands of Cuba, and
2. It further penalizes Mexico by applying without adjustment the historic base period method of prorating quotas among the full-duty countries.

The unrealistic and unfair results of the legislation as proposed in the committee print will become apparent by examination of the comparative economics of the opposing claims. An express objective of the Sugar Act is to promote the foreign trade of the United States. Moreover, the principal justification put forward for Cuba's dominant position in the United States sugar market and for her claim to the overwhelming proportion of the foreign participation in growth has been Cuba's trade relations with the United States. We believe that trade is a fair criterion but that it should be applied to all of the

competing claimants. It should not be used as a justification for giving preferential benefits to Cuba alone and ignored where it supports the position of her competitors.

The fact is that on the basis of trade with the United States, Mexico, not Cuba, would have the lion's share of the foreign participation in the United States sugar market. Mexico, of course, is not asking for this nor is it even asking for the lion's share of participation in growth. It is asking simply that an adjustment be made in its position so that it may be given some equitable recognition in line with its political and economic ties with the United States.

I think that the discriminatory results of the present law and the bill proposed by the executive establishment may best be demonstrated by a very brief examination of the actual figures.

During 1954 Cuba's purchases from the United States totaled approximately \$428 million.

Senator KERR. What is the first country?

Mr. CHAPMAN. \$428 million was for Cuba. That was for purchases from the United States.

During the same period Mexico's purchases from the United States totaled approximately \$628 million, exceeding those of Cuba by about \$200 million.

Cuba also grounds its claim for preferential treatment on the fact that it has an unfavorable balance of trade with the United States. Here the comparative figures are really startling. In the same year, 1954, Cuba's balance of trade with the United States was unfavorable to Cuba by about \$27 million. Mexico's balance of trade with the United States in 1954 was unfavorable to Mexico by the astounding amount of \$300 million.

Mexico's economy is geared to the United States more than that of any quota country including Cuba. In 1953, the last year for which complete world figures are available, Mexico purchased from the United States 83 percent of its total purchases from the world, as compared to 76 percent for Cuba. In the same year Mexico depended upon the United States for approximately 75 percent of its total exports, as compared to approximately 61 percent for Cuba. Thus Mexico has no place to turn except to the United States for relief from its seriously unfavorable trade balance situation.

In the face of these cold economic facts the committee print before you would not only retain Cuba's present dominant position in the sugar market but would grant to Cuba an increase of approximately 220,000 tons over the life of the bill as compared with an increase to Mexico of only about 18,000 tons. Certainly if a corrective adjustment is needed any place it must be needed in the case of Mexico. These figures speak for themselves.

Even as among the full duty countries, the operation of the proposed legislation represented by the committee print would be grossly discriminatory against Mexico. This occurs as I have indicated because of the application without adjustment of the historic base period approach to the proration of quotas among the full-duty countries.

During 1954 Mexico's purchases in the United States were more than 12 times those of the Dominican Republic. The Dominican Republic's balance of trade with the United States was favorable to the Dominican Republic by \$20 million. The Dominican Repub-

lic looks to the United States for only approximately 51 percent of its total export trade. Yet the bill before you would give to the Dominican Republic a quota approximately 2.6 times the quota allotted to Mexico, or a quota of approximately 80,000 tons by 1962 as opposed to a quota of only 30,000 tons for Mexico in that year.

Senator KERR. Who is the Dominican Republic?

Mr. CHAPMAN. How is that?

Senator KERR. Who is the Dominican Republic?

Mr. CHAPMAN. The Dominican Republic is one of our great countries in the Caribbean area, one that I think is deserving of serious consideration in our economic relationships with her, because she does depend very largely to a great extent upon sugar for her economy.

Senator KERR. Is it a republic?

Mr. CHAPMAN. Yes, it is a republic.

Senator KERR. How are its executives elected?

Mr. CHAPMAN. They are elected by the mass of the people, the vote of the people.

Senator KERR. The same kind of election we have?

Mr. CHAPMAN. Well, of course, Senator, I presume that every election has its variations. [Laughter.]

Senator KERR. You mean in results or manner of holding?

Mr. CHAPMAN. Well, sometimes in the manner of holding and the methods of tabulations, and also the variations of how you do it.

But the Dominican Republic is classified under our history and under our present Administrative Procedures, as a true republic.

Senator KERR. What kind of legislative body does it have?

Mr. CHAPMAN. They have a legislative body that is elected by the people.

Senator KERR. Under what authority?

Mr. CHAPMAN. They have full authority for acting in the terms of passing laws, with the right of the President to veto those laws and to be passed over his veto, the same as Congress would here.

Senator KERR. What is the tenure of the Executive?

Mr. CHAPMAN. I think it is 6 years, but that is purely a guess on my part. I think it is a 6-year election in the Dominican Republic. They often are, and have been in the past 10 or 15 years, reelected quite frequently.

Senator KERR. More often than not?

Mr. CHAPMAN. Yes; they are reelected. They have a right of reelection.

Senator KERR. Any relation between the legal term for which they are elected and the time they serve is more or less coincidental?

Mr. CHAPMAN. Well, Senator, you have to look back upon our own position—

Senator KERR. No; I am not talking about that. I am just asking a question.

Mr. CHAPMAN. I think there is a realistic approach to it; yes. You have a pretty strong individual personality that operates in the executive branch, or you may have strong legislative leadership that may exercise its full powers. It will vary from time to time in the course of history.

Senator KERR. What is the size of the area of the country?

Mr. CHAPMAN. It is not a very large country. It is very small. It is not as large in population as Puerto Rico, for example. It is very small in acreage area.

Senator KERR. You understand, I am impressed by what seems to be a rather heavy allocation to it in comparison to that of Mexico.

Mr. CHAPMAN. Yes.

Senator KERR. I was not trying to argue with you. I was trying to elicit information that might support the position you were taking.

Mr. CHAPMAN. Senator, I would not want, certainly consciously, to give you any representations here that would be misleading—

Senator KERR. I would not want you to.

Mr. CHAPMAN (continuing). Regardless of whether it supports my case for Mexico or not, and I would not sit here and try to depreciate the rights and the claims of the Dominican Republic, because they happen to get more than Mexico gets. I must state the facts in my own true sense as I see them.

I simply believe that Mexico is entitled to a higher quota than the Dominican Republic under all the criteria or any criteria that you can use. And that is what I believe, regardless of how large or how small their population is, or their system of government. The economic situation just does not justify that.

Now, under this proposal the quota of the Dominican Republic would be increased by 50,000 tons by the last year of the bill as compared with an increase of only 18,000 tons for Mexico.

Senator KERR. I am glad you made that statement.

Mr. CHAPMAN. That is right. I repeat that for emphasis, because I cannot understand it.

In the same year, 1954, Mexico's purchases from the United States were more than six times those of Peru. Peru's trade with the United States was practically in balance, and Peru is dependent upon the United States for only 38 percent of its total exports. There was only some \$300,000 as an unfavorable balance of Peru. Yet, in the face of these facts, the bill proposed before you would grant to Peru a quota of 137,000 tons or about 4½ times the quota it would grant to Mexico. This represents an increase of approximately 81,000 tons for Peru as compared to only 18,000 tons for Mexico.

Mr. Chairman and members of this committee, these are absurd economic results. They occur because of the refusal of the executive departments to grapple with this problem in a realistic manner and because of the resort instead to measures of administrative expediency.

As I have indicated, such legislation can only cause more problems than it solves.

Senator BENNETT. Mr. Chairman, may I ask the witness a question at this point?

Mr. CHAPMAN. Yes.

Senator BENNETT. Have you been given an opportunity to present your arguments to the State Department?

Mr. CHAPMAN. Yes, I have talked to Mr. Holland. I have had a long conference with Mr. Holland and his economic advisers.

Senator BENNETT. So their decision, which presumably represents their measured opinion, has not been taken in the absence of the information you have just given us?

Mr. CHAPMAN. No, I am sure it has not. I am sure I gave them all the information that was available to us here—that I am giving to this committee.

Senator BENNETT. Thank you.

Mr. CHAPMAN. I submit, Mr. Chairman and members of the committee, that the case of Mexico is unique. Mexico is our next-door neighbor. It is the only quota country in a position to deliver sugar to the United States overland. It has become part of the fabric of our United States economy. A glance at the map which I have handed you will show—I think you probably have a small map before you, and if not, we have one here—how Mexico contributes to the economy of every State in the Union. This map shows Mexico's estimated purchases from each State in the United States during 1954. That map shows the purchases in the United States, broken down, in the amount of \$624 million.

Mexico's purchases from the States represented by the Senators on this committee alone are estimated at over \$150 million a year. Even now the Mexican Government is negotiating the purchase from the United States of 150,000 tons of wheat, 35,000 tons of tallow, 15,000 tons of lard, 10,000 tons of cottonseed oil, and 3,000 tons of powdered milk. That is immediately under consideration and discussion and negotiation at the present time.

The need for a corrective adjustment in Mexico's quota position is more crucial now than it has ever been in the past. Mexico has never before come to the United States Congress for aid. It does so now only because it is essential. At the present time, for example, the world market in coffee, one of Mexico's principal export crops, is in a very distressed situation.

At the same time, with regard to sugar, which represents the fourth largest industry in Mexico, the limitations placed upon Mexican exports under the International Sugar Agreement and the impact of Cuba's dumping operations place Mexico's sugar industry in a perilous position.

I believe that the Congress should take note of the fact that Cuba uses the subsidy afforded her by her huge sales to the United States at a premium price in order to force down the world market price for sugar and, in fact, to undersell the floor price established by the International Sugar Agreement. This means simply, Mr. Chairman, that the United States is underwriting dumping operations by Cuba which take the bread and butter out of the mouths of our Latin American friends.

If anyone questions this statement, I would like to document it and present it to this committee in document.

I wish to emphasize that Mexico does not propose to you today, nor has it ever proposed, that the quota of Cuba or of any other foreign country be reduced by one single pound below what it ships to the United States today. Moreover, Mexico does recognize the interests of Cuba and of all of the full-duty countries in a proper and reasonable place in the United States sugar market.

Mexico asks only that it be assigned a more realistic and more equitable place in the future growth of our sugar market and that it be allowed to take its place side by side with the other foreign countries on a basis more commensurate with Mexico's trade relations with the United States.

In order to accomplish this, a basic adjustment in Mexico's quota position is needed to bring it up to a more equal starting point with other nations and to take into account the tremendous development

of Mexico as a purchaser of United States goods during the years when it was excluded by our Sugar Act from its proper participation in the United States sugar market.

The House of Representatives, after extensive hearings, adopted a measure which represented an attempt to do as much equity as possible to all parties by taking into account the problems and claims of the full-duty countries as well as Cuba. Although the bill passed by the House did not give Mexico the quota to which Mexico believes it would be entitled by the application of economic criteria alone, the Mexican sugar producers recognize it as a good bill. The House bill constitutes a commendable attempt to deal with the heart of the problem by making corrective adjustments in the extent to which foreign countries will be permitted to share in the growth of the United States sugar market.

May I address myself next, Mr. Chairman, very briefly, to the remarks of the distinguished Assistant Secretary of State for Latin American Affairs. I certainly have a great deal of respect for the Secretary and listened with great interest to what he had to say. I am compelled, however, in the interests of my client, to clarify the record with respect to certain statements made by the Secretary. These matters may be briefly summarized as follows:

1. The Assistant Secretary of State told this committee that the proposal of the executive branch would result in increasing the quota of Mexico by something slightly less than 300 percent. I suppose that is from zero, nothing, to an increase of 300 percent. At the same time he stated that the effect of the bill would be to cut Cuba's participation in growth from 96 percent to 27 percent.

Senator BENNETT. Just to clear up the arithmetic——

Mr. CHAPMAN. Yes.

Senator BENNETT (continuing). If Mexico's present allotment is 12,000 tons, and it is increased to 30,000 tons, that is an increase of 250 percent.

Mr. CHAPMAN. That is correct.

Senator KERR. I did not understand that at all.

Mr. CHAPMAN. That is the percentage. On a percentage estimate, Senator, that would be the increase.

Senator KERR. It is increased by 30 or to 30?

Senator BENNETT. To 30.

Senator KERR. That would be an increase of 150 percent.

Senator BENNETT. Yes. It would increase to a figure 250 percent higher than the present rate.

Senator KERR. But the increase would be 150 percent.

Senator BENNETT. All right.

Mr. CHAPMAN. He stated it was 300.

This creates the impression that while Mexico's participation in the United States sugar market is being increased by a huge amount, Cuba's participation is actually being cut. Now, this leaves a doubly misleading impression. It did with me.

First, it does not recognize the essential fact that Mexico at the present time has only a token quota of 12,000 tons as opposed to Cuba's almost 3 million. Thus almost any increase in the Mexican quota will appear to be a substantial percentage, while in actual tonnage it amounts to next to nothing.



Second, Mr. Holland applied a double standard. While he compared Mexico's present tonnage with what it would be in the last year of operation of the State Department's proposed bill, he compared Cuba's present participation in growth with her future participation in growth. These are two entirely different measures. The fact is that Mexico's percentage participation in growth as among the full-duty countries will not be increased at all by the State Department bill.

Senator BENNETT. What the witness is saying, Mr. Chairman, of course, is that every time you change the base on which you figure percentages, you can produce a different kind of figure. He has now changed the base to figure Mexico's relation to the other full-duty countries. We do not want to get confused here.

Mr. CHAPMAN. I think in my next 2 pages, Senator, I clarify that point.

Senator BENNETT. All right.

Mr. CHAPMAN. If I do not, I will be glad to answer it. I think the next statement will clarify it.

To demonstrate the misleading effect of this testimony, let us examine the actual results of the bill apropos of Cuba and Mexico. The State Department proposal would increase the quota of Mexico from 12,000 tons to approximately 30,000 tons in 1962. It would increase the quota of Cuba from 2,800,000 tons to well over 3 million tons in 1962. Thus the proposal before you will grant Mexico an increase of 18,000 tons while at the same time granting to Cuba an increase in excess of 220,000 tons.

Mr. Chairman, I can assure you that Mexico would everlastingly appreciate a Cuban style cut which had the effect of increasing its quota by over 220,000 tons.

2. The Secretary informed this committee that Mexico exports approximately 150,000 tons of sugar a year. This is inaccurate. I am sure he was misinformed on the figures of this, because this is not accurate. The fact is that Mexico is permitted to export only 84,000 tons. This is because of Mexico's limited access to the United States market and because of similar severe restrictions imposed upon Mexico under the International Sugar Agreement.

3. The Secretary informed the committee that Mexico has no substantial sugar surplus. This is strictly incorrect. The fact is that Mexico presently has a surplus of more than 250,000 tons. It can readily be seen that in relation to Mexico's annual production of approximately 1 million tons and Mexico's restricted quotas in the United States and in the world market, this represents a greater surplus problem than that faced by Cuba.

4. The Secretary advised the committee that because of its proximity to the United States, Cuba was our most dependable source of sugar during a war emergency, Cuba being 250 miles from the borders of the United States, and Mexico being zero.

The Secretary neglected to point out that Mexico is the only foreign quota country which has a land border with the United States and the only one in a position to ship sugar to the United States overland. He did not point out, in addition to sugar, Mexico can be counted upon in an emergency to increase its present substantial shipments to the United States of antimony, fluorspar, graphite, lead, mercury,

zinc, cadmium, celestite, cordage fibers, and manganese. Mexico need not take a back seat to Cuba or any other foreign country as a loyal ally of the United States and it is unfair to use the proximity argument in aid of its competitor and to ignore the same argument where Mexico is concerned.

5. The Secretary advised the committee that during World War II Cuba supplied the sugar requirements of the United States at a lower price than it could have received on the world market.

Now, gentlemen, I would not for one moment leave an inference before this committee upon the loyalty and the support as an ally of Cuba to the United States, but I want to relate a set of facts that must speak for themselves. But they do not in themselves question the loyalty of Cuba as an ally to us.

It is difficult to see how Cuba could have sold its sugar on the world market inasmuch as it took United States naval protection to deliver it over the short span of water separating the United States from Cuba, during the high period of the war.

The fact is that Cuba could not have sold this sugar on the world market without incurring tremendous risks which would have been uneconomic. That, of course, is the reason why the world market price was so high.

6. The Secretary advised the committee that Cuban production has already been reduced from 8 million tons in 1952 to 5 million tons in 1955. He did not advise the committee that Cuba increased its production from 6.4 million tons in 1951 to 8 million tons in 1952 against the advice of the United States Department of Agriculture, and that it was this very overproduction which created a crisis in the world sugar from which we are still suffering. Apparently the State Department is asking us to reward Cuba for her own imprudence at the expense of our other Latin American neighbors.

7. The Secretary urged that the division among foreign producers, of the increases in consumption, should be made on a basis of an equitable standard which can be applied as uniformly as possible among the interested countries. I certainly would applaud that sentiment. Mexico would be very happy to take its proper place in the proration of sugar quotas in accordance with any equitable standard.

The curious thing, however, is that the State Department's proposal is utterly devoid of standards. What is the standard in the State Department's bill? It is not purchases from the United States. It is not balance of trade with the United States. It is not the degree of dependence upon the United States for imports and exports. It is not proximity to the United States.

The fact is that the bill contains no real standards. It makes an arbitrary allotment of most of the foreign share of growth to Cuba, in spite of, rather than because of, any of the economic or geographic criteria which could be applied, any or all of which would be satisfactory to Mexico. As regards the division of the quotas among the full duty countries it relies solely upon history without any recognition of any reasonable economic criterion.

8. Finally, the Secretary stated that we must be careful in seeking to benefit the full duty countries that we do not cripple the economy of Cuba.

Now, gentlemen, I would not for one moment wish to cripple the economy of Cuba, not even to assist my own client, because we are

not asking this committee or this Congress to reduce 1 ton of sugar from Cuba today from what she is now shipping, not 1 ton.

This implies that the bill adopted by the House of Representatives would have such a crippling effect upon Cuba. The fact is that under the bill adopted by the House of Representatives, Cuba's quota would be within 1 percent of what it would receive under the bill recommended by the State Department, within 1 percent.

As I indicated at the outset the legislation before you today is a matter of very vital importance to the people of Mexico. We hear a great deal about the good neighbor policy and we send various good will ambassadors to our friends south of our border. Mr. Chairman and members of the committee, I submit that action speaks louder than words. The Mexican people know that they are equitably entitled to far better treatment under our Sugar Act than they have received heretofore.

They know that the Congress has before it a concrete opportunity to remove an unjust discrimination and to give to the Mexican people the recognition to which their economic ties with the United States and their position as its third largest customer entitle them.

I feel confident that your committee will recognize this situation and will consider Mexico's case on its merits and allot to Mexico that fair share of participation in the United States sugar market to which it is equitably entitled.

I want to thank you for permitting me to have this opportunity to present a full statement of the case of Mexico to your committee, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Your prepared statement will be made a part of the record.

Mr. CHAPMAN. Thank you, Mr. Chairman.

(The statement referred to follows:)

#### UNITED STATES OF AMERICA IN THE CONGRESS OF THE UNITED STATES

##### PETITION OF UNION NACIONAL DE PRODUCTORES DE AZUCAR, S. A. DE C. V. FOR AN INCREASED QUOTA UNDER UNITED STATES SUGAR LAW

(A copy of this petition is being filed with the Department of Justice, as required by the Foreign Agents Registration Act of 1938 and petitioner's attorneys herein have filed statements as required by the act as agents for Union Nacional de Productores de Azucar, S. A. de C. V.)

Union Nacional de Productores de Azucar, S. A. de C. V. (Union Nacional) respectfully petitions the Congress of the United States to give consideration in the course of its deliberations on pending sugar legislation, to the case of Mexico, for an increased quota under the United States law.

Your petitioner respectfully requests that Mexico be given a quota equal to 2 percent of United States sugar consumption and will show herein that such a quota is fully justified.

Petitioner is not opposed to the proposals now pending before Congress to increase the quotas of domestic sugar producers. It is the position of Union Nacional that this is a matter of internal public policy of the United States and it does not seek to influence that policy. Petitioner seeks solely to obtain a fair and equitable share of that portion of the United States market which will be allocated among foreign suppliers.

Union Nacional de Productores de Azucar, S. A. de C. V., is a nonprofit corporation organized under the laws of Mexico for the purpose of coordinating the production, processing, and sale of Mexican sugar. Its membership consists of all of the processors of sugar in Mexico. It is governed by an 18-member board of directors, 3 of whom represent the Mexican Government.

The principal functions of Union Nacional may be summarized as follows:

- (a) To make credits available to its members for the production of sugar in the mills as well as in the fields.
- (b) To manage the distribution and sale of sugar produced by its members.
- (c) To stimulate the consumption of sugar.

Union Nacional submits this petition in its own right and does not purport to speak for the Mexican Government. The arguments and opinions stated herein are those of the Union. It is appropriate to state, however, that the Government of Mexico, through its Embassy in Washington, has been and is supporting the efforts of Union Nacional to secure a fair and reasonable sugar quota under United States law and it has made appropriate representations to the United States Department of State. Copies of memoranda presented to the State Department by His Excellency Senor Don Manuel Tello, Mexican Ambassador to the United States, are attached hereto as exhibits 1, 2, and 3.

The Mexican people are looking to the United States to use the occasion of the revision of the Sugar Act of 1948 as amended, to correct the gross inequities in the treatment of Mexico under the present law. The sugar industry is the fourth largest industry in Mexico. It represents a livelihood and a reasonable standard of living for more than half a million persons. In terms of United States sugar consumption Mexico's request is negligible. It is of critical importance, however, to the Mexican sugar industry and to the entire economy of Mexico.

As will be shown, the Mexican sugar industry today faces a grave crisis, because of the operation of forces beyond its control. That crisis can and should be averted by the relief requested herein.

Mexico is a sincere friend and good neighbor of the United States. It is in view of this long-standing friendship that the Mexican sugar industry believes that it may present its case frankly, openly and in plain language.

#### I. SUMMARY STATEMENT OF THE CASE

In support of its position that it is equitably entitled to a sugar quota equal to 2 percent of United States consumption, petitioner will show as follows:

(a) Mexico is the largest purchaser of United States products of any foreign sugar quota country. Mexico needs exports to the United States in order to maintain its level of imports from the United States. This situation is given no recognition in the present quota distribution.

(b) The present method of establishing sugar quotas discriminates against Mexico because it fails to accommodate efficient new industry and tends to stifle competition and foster monopoly.

(c) Mexico is the only country in a position to supply sugar to the United States by land in the event of emergency, just as it has been a supplier of other strategic materials for the defense of the United States.

(d) Mexico is the only foreign quota country which has been and is making a direct contribution to the domestic sugar industry of the United States by supplying needed agricultural labor.

(e) The preferential position under United States law enjoyed by countries with large sugar surpluses enables them to depress the world price for sugar to the detriment of the small quota countries.

(f) The sugar industry of Mexico is faced with a grave economic crisis brought about by the quantitative limitations imposed on its sales in the world as well as the United States market.

(g) Mexico's proposal gives due recognition to the historic position of foreign quota countries and yet provides a margin for making adjustments in accordance with present-day economic considerations.

(h) Mexico's request for a quota of 2 percent of United States consumption is fully justified in the light of reasonable economic standards.

#### II. THE PRESENT MEXICAN QUOTA UNDER THE UNITED STATES SUGAR ACT IS UNREALISTIC AND UNFAIR

*Mexico's present sugar quota bears no reasonable relationship to the total economic relations between the United States and Mexico*

Mexico is the largest customer of the United States in all of Latin America, including Cuba.

For many years, Mexico has consistently ranked as the third or fourth largest purchaser of United States products and services in the entire world. In 1954 alone, United States exports to Mexico totaled \$627.7 million.

The balance of United States-Mexican trade has been overwhelmingly favorable to the United States. Over the 3-year period, 1952 to 1954, inclusive, Mexico has had an unfavorable balance of trade with the United States of approximately \$846 million. In 1954 the unfavorable balance was \$299.8 million. For every dollar the United States spent in Mexico, Mexico spent \$1.91 in the United States.

It is elementary that Mexico cannot indefinitely sustain this level of imports without reasonable access to United States markets.

Mexico is one of the world's most efficient producers of sugar. Her sugar industry is one of the most important segments of her economy. Mexico now has a surplus of more than 300,000 tons and this surplus is increasing every year despite restrictions on production. Every sound principle of United States trade policy would indicate that Mexico should be given a share in the United States sugar market bearing a reasonable relationship to her ability to produce and to her balance of trade with the United States.

Yet Mexico finds herself effectively debarred from the United States sugar market by the operation of the outmoded legislation now in effect. Moreover, that legislation perpetuates preferential treatment for her competitors whose trade relations with the United States are not anywhere near as advantageous to the United States as are those of Mexico. An examination of present quotas and trade figures will bear out these observations strikingly.

TABLE NO. 1.—*Comparative position of Mexico and principal sugar-quota countries in terms of United States trade, 1954*

[Millions of dollars]

Country	Purchased from United States	Sold to United States	Trade balance
Mexico.....	\$627.7	\$327.9	-\$299.8
Cuba.....	428.2	401.3	-26.9
Dominican Republic.....	52.0	72.0	+20.0
Peru.....	96.5	96.2	-.3

TABLE NO. 2.—*Sugar quotas of Mexico, Cuba, and principal full-duty countries, 1954*

Country	United States quota, short tons, raw value	Percent of production
Mexico.....	11,445	1.2
Cuba.....	2,667,840	49.5
Dominican Republic.....	27,605	3.9
Peru.....	51,722	7.7

If the above figures are examined, the inequity of the treatment accorded Mexico under current law will be apparent on its face. During 1954 alone, Mexico's purchases from the United States exceeded the combined purchases of the principal quota countries, Cuba, the Dominican Republic, and Peru, by \$51 million.

Mexico's unfavorable balance of trade with the United States, \$299.8 million last year, was more than 6 times as great as the balances of all of the quota countries combined.

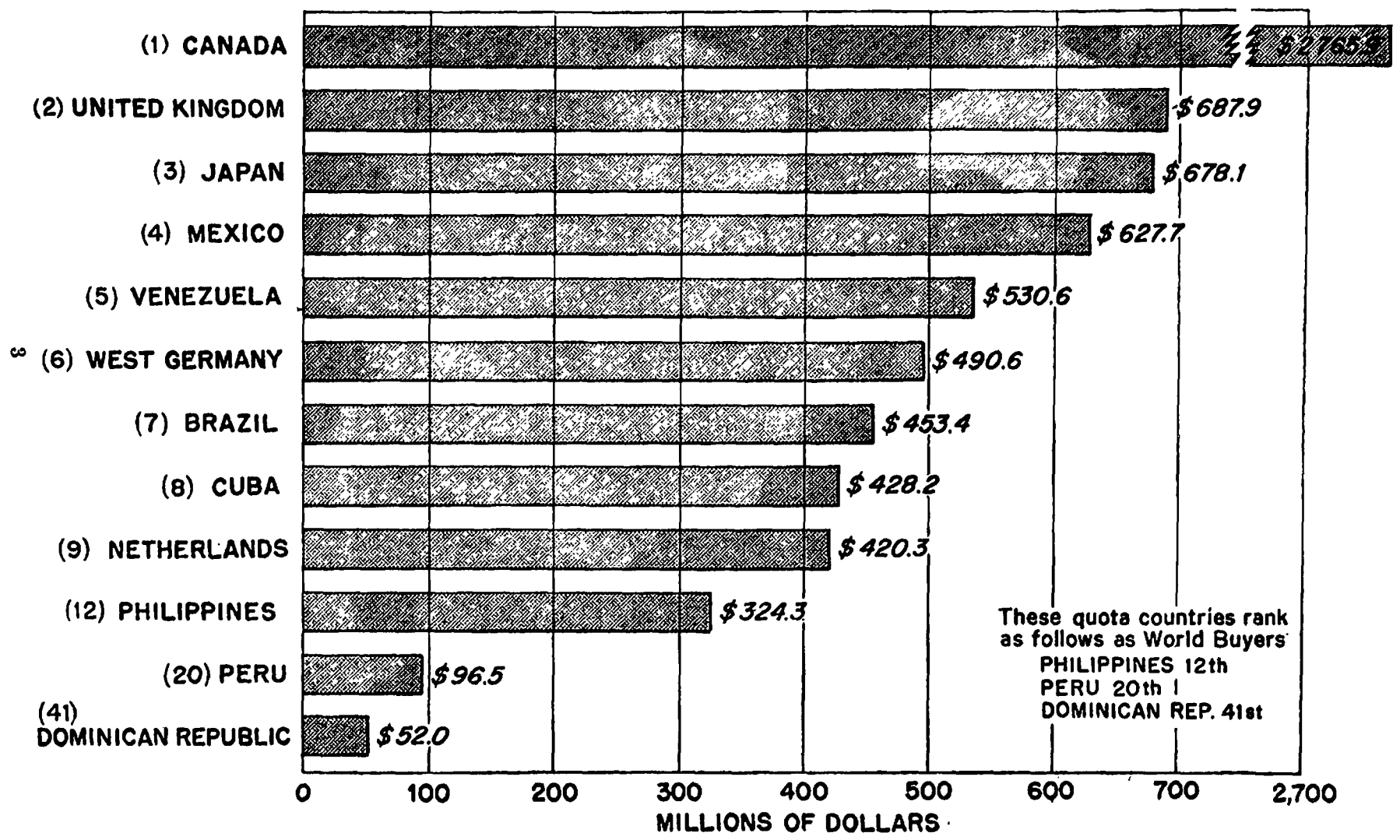
In terms of access to the United States sugar market, Mexico's position was even worse. Despite the fact that Mexico, as a customer, bought more from the United States than Cuba, the Dominican Republic, and Peru combined, she was allowed to sell to the United States only four-tenths of 1 percent of the amount of sugar purchased by the United States from those countries.

Cuba's preferential treatment under the Sugar Act is often justified on the ground that she is an important purchaser of United States products and hence important to the United States economy. This is particularly interesting in view of the fact that Mexico's purchases from the United States last year exceeded Cuba's by approximately \$200 million. Nevertheless, Cuba was permitted to deliver to the United States 2,723,400 tons of sugar, 50.6 percent of her production, while Mexico was allowed only 12,200 tons, 1.26 percent of her production.

Chart No. 1

### COMPARATIVE POSITION OF THE MOST IMPORTANT BUYERS IN THE WORLD OF UNITED STATES PRODUCTS WITH SOME FOREIGN SUGAR QUOTA COUNTRIES ADDED, 1954

Source: U. S. Department of Commerce



During 1954, Mexico's purchases in the United States were more than 12 times those of the Dominican Republic. But the Dominican sugar quota was approximately 2½ times that of Mexico.

In the same year, Mexico's United States purchases were more than six times those of Peru. But, Peru's sugar quota was almost five times that of Mexico.

Mexico's balance of trade with the United States in 1954 was unfavorable to Mexico by approximately \$300 million. Cuba's balance was unfavorable by only about \$27 million. Peru's trade was substantially in balance, and the Dominican Republic had a favorable balance of \$20 million.

It should be apparent that there is something radically wrong with any legislative scheme which produces and perpetuates such unreasonable economic results. The Sugar Act, by its own terms, is an act "to promote the export trade of the United States." Moreover, the very essence of United States foreign-trade policy is to open the doors of trade to those whose doors are open to United States products and services. Certainly, it could not have been the intent of Congress to impose permanently on Mexico, or any other country, a quota system which did not recognize the economic facts of life today. That is one reason why the sugar act requires periodic renewal. It was recognized that periodically adjustments would be required.

Now is the time to make a realistic adjustment in the quota position of Mexico which will give reasonable consideration to the totality of Mexico's economic relations with the United States.

*The present method of establishing sugar quotas for full-duty countries is inherently discriminatory against Mexico*

The present method of establishing sugar quotas for foreign countries is inherently discriminatory against Mexico. This is because it is based upon the use of a "yardstick" which was not designed for and cannot appropriately be applied to a country in the situation of Mexico.

The Sugar Act of 1948 as amended, as well as its predecessor acts provides for the establishment of sugar quotas for the full-duty countries by reference to importations during a selected base period. For example, the 1951 amendment provides:

"Ninety-five per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines shall be pro-rated among such countries on the basis of the average amount imported from each such country within the quotas established for the years 1948, 1949 and 1950. \* \* \* (Sec. 201 (c) 7 U.S.C.A. 1112 (c).)"

From this, it will be seen that the quotas allotted to the full duty countries are governed by their shipments of sugar to the United States during a past base period, during which base period shipments were in turn limited by shipments during a prior base period. If this method is again carried forward in the pending legislation, it will mean that we will be dealing with the problems of the 1960's in terms of the economics of the 1930's. Surely there must come a time when a realistic re-assessment of the sugar problem must be made in terms of the political and economic equities of today.

There are many who seize upon the base period approach to quantitative restrictions of commodity imports because of its seeming simplicity and impartiality. These are superficial virtues. The fact is that this approach is neither simple nor impartial. It is not impartial because it discriminates against new producers no matter how efficient. It is not simple because it creates political and economic problems of a magnitude far greater than those it solves. In short, rigid and inflexible adherence to past economic patterns stifles competition and destroys initiative. This is a high price to pay for administrative simplicity.

The case of Mexico presents a good illustration of the inequity of perpetuating, without adjustment, the base period method of establishing quotas under the United States Sugar Act.

When the first quotas were established by Congress and the Secretary of Agriculture under the Jones-Costigan Act, the base period method represented a logical and sensible approach to the problem of initiating import restrictions on sugar. All United States suppliers were in the same position. All faced a cutback of their sugar shipments to the United States. Congress was seeking a way to make this cutback in a fair and nondiscriminatory manner. The base period method was evolved as a method for imposing the restrictions impartially upon all of the similarly situated claimants for a share of the United States market. It was designed to permit the suppliers to share in the restricted market in the same relative proportion that they had supplied the unrestricted market.

It would be preposterous to assume that in selecting this method for allocating a cutback in the United States sugar supply, Congress intended to reserve to a handful of suppliers the exclusive right to participate for all time in the future growth of the United States sugar market. Yet this is substantially the effect of perpetuating the base-period method in amendments and renewals of the Sugar Act without reevaluation and readjustment of quota positions.

At the time of the passage of the Jones-Costigan Act (1934), Mexico had no sugar industry. The Mexican sugar industry, as will be shown herein, developed later for sound economic reasons as an integral part of the development of a diversified Mexican economy. Surely Congress did not intend to discriminate against Mexico by excluding her from reasonable participation in the expanding United States sugar market. The base period device was designed as a means for avoiding discrimination in applying a reduction in shipments among the then existing United States suppliers. Yet it is being converted into an instrument of discrimination by its application in a manner which was never intended. It is being applied with reference to an expanded and expanding market to countries with no base period history as mature, competitive suppliers.

Where parties are similarly situated, the application of one standard to one and of another standard to the other, to the detriment of one of the parties, would be universally condemned. The effect is the same, where parties are differently situated and the same standard is applied to them, to the benefit of one and the detriment of the other.

This is not a new problem in international trade policy. The necessity for according fair opportunity to new industry has been recognized in the General Agreement on Tariffs and Trade (GATT) and in the Havana Charter for an International Trade Organization. The position of the United States has always been strongly in favor of the recognition of the right of new, efficient, competitive producers to participate in world markets despite existing quantitative restrictions on commodity trade.

Article XIII of GATT establishes the rules for the administration of quantitative restrictions. The policy of the article is that a country imposing such quotas should aim at a distribution of trade approaching as closely as possible the division of trade that would have existed if there had been no restrictions. This carries with it the underlying policy that efficient new producers who would have participated in the trade in the absence of the restrictions will be allowed to participate fairly in the restricted market. The article has been carefully worked out to preserve this right.

Paragraph 2 (d) of Article XIII of GATT provides that where it is not reasonably practicable to establish quotas by agreement among all the parties, "the contracting party concerned shall allot to contracting parties having a substantial interest in supplying the product shares based upon the proportions, supplied by such contracting parties during a previous *representative* period, of the total quantity or value of imports of the product, *due account being taken of any special factors which may have affected or may be affecting the trade in the product.*" [Italics supplied.]

It is obvious that in the case of Mexico's sugar quota, a base period rooted in a series of years before Mexico had a sugar industry, can hardly constitute a "representative" previous period. It is equally obvious that this is a special factor which has affected and is affecting her trade in sugar. This is the very type of case for which the flexibility in the article was intended. The use of a base period was not and is not intended as a straitjacket which would arrogate the entire market to a favored few suppliers solely because of the accident of time.

Any doubt with reference to the above argument should be eliminated by consideration of Paragraph 4 of article XIII which provides:

With regard to restrictions applied in accordance with Paragraph 2(d) of this Article \* \* \* the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the contracting party applying the restriction: *Provided*, that such contracting party shall, upon the request of any other contracting party having a substantial interest in supplying that product or upon request of the contracting parties, consult promptly with the other contracting party or the contracting parties *regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally relating to the allocation of an adequate quota or its unrestricted utilization.*" [Latter italics supplied.]

Clearly the accepted international policy relating to quantitative restrictions contemplates realistic reappraisal and readjustments of quota positions from time



to time based upon the equities of the current situation. The United States has been one of the chief proponents of this policy.

The United States Government, in signing the Havana Charter for an International Trade Organization (ITO), on March 24, 1948, expressly recognized the principle that new producers should be allowed to enter the market if they can produce efficiently and economically, even if the trade in the commodity involved is subject to quantitative restrictions. Chapter VI of the Havana Charter, "Inter-Governmental Commodity Agreements," provides (article 63(c)):

*"Such agreements (commodity control agreements) shall make appropriate provision to afford increasing opportunities for satisfying national consumption and world market requirements from sources from which such requirements can be supplied in the most effective and economic manner, due regard being had to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities."* [Italics supplied.]

The principle that chapter VI of the Havana Charter should be a guide for intergovernmental commodity controls has been reaffirmed by the United States at each meeting of the United Nations Economic and Social Council (ECOSOC) and of the United Nations Food and Agriculture Organization (FAO). On at least three occasions, this principle was reasserted by ECOSOC with the strongest support of the United States (Resolution 296 (XI) August 2, 1950; Resolution 373 (XIII) September 13, 1951; and Resolution 462 (XV) April 27, 1953). As a matter of international policy therefore, there can be no doubt that the United States recognizes the necessity for affording fair and reasonable participation to new, efficient and competitive producers in markets subject to quantitative restrictions.

Mexico's sugar producers are among the most efficient in the world. Mexico's price for sugar to its domestic consumers is the lowest in the world. Mexico's geographic position makes her a natural supplier of the United States. Mexico's ridiculously low sugar quota of only 11,445 tons is due to the historical accident that her sugar industry is new and that she was not a United States supplier during the years when the base-period quota system was first applied. Common sense demands that an adjustment be made at this time which will provide a fair and reasonable quota for Mexico, taking into account its efficiency, capacity, and total political and economic relations with the United States.

*The present United States quota system operates to undermine Mexico's position in the world sugar market*

The major objective of the Sugar Act is to insure a sound economic price for sugar in the United States. It was certainly not intended that the United States price should be used to weaken the price of sugar on the world market. Nevertheless, the effect of the present application of the quota system, which grants the largest United States quotas to those countries having the largest export surpluses of sugar, is to depress world prices. The way that this comes about will be demonstrated below.

In 1954 the United States price for sugar averaged \$103.80 per ton. The world market price averaged \$65.20 per ton. Thus, for every ton of sugar sold to the United States the supplier obtained an advantage of \$38.60 over the world market price. Since the largest United States quotas are allotted to the countries having the largest export stocks, such countries are in a position to undersell small quota countries such as Mexico on the world market and still realize a comfortable profit on total sales. In other words, to the extent that such countries are willing to apply their profits from United States sales to the reduction of prices on the world market, they are in a position to squeeze out competition and extend their total sales.

The extent of this leverage on the world market becomes strikingly apparent when it is considered that for every ton of sugar sold to the United States the supplier is in a position to sell 1 ton of sugar in the world market at a discount of 59 percent and still realize the average world market price for both sales.

The ability to cut prices on the world market varies directly with the size of the supplier's United States quota. Moreover, the higher the percentage of the supplier's United States sales to his total sales, the greater is his ability to cut his prices on the world market.

In 1954, for example, Cuba sold 2,723,401 tons of sugar in the United States market and her world market quota amounted to 1,980,000 tons. Fifty-eight percent of Cuba's sales were to the United States. The effect of this was to place Cuba in a position to cut its price on sales to the rest of the world by 81 percent, if it so desired, and still realize the average world price on its total sales. Other countries with large United States quotas and large export surpluses enjoy the

same power over world prices in varying degree depending upon the size of their United States quota. The extent to which this power is utilized is determined, of course, primarily by the supplier's efforts to maximize his profits.

It was this United States support which enabled the countries with large United States quotas to establish a minimum world price of only \$65 per ton for raw sugar in the International Sugar Agreement of 1953. This minimum price was too low for Mexico and other small United States quota countries, but it was forced upon them by the huge export countries which were subsidized by their large volume United States sales at high prices.

As a practical matter this is tantamount to the United States subsidizing the dumping operations of Cuba on the world market.

It must be obvious that the present application of the quota system has a very substantial impact upon the economic position of the Mexican sugar industry in its trade with the world.

It is sometimes argued that Mexico cannot complain of restricted access to the United States market because it has had no history of substantial sugar shipments to the United States. Therefore, it is contended that Mexico cannot complain of losing what it never had. This is like saying that the United States could not complain of the refusal to allow a new United States industry to enter the Mexican market simply because it had never operated there before. Furthermore, the economic fallacy of this argument is clearly indicated by the situation described above.

Every sound concept of equity and economics establishes that Mexico as a new and efficient producer should receive recognition as a participant in the United States domestic market. Even if it should be assumed, however, that Mexico could not establish a valid claim as a new producer to participation in the growth and expansion of the United States sugar market, certainly Mexico has a right to participate in the markets of the world on a free and equal basis. It was never intended that the operation of the United States Sugar Act should infringe that right, but its present application does have that effect.

Mexico now finds herself excluded substantially from the United States market while the United States, in effect, underwrites her competitors in their sales to the rest of the world. This competitive advantage is being used to support dumping operations on the world market. This is in contradiction to the principles of international fair business practice which the United States has always ardently supported. This is an important factor which should be taken into account when revising United States sugar law.

### III. NATURE AND ORIGINS OF MEXICO'S SUGAR PROBLEM

#### *The Mexican national industrial development policy*

The Mexican sugar industry developed as an integral part of the Mexican national industrial development policy. For many years Mexico has had a crucial exchange problem. A fundamental objective of the national industrial development policy was to find a long-range solution to the dollar problem in order to give Mexico a balanced and stable economy.

In order to accomplish this objective, it became necessary to develop the Mexican economy so that it would produce domestically those products which Mexico can most efficiently produce. This would eliminate imports which were a drain on dollar reserves and provide a source of foreign exchange through the export of such products.

The national industrial development policy has emphasized diversification of foreign trade and national production in order to promote industrial development while achieving, at the same time, a reasonable balance between exports and imports. The sugar program is just one part of the overall plan. Such diversification is in line with the foreign economic policy objectives of the United States Government as expressed in various United States programs for Latin America and similar areas.

The Mexican policy of economic diversification is designed to develop existing resources and open up new avenues of income from abroad. This process will in turn create additional Mexican markets for United States products and services.

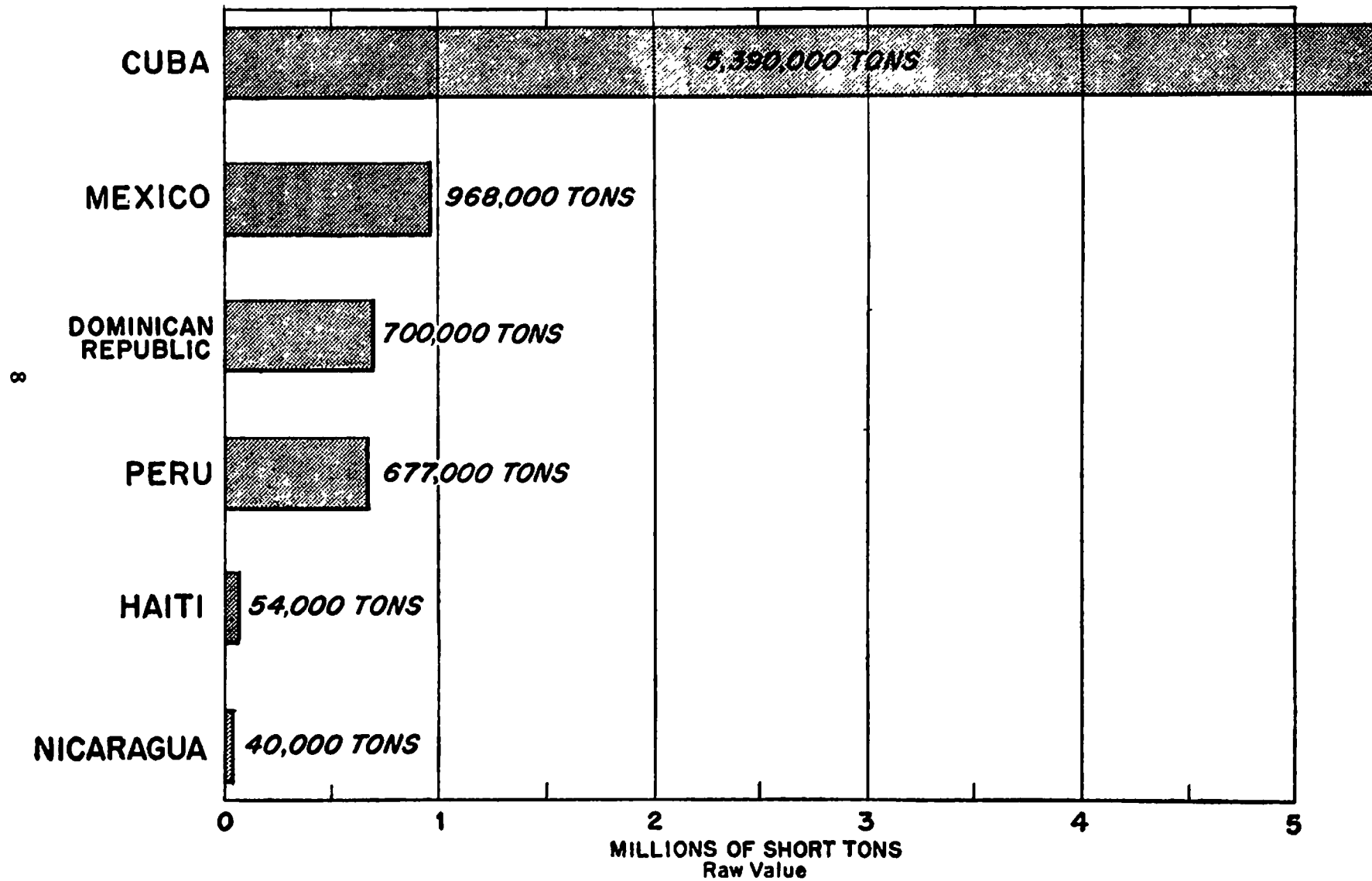
#### *The development plan of the Mexican sugar industry*

As an integral part of the national industrial development policy, the Mexican sugar industry formulated its own development plan in 1950, geared to the sound objectives of the overall national plan. Sugar is one of those products which Mexico can produce most efficiently and therefore constitutes an important element in the execution of the national policy.

# SUGAR PRODUCTION OF MEXICO, CUBA AND THE PRINCIPAL FULL DUTY COUNTRIES, 1954

Chart No. 2

Source: U. S. Department of Agriculture



The national sugar development program has two principal objectives:

- (1) To supply the rapidly increasing domestic consumption of sugar, and
- (2) To provide an export surplus of approximately 20 percent of production.

This export surplus was required first, to pay for the capacity necessary to satisfy domestic needs and, second, to enable the sugar industry to discharge its obligations under the national policy by providing a source of additional foreign exchange. Such an export surplus, while vital to the success of the Mexican plan, is infinitesimal in relation to United States requirements and world sugar consumption.

In accordance with these objectives, production goals were established in 1950 and the necessary investment in capacity was made.

Mexico's sugar industry before World War II was composed of about 80 mills, most of them producing less than 6,000 tons per crop. Their machinery was antiquated and inefficient. Between 1941 and 1946, Mexico was obliged to import more than 300,000 tons of sugar.

As a result of these factors, a program for the modernization and expansion of the sugar industry was undertaken. This program was successfully accomplished by dint of great effort on the part of the Mexican sugar industry and represents long term investment of many tens of millions of dollars. The machinery and equipment for this modernization program was almost wholly bought in the United States.

These efforts to establish a healthy and vigorous Mexican sugar industry were undertaken with the full knowledge and active assistance of the United States. Two of the most modern and largest capacity sugar mills in Mexico were financed through a \$5 million credit extended by the Export-Import Bank of Washington. These mills, Xicotencatl, on the Laredo Mexico Highway, and Sanalona, on the Southern Pacific Railway of Mexico, were strategically located close to the United States border at points of easy access to the United States market. It is interesting to note that the capacity of these two mills alone exceeds by more than 10 times Mexico's entire quota under the current Sugar Act.

As has been indicated, Mexico's sugar production has been geared primarily to her domestic requirements. Between 1941 and 1954 Mexico increased her domestic consumption by 100 percent. Her small export surplus has been limited to the tonnages necessary to support her investment in required capacity and to afford a source of foreign exchange. Within this framework, Mexico has nevertheless become one of the largest and most efficient sugar producers in the world. In tonnage of sugar produced, Mexico ranks ninth among all countries of the free world. In 1954, Mexican production was 968,000 tons. This amounted to 18 percent of Cuban production. In the same year, Mexico exceeded the production of Peru by 43 percent and of the Dominican Republic by 38 percent. With reference to quota countries under the Sugar Act, Mexico ranks first as a producer among all full duty countries and second, if Cuba, a preferential tariff country, is added to this group.

The development plan formulated by the Mexican sugar industry was a reasonable and prudent approach to its problems. It is important to note that at the time the plan was promulgated, the world sugar market was free. Mexico had every reasonable right to expect that it would be permitted to participate in the world sugar market on an equal competitive basis with all other countries. Moreover, Mexico had a right to expect reasonable participation in the United States market. Accordingly, long-term credit commitments were made and fixed debt obligations incurred. However, as will be shown herein, Mexico was not allowed free access to the world market. As a result, Mexico now finds itself, because of the operation of forces beyond its control, with a long-term investment in capacity which it is not allowed to use.

#### *The International Sugar Agreement of 1953*

In 1953 the United Nations, with the very strong support of the United States, sponsored a conference in London of all sugar exporting and importing countries. It is no secret that this conference came about as a result of the world sugar crisis caused by the enormous Cuban overproduction in 1952. The United States was a dominant force in the conference.

As a consequence of the London discussions, the International Sugar Agreement (ISA) was signed. Signatory nations voluntarily agreed to quantitative restrictions of their sugar trade in an effort to stabilize the market. The great bulk of the sugar trade outside of the United States is now regulated by the International Sugar Agreement.

At the time of the London conference, the Mexican sugar industry had just reached maturity. Mexico contended for a quota of 150,000 metric tons, which was entirely reasonable in the light of its investment and productive capacity. This request was cut in half. Mexico was allotted a quota of only 75,000 tons.

As a result of the agreement, Cuba has combined ISA and United States quotas amounting to 81.1 percent of its sugar production. Haiti has combined quotas of 88.9 percent of its production, the Dominican Republic 79.1 percent, and Peru 44.9 percent. Mexico emerged with the smallest share of any of the principal quota countries. Its combined United States and ISA quota amounted to only 8.06 percent of its production.

In terms of sugar available for export, Mexico's disadvantageous position is even more apparent. In 1954, Mexico was permitted to ship only 25 percent of her sugar available for export. This compares with 85 percent for the Dominican Republic, 49.9 percent for Peru (if estimated on the basis of the ISA quota offered Peru) and 69.4 percent for Cuba, despite her great overproduction.

The fact is that Cuba, which caused the world sugar crisis in the first instance, actually benefited by her overproduction in terms of ISA quotas, at the expense of the other countries. This occurred because of the desire to bail Cuba out of her self-imposed plight by giving her a generous world quota.

It is also interesting to note that those parties which refused to cooperate with the United States and the other countries have profited by their refusal. For example, at the International Conference, Peru was offered a quota of 308,000 tons. Peru refused to accept this limitation and did not sign the International Agreement. As a result, Peru was able to sell 418,000 tons on the world market in 1954. Meanwhile, the quotas assigned to the signatory countries were reduced by 20 percent in 1954.

The elementary injustice of this type of situation must be apparent. Mexico, which has cooperated with the United States and the other nations in every way, finds herself practically shut out of the United States market and drastically curtailed on the world market. Meanwhile, Peru, which elected not to cooperate, enjoys almost five times Mexico's United States quota. In addition, it is able to export six times as much as Mexico to the rest of the world.

The London Conference also established a minimum world price for sugar. Here again, United States sugar policy had a heavy and vital impact. As has been shown, for every ton of sugar sold under the United States quota, the supplier is in a position to lower its price on a ton of world market sugar by 59 percent and still realize the average world price on its total sales. Because of this circumstance, countries with large United States quotas were in a position to press for and establish the very low minimum world price of \$65 per ton for raw sugar. The theory of this operation is that by virtue of being underwritten by the United States, they could still operate at a comfortable profit and squeeze out competition at the same time. The long run result of such operations, if it is allowed to continue, can only be to destroy free competition and establish a virtual monopoly of a handful of suppliers.

#### *Effect upon the Mexican sugar industry*

The inevitable result of the developments discussed above has been to cripple seriously the Mexican sugar industry.

Under the development program of 1950, Mexico's sugar industry invested heavily in increased production capacity. This was accomplished through long term credits made available by Financiera Nacional Azucarera, S. A. with the support of official financial institutions of the Mexican Government. The machinery and equipment already installed provides the industry with an annual capacity of 1,400,000 short tons of sugar.

This capacity is not large for Mexico. It represents an export surplus which is entirely insignificant in terms of the world market. Nevertheless, because of the operation of the limiting forces discussed above, over which Mexico had no control, Mexico is now faced with disastrous sugar surpluses.

The following table shows how the surpluses of Mexican sugar have accumulated.

TABLE No. 3

Year	Stocks at Dec. 31 (short tons, raw value)
1951.....	87,015
1952.....	159,132
1953.....	209,117
1954.....	239,836
1955 (estimated).....	351,770

These surpluses have accumulated at less than capacity operation of the sugar mills. Production has been curtailed by the suspension of credits for the planting of cane acreage. The industry's self imposed reduction amounts to 25 percent of capacity.

The effect of the situation described above is apparent. Most of the Mexican mills have substantial long-term debts which were incurred to increase their capacity to a reasonably anticipated level of requirements. Instead of the planned increase, they are obliged to limit their production, thus making it impossible to amortize their long-term obligations. If this trend continues, it obviously means that these external forces may well bankrupt the industry and cause great hardship and suffering among the thousands of families who depend upon Mexico's fourth largest industry for their livelihood.

The only realistic relief available to Mexico is through fairer and more reasonable participation in the United States sugar market. It must be recognized that the operation of United States sugar policy has had a heavy influence on the factors discussed above which have been at the root of Mexico's difficulty. Moreover, most of Mexico's trade, both actually and naturally, is with the United States. Mexico, therefore, feels justified in making a frank statement of its problem and turning to the United States for relief.

#### IV. MEXICO'S STRATEGIC IMPORTANCE TO THE UNITED STATES

Mexico is the only country, besides Canada, with which the United States has a common border. The geographic position of Mexico to the south has thus the same significance as the position of the United States neighbor to the north.

Strategically this means that Mexico's as well as Canada's supplies to the United States are not dependent upon uncertain lines of communications as is the case with all other suppliers of raw materials and commodities which the United States has to import. In the event of an emergency, Mexico is in a position to play a major role as she did in World War II in providing strategic materials for defense.

Sugar is basic to the American diet and was drastically rationed in World War II. Mexico is the only foreign supplier of the United States which can supply sugar by rail or truck. Submarine war potential has increased and is increasing to a point which would make the offshore raids of World War II as obsolete as the H-bomb has made the TNT blockbuster. Overland transportation of sugar in a future war may be the only effective source of supply and Mexico is the only foreign country which can supply sugar by overland transportation.

Moreover, Mexico is of major importance to United States industry as a substantial supplier of basic strategic commodities. Mexico provides 32 percent of United States supplies of cadmium; 25 percent of its supplies of antimony; 25 percent of fluorspar; 20 percent of graphites; 20 percent of supplies of lead and 22 percent of United States supplies of zinc. Mexico contributes up to 14 percent of United States supplies of celestite and cordage fibers and sisal. United States security interests are firmly linked with the above raw materials available from Mexico. Antimony, cadmium, and fluorspar are on the United States stockpile list of strategic materials. They constitute an important contribution to the military potential of the United States and the free world.

Mexico has also become important in recent years as a supplier of manpower. Under agreement with the United States, many thousands of Mexican agricultural laborers have worked in the cotton and sugar-beet fields of the United States to alleviate a serious manpower shortage. During 1954, these laborers numbered more than 309,000 in 22 States.

TABLE NO. 4.—*Distribution by States of Mexican agricultural workers, 1954*

Tennessee.....	757	Colorado.....	2,818
Kentucky.....	10	Montana.....	1,495
Michigan.....	5,093	New Mexico.....	18,946
Illinois.....	290	Utah.....	81
Minnesota.....	215	Wyoming.....	540
Wisconsin.....	374	Arizona.....	16,181
Kansas.....	6	California.....	77,423
Missouri.....	1,347	Nevada.....	60
Nebraska.....	1,120	Idaho.....	311
South Dakota.....	222	Washington.....	372
Arkansas.....	22,663		
Texas.....	158,704	Total workers.....	309,033

Source: U. S. Department of Labor, Farm Placement Service, Foreign Labor Division.

It is significant that of all of the foreign claimants for a share in the sugar market of the United States, Mexico alone has made a direct and important contribution to the domestic sugar industry of the United States.

V. THE EQUITIES OF THE CASE DEMAND A SUGAR QUOTA FOR MEXICO EQUAL TO AT LEAST 2 PERCENT OF UNITED STATES CONSUMPTION

*The equities of the situation require an adjustment of Mexico's quota position*

Mexico appreciates the importance of the history of United States sugar imports in formulating future United States sugar policy. It is submitted, however, that any system, even though based squarely on an historic approach to quantitative restrictions on imports, must have sufficient flexibility to permit adjustments from time to time when the situation warrants. It must be apparent that Mexico's case is unique. Mexico's case warrants individual and specific consideration.

What is said for Mexico pertains as well to other special situations. It is recognized that special considerations apply to the domestic sugar producers and to the special history of Cuba in United States sugar trade. Therefore, it is suggested that no rigid formulistic approach can be adopted which will do equity to all parties. Any general approach must be tempered with judgments designed to recognize the special situations referred to.

*Mexico's position apropos of the domestic United States sugar producers*

It is the position of the Mexican claimants for a larger share of the United States sugar market that they have no right to seek to determine domestic United States policy. The treatment of the domestic sugar industry is considered to be solely within the province of United States public policy, to be decided by the administration and by Congress. Accordingly, Mexico does not oppose current proposals which have been made for readjustment of the share of the United States sugar market to be allotted to domestic producers. On the contrary, Mexico specifically recognizes the interest of the Congress in sustaining a healthy, competitive United States sugar industry.

Mexico's claim is solely for a fair, reasonable, and equitable share of that portion of United States consumption which is to be allocated among foreign countries. Mexico submits that in this area, it has a right to equal consideration with all other foreign countries, particularly since United States policy in this connection has had and must continue to have a direct and vital impact upon Mexico. It is submitted that in addition to the traditional consideration of historic patterns, other important indicia such as purchases from the United States, United States trade balance, and geographic location should be taken into account in the allocation of quotas after the requirements of the domestic industry have been met.

*Mexico's position with reference to Cuba*

It would be unrealistic to propose that the history of Cuba's participation in the United States sugar market be ignored in proposed legislation. Even though Cuba's quota position is far out of proportion to its importance as a market for United States products, and even to its relative position as a sugar producer, special problems relating to Cuba must be recognized. They should not be recognized, however, to an extent which would unfairly discriminate against other claimants for a share of the United States market. A reasonable compromise must be arrived at.

The Sugar Act of 1937 guaranteed Cuba 28.6 percent of United States consumption. This floor was reenacted in the Sugar Act of 1948 and in the amendments of 1951. Under the present law, Cuba has the right to supply 96 percent of any increases in United States consumption as well as the right to supply the bulk of the deficits in the quotas of other suppliers. These increased benefits have averaged more than 700,000 tons per year for the past 7 years.

The clear congressional intent at the time of the 1948 statute and the 1951 amendment was that the increased benefits to Cuba were to be temporary in order to make it possible for Cuba to adjust to a period of declining demand in the world market.

In the years 1948-54, Cuba's marketing of sugar in the United States has averaged 2,959,000 tons per year. This represented an excess over Cuba's statutory share of 28.6 percent aggregating 4,913,000 tons.

Cuba's preferential treatment under the Sugar Act of 1948 and the 1951 amendment has been justified on the ground that Cuba expanded its production during the Second World War in order to take care of the United States wartime needs. But the fact is that the principal expansion in the Cuban production and the overproduction which caused the world sugar crisis occurred after the war.

In the prewar years, 1938-41, Cuba's annual production averaged 3,149,000 tons.

During the war period, 1942-46, Cuba's annual production averaged 4,033,000 tons.

In the postwar years, 1947-51, Cuba's production averaged 6,272,000 tons.

Thus it is apparent that while Cuba, during the war, increased her production by 28 percent as compared with her prewar peacetime production, her postwar production averaged 99 percent above prewar levels.

It has been suggested that the excess Cuban production was due primarily to anticipation of greater demand arising from the Korean conflict. The facts are, however, that the stepped-up production occurred before the Korean conflict and was continued after it was apparent that the Korean demand had failed to materialize and after it was apparent that quantitative restrictions would be required to stabilize the world market.

The Mexican sugar industry has no desire to single out Cuba to bear the brunt of the necessary readjustments in the quota structure. At the same time, however, it is believed that it would be extremely unfair to bail out Cuba at the expense of the other foreign countries.

It is suggested that a reasonable approach to this problem would be to continue Cuba's guaranty of 28.6 percent of United States consumption and to work out an orderly amortization of the excesses which have been granted to Cuba as temporary relief from her emergency situation. With continuing increases in the United States consumption, such a plan would operate with a minimum hardship on Cuba and would afford the flexibility to make equitable adjustments in the quota positions of other claimants.

#### *A suggested approach to the allocation of foreign sugar quotas*

The most reasonable solution to the problem of allocating sugar quotas to competing foreign claimants would be one which gives due recognition to history and yet provides a margin for making adjustments in accordance with important economic criteria. Such a solution is entirely feasible in the present situation, and could be achieved as follows:

1. Set aside for domestic United States producers approximately 55 percent of United States consumption as indicated in pending legislation.
2. Set aside for the Philippines, 977,000 tons as guaranteed by treaty.
3. Set aside for Cuba a statutory floor of 28.6 percent of United States consumption.
4. Set aside for each other foreign country as a floor, its actual deliveries during 1954.
5. Distribute the remainder among Cuba and the full-duty countries by reference to their relative need for United States trade. The following standards would be appropriate for measuring this relative need:
  - (a) Purchases from the United States.
  - (b) Balance of trade with the United States.
  - (c) Degree of dependence upon United States markets.
6. Allocate deficits among foreign countries in proportion to their quotas.

The operation of this approach will be more readily apparent by reference to actual figures, as indicated in the example below.

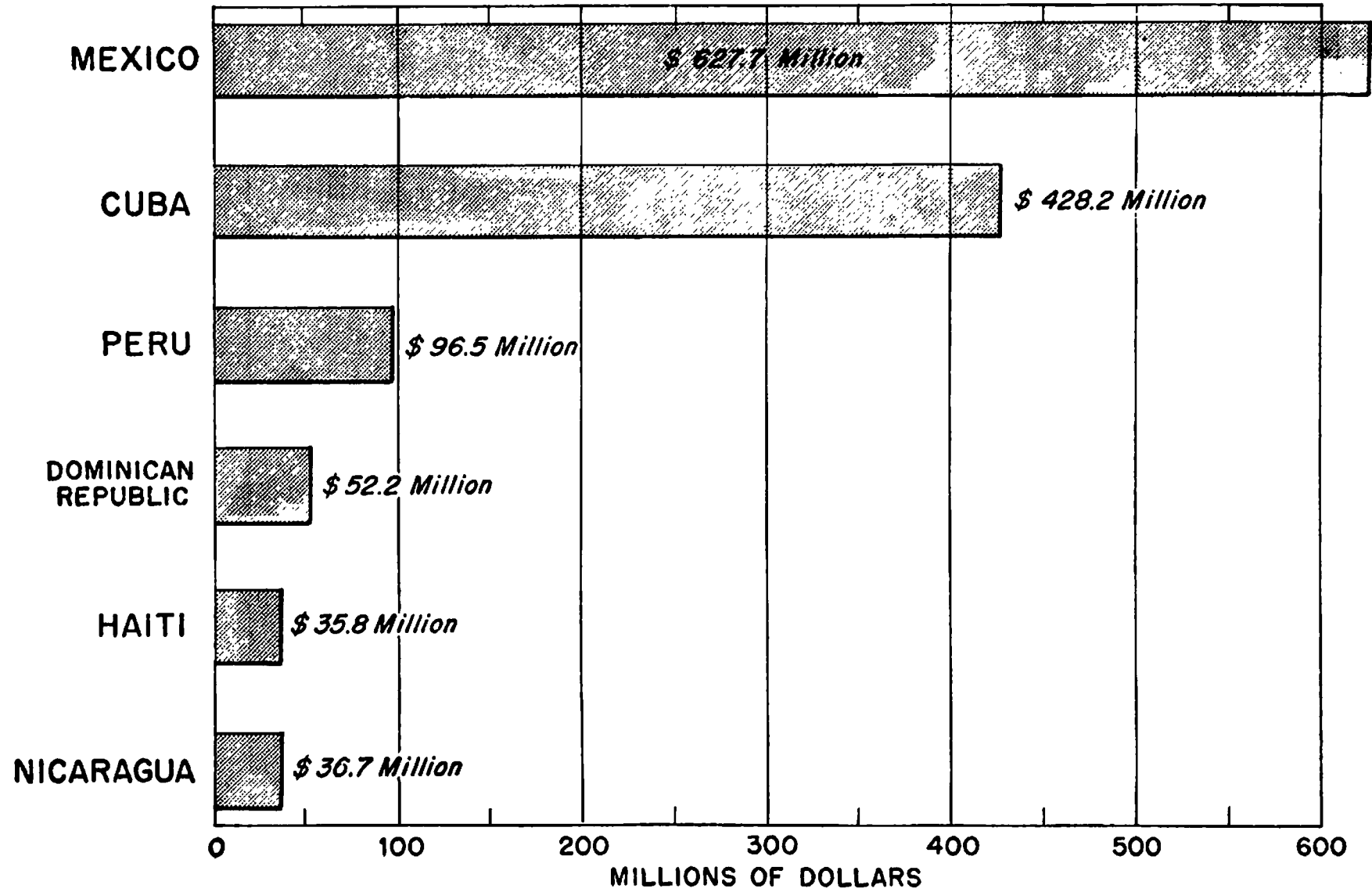
	<i>Short tons, raw value</i>
Estimated consumption of the United States.....	8, 500, 000
Domestic producers (55 percent).....	4, 675, 000
Philippines.....	977, 000
Set aside for:	
Cuba (28.6 percent).....	2, 431, 000
Mexico.....	12, 301
Peru.....	56, 062
Dominican Republic.....	30, 012
Haiti.....	2, 682
Nicaragua.....	7, 899
Countries without individual prorations.....	5, 923
<b>Total.....</b>	<b>8, 197, 879</b>
<b>Balance available for allocation to Cuba and the full-duty countries.....</b>	<b>302, 121</b>



COMPARATIVE POSITION OF  
MEXICO, CUBA AND THE PRINCIPAL FULL DUTY COUNTRIES,  
IN TERMS OF PURCHASES FROM THE UNITED STATES IN 1954

Chart No.3

Source: U. S. Department of Commerce



The method illustrated above, while it recognizes and gives weight to past experience, also provides a margin for the recognition of other equities. On the basis of an estimated consumption of 8.5 million tons there would still be 302,121 tons for allocation among the full-duty countries and Cuba, in accordance with the standards suggested. At the same time, the so-called historic rights of the claimants would be preserved.

The quota requested by Mexico, 2 percent of United States consumption, would amount to 170,000 tons out of an estimated consumption of 8,500,000 tons. Assuming, in accordance with the approach suggested above, that there would be available for allocation among the competing foreign countries, 302,121 tons of sugar in addition to their historic shares, it can readily be demonstrated that Mexico's request for 170,000 tons is fair and reasonable by reference to the statutory standards discussed above.

(a) *Purchases from the United States.*—Mexico's position in comparison with the other Latin American quota countries as a purchaser from the United States is shown in the table below:

TABLE NO. 5.—*Purchases from the United States, 1954*

	Purchases (millions of dollars)	Percent of total
Mexico.....	\$627.7	49.1
Cuba.....	428.2	33.5
Peru.....	96.5	7.6
Dominican Republic.....	52.0	4.1
Haiti.....	35.8	2.8
Nicaragua.....	36.7	2.9
Total.....	1,276.9	100.0

It will be seen that Mexico purchased 49.1 percent of the total United States purchases by all Latin American quota countries. If the purchases standard alone is applied to the 302,121 tons available for allocation, Mexico's proportionate share would be 148,341 tons.

(b) *Balance of trade.*—If the available tonnage is distributed by reference to the balance of trade standard alone, Mexico's share would be much greater. The balance of trade standard, perhaps more directly than any other, indicates the relative need of a country for United States markets. The balance of trade position of the Latin American quota countries is shown in the tabulation below.

TABLE NO. 6.—*Balance of trade with the United States, 1954*

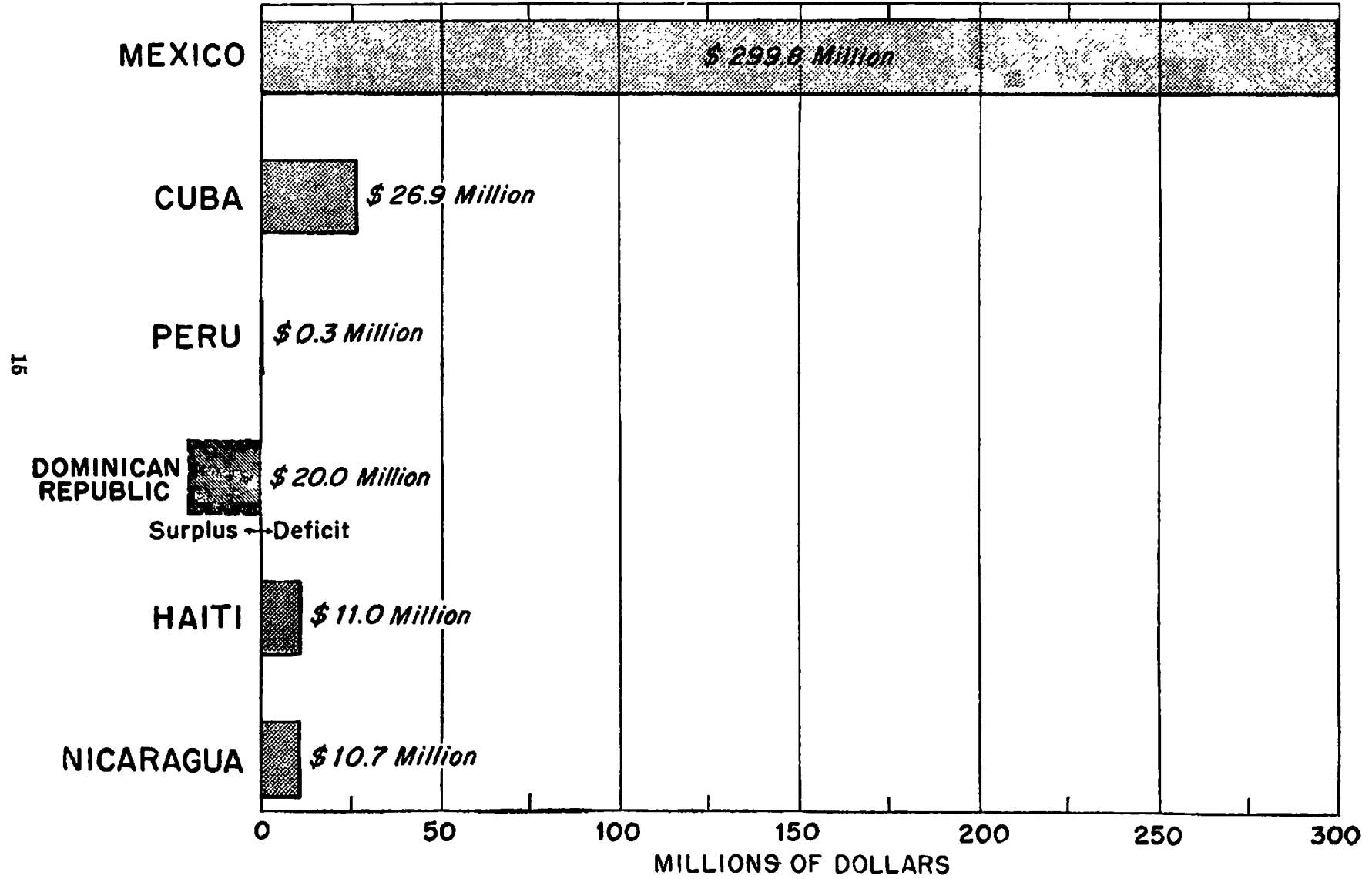
[Millions of dollars]

	Unfavorable to country	Favorable to country
Mexico.....	\$299.8	.....
Cuba.....	26.9	.....
Peru.....	.3	.....
Dominican Republic.....	.....	\$20
Haiti.....	11.0	.....
Nicaragua.....	10.7	.....
Total.....	348.7	20

COMPARATIVE POSITION OF  
 MEXICO, CUBA AND THE PRINCIPAL FULL DUTY COUNTRIES,  
 IN TERMS OF BALANCE OF TRADE WITH THE UNITED STATES IN 1954

Chart No. 4

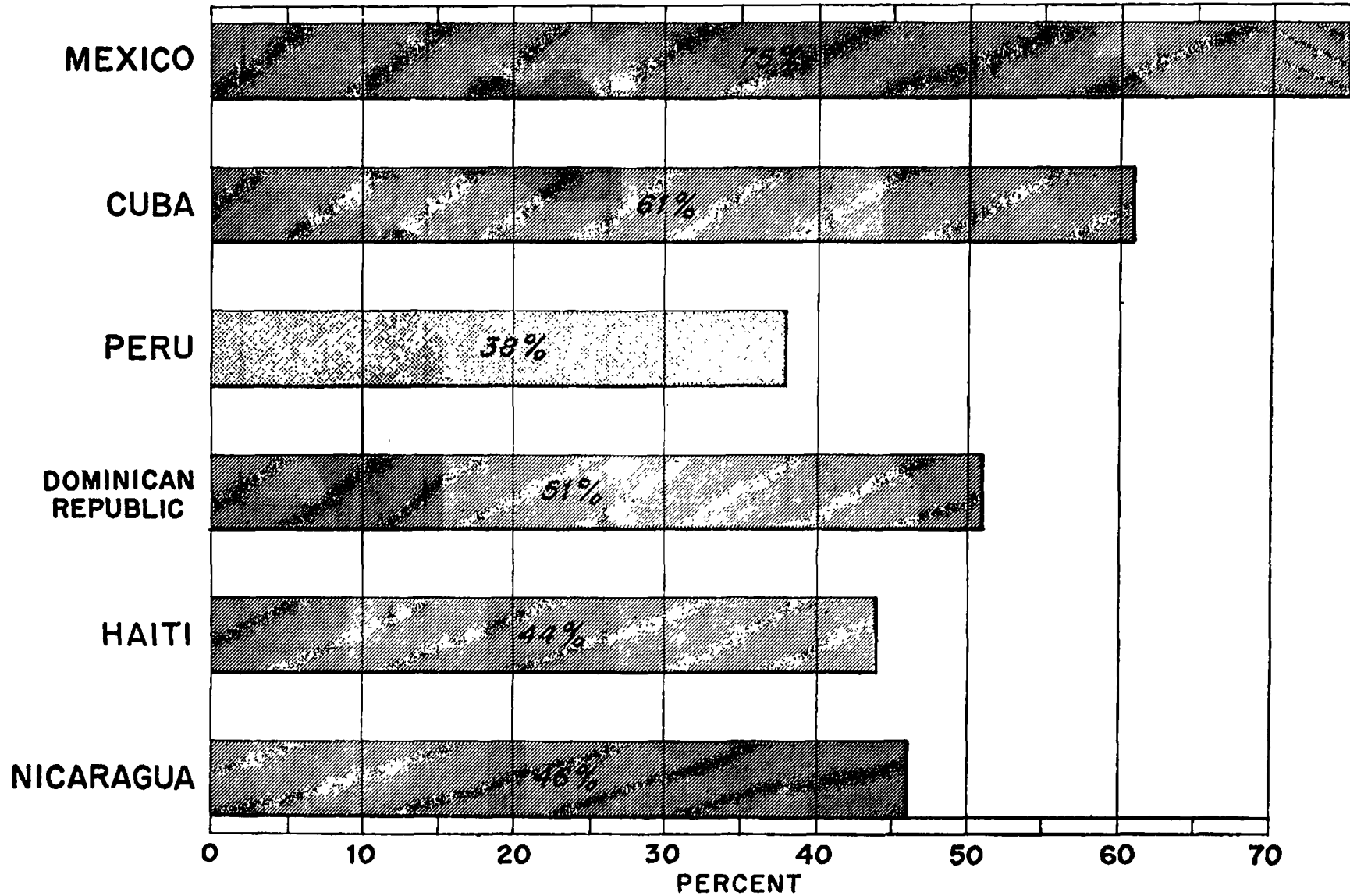
Source: U. S. Department of Commerce



COMPARATIVE DEPENDENCE ON  
THE UNITED STATES AS AN EXPORT MARKET  
MEXICO, CUBA AND THE PRINCIPAL FULL DUTY COUNTRIES, 1953

Chart No. 5

Source: United Nations "Direction of International Trade"



16

These figures show that Mexico has 86 percent of the total of the unfavorable balances of United States trade among the Latin American quota countries. If the available tonnage were allocated by reference to the balance of trade standard alone, this would represent a distributive share for Mexico of 259,824 tons.

(c) *Degree of dependence upon United States markets.*—Another standard for measuring the relative need for the additional United States market is the relative degree of dependence of the quota countries upon the United States as an outlet for their exports. In the case of Mexico, for example, approximately 75 percent of her exports go to the United States, and thus she has nowhere else to turn for help in solving her balance of trade problem.

In 1953, the last year for which complete world figures are available, the Latin American quota countries exported to the world \$1,602.6 million worth of products of which \$977.4 million went to the United States. Mexico shipped 74.54 percent of her total exports to the United States, Cuba 61.28 percent, the Dominican Republic 51.15 percent, Peru 38.13 percent, Haiti 43.46 percent and Nicaragua 45.51 percent. When these figures are weighted by the value of exports by these countries to the United States, we get a picture of the relative dependence of the Latin American quota countries on the United States for their total export trade. This relationship is shown in the table below:

TABLE NO. 7.—*Relative dependence of Latin American quota countries upon the United States for export trade, 1953*

[Millions of dollars]

	World sales (1)	United States sales (2)	Percent of United States of world sales (3)	Relative dependence (percent) (4)
Mexico.....	\$543.5	\$405.1	74.54	48.61
Cuba.....	640.3	393.0	61.38	38.82
Dominican Republic.....	104.2	53.3	51.15	4.39
Peru.....	221.9	84.6	38.13	5.20
Haiti.....	38.2	16.6	43.46	1.17
Nicaragua.....	54.5	24.8	45.51	1.81
Total.....	1,602.6	977.4	-----	100.00

Source: United Nations, Direction of International Trade.

If the 302,121 available tons were distributed according to the dependence standard alone, Mexico's share would be 146,861 tons (48.61 percent).

Applying all three standards, Mexico's average distributive share of the available additional quota would be 185,009 tons. When her 1954 shipments of 12,301 tons are added, this would represent a quota of 197,310 tons.

Mexico is not requesting a quota of 197,000 tons. Her request amounts to only 170,000 tons of an estimated consumption of 8.5 million tons.

As indicated above, a rigid formula approach cannot realistically take into account all of the equities which properly should be taken into account. The approach suggested is designed to extend reasonable minimum guaranties to all of the quota countries and at the same time provide a margin of flexibility in order that necessary adjustments in quota positions may be made. This margin of flexibility should be applied in accordance with the real need shown by the claimant for such adjustment.

Applying such criteria it must be abundantly clear that Mexico's request for a quota of 2 percent of United States consumption is fully justified.

#### VI. CONCLUSION

For the foregoing reasons it must be concluded that a Mexican quota under United States sugar law equal to 2 percent of United States sugar consumption would be fair and equitable.

In view of all of the economic and political relations between the United States and Mexico there can be no doubt that the assignment of such a realistic quota to Mexico would be in the best interests of the United States.

Respectfully submitted.

OSCAR L. CHAPMAN,  
Attorney for Union Nacional de Productores de Azucar, S. A. de C. V.

## EXHIBIT No. 1

## MEMORANDUM—FACTS UPON WHICH MEXICO BASES ITS CASE FOR THE ASSIGNMENT OF A QUOTA EQUAL TO 2 PERCENT OF THE TOTAL CONSUMPTION OF SUGAR OF THE UNITED STATES OF AMERICA

(Translation from the Spanish of memorandum presented to the State Department, March 1955 by the Ambassador of Mexico.)

EXPLANATORY NOTE.—To avoid confusion, all quantities of sugar mentioned in this memorandum are stated in terms of short tons, raw value.

## BACKGROUND

*Shortage of production and consequent importations during World War II.*—At the beginning of World War II, the Mexican sugar industry was composed of about 80 mills very few of which were modern or large producers. The majority refined less than 8,000 tons per crop and their machinery was antiquated and inefficient.

During this time, for various reasons but principally on account of the impossibility of importing machinery and replacements indispensable for its maintenance and development, the Mexican sugar industry was unable to produce the volume necessary to supply the increasing domestic demand and Mexico was forced to import more than 370,000 tons of sugar.

*Measures of stimulating production.*—To avoid continued and increasing importations with the consequent loss of foreign exchange, it was plainly necessary to stimulate sugar production, therefore several mills modernized their machinery and enlarged their plants and independently, without reference to a comprehensive plan.

In spite of the lack of a definite program, an appreciable increase in sugar production was brought about since 1948, so much so that in that year and in 1949 important quantities were exported (200,820 and 159,214 tons, respectively) after meeting domestic requirements.

It was at this time that the modern mills of Xicotencatl and Sanalona were built close to the United States border. These large capacity plants were erected with the financial support of official Mexican credit institutions through the medium of credits granted for this purpose by the Export-Import Bank of Washington. In obtaining these credits it was necessary to show the need of fortifying Mexican sugar production on account of the then very recent experience of the war years.

The 1950 crop was expected to yield 800,000 tons but because of drought and frost, the real production amounted to only 694,747 tons. This collapse forced the Mexican sugar industry to take the following steps:

I. Reduce the inventory which is reserved to supply the domestic market in case of crop shortages; not only to supply the domestic demand in the year 1950, but also to fulfill previous commitments to the Commodity Credit Corporation through which more than 20,000 tons of sugar were shipped to Japan, in spite of the fact that world prices at that time were lower than United States prices.

II. Discontinue all exports for 1951 in order to restore the reserve inventory, even though production was in excess of domestic demand.

III. Formulate and put into immediate operation an industrywide development program with the object of guaranteeing sufficient production to

(a) cover domestic requirements, and

(b) provide an export surplus of approximately 235,000 tons annually.

The following table shows the actual production, imports, domestic consumption and exports registered by Mexico from 1941 to 1954, with the same data for 1955 conservatively estimated by the National Association of Sugar Producers; it also shows the increasing surpluses not sold in the domestic market nor exported during the last 5 years.

Year	Production	Imports	Domestic consumption	Exports	Stocks at Dec. 31
1941.....	385,944	74,601	430,277		
1942.....	494,158		493,103		
1943.....	485,746	21,512	502,903		
1944.....	458,876	57,294	525,340		
1945.....	438,901	109,410	532,257		
1946.....	442,660	113,721	524,498		
1947.....	577,829		507,651	217	
1948.....	720,095		596,606	200,820	
1949.....	759,603		661,383	159,214	
1950.....	694,747		687,593	24,130	
1951.....	783,201		741,829		87,015
1952.....	813,921		766,063	10,360	159,132
1953.....	917,193		798,353	63,341	209,117
1954.....	975,382		865,195	78,977	239,836
1955.....	1,071,070		894,520	78,977	351,770

THE MEXICAN SUGAR POLICY HAS BEEN PRUDENT AND FORESIGHTED

*Diversification of production.*—The general economic policy followed by the Government of Mexico in recent years has been to emphasize diversification of national production and of foreign trade, in order to attain a balance between exports and imports and thus to achieve a stabilized economy.

This policy inspired the national sugar development program of 1950, and the industry has received therefrom constant and effective support within prudent and economic limits.

*Stimulation of domestic consumption and of exports.*—The industry itself had decided to base its economic equilibrium principally on the stimulation of domestic consumption.

During the past 14 years this consumption has doubled. This was due principally to the policy of maintaining low prices within the reach of the great mass of consumers whose income is severely limited. In terms of United States dollars the Mexican public buys sugar at a lower price than the consumers of any other country in the world.

But the Mexican sugar industry has two basic reasons that force it to produce a limited export surplus: the necessity of obtaining foreign exchange for the importation of machinery, replacements, implements of agriculture, and transportation, etc., and to contribute its part to balance the foreign trade of the country as a whole.

We are firmly convinced that no one can charge that this policy evades strict prudence in any way.

The Mexican sugar industry does not seek to become a giant producer. The export surpluses that have been and are being produced are so small in relation to world consumption and to the volume necessary to supply the United States market, that their sale in those markets could not cause any problem.

Consequently, the accumulation of surpluses during the past few years cannot be attributed to a negligent or shortsighted policy of the Mexican producers who are making every possible effort to increase the domestic demand and who, when their plan of strengthening the industry was put into effect, had a world market in which they could place their surpluses without restrictions of any kind.

It was the insignificant quota fixed by the London agreement that, as we shall explain later, brought our industry to the crisis which now confronts it.

*Mexico and the domestic producers of the United States.*—Mexico's proposal to increase her quota in no way interferes with the protection that the domestic producers of sugar must receive.

Mexico contends that the volume that has to be imported by the United States to fulfill its supply should be distributed in an equitable manner among countries with quota rights.

ORIGIN OF THE PROBLEM CONFRONTING THE SUGAR INDUSTRY

*Potential capacity of the mills.*—The industry's development since the end of World War II has required many tens of millions of dollars of investment in machinery and equipment, that was bought almost entirely in the United States regardless of the cost.

These investments have provided the mills with an annual production capacity of more than 1,400,000 tons of sugar.

*The London agreement and its disastrous consequences for Mexico.*—At the very time that the Mexican mills reached the domestic and export production contemplated in the 1950 plan, Cuba notwithstanding clear advice given her to regulate her production, produced the enormous crop of 1952. That brought about the severe depression in the world sugar market.

With the object of combating this depression, the United Nations sponsored an international conference in London of countries which export and import sugar. The United States participated prominently.

During this conference, Mexico fought for a minimum annual export quota to the free world market of 165,000 tons. This quantity was in no way disproportionate to the stature that the Mexican sugar industry had attained. Furthermore, it was necessary to provide for the export volume estimated in Mexico's development plan as a vital factor in the maintenance of the sugar industry's economic stability.

In spite of our evident justification, an annual quota of only 82,500 tons was fixed for Mexico and later, by authority given to the International Sugar Council by signatory countries this quota was reduced by 20 percent to 66,000 tons.

In this way, by virtue of the unjust quota assigned by the London Conference and of the insignificant quota of about 11,000 tons fixed by the Sugar Act of the United States, Mexico found herself in the deplorable position of storing her exportable surplus at the very moment that she had to devalue her own currency, for lack of sufficient exports to balance her foreign trade.

*Production restrictions.*—As another immediate consequence of these inadequate quotas, the industry had to face the imperative necessity of restricting its production.

The program of modernization and enlargement of the mills was brought to fruition largely through the medium of long-term credits made available by *Financiers Nacional Azucarera, S. A.*, with the support of official financial institutions of the Mexican Government. However, the complete execution of the 1950 plan contemplated further authorization of complementary credits for the enlargement of the cane-growing areas to the extent required by the increased production capacities of the mills.

The signing of the London agreement brought about the total suppression of all credits destined for new cultivation. For this reason, almost all of the mills have been unable to obtain the raw material necessary to supply their operating capacities.

Obviously this indirect but extremely radical restriction required a great sacrifice. It resulted in the idling of 25 percent of the productive capacity of the industry that, as has been said, amounts to 1,400,000 tons while the present production is estimated at only 1,070,000 tons.

*Economic and social consequences of applying additional restrictions.*—It is not possible nor would it be fair to force the industry into additional reductions. The majority of the mills, as has been said, contracted long-term debts to provide adequate capacity. If they are forced to restrict production, they will be unable to meet their obligations, thus creating economic distress in one of the principal industries of the country.

On the other hand, the production of sugarcane in Mexico (more than 10 million tons annually) is 90 percent in the hands of small farmers who work, on the average areas of about 10 acres. An additional restriction in the manufacture of sugar would bring about, as a necessary consequence, the elimination of a certain number of farms or the reduction of the area planted by each cane farmer.

It is impossible for anyone to ignore the dangers that additional restrictions would carry in their train. Such restrictions would leave without means of sustenance an increasing number of small farmers and workers who cannot be otherwise employed due to the limited agricultural and industrial development of the country.

In this respect it must be borne in mind that sugar is one of the basic industries of the Mexican economy and that depending on it for their existence are more than 600,000 workers, employees, small farmers and their families, to say nothing of the assistance rendered to the packaging, transportation, and other related industries.

*Another deplorable consequence of the London agreement.*—During this 1953 conference, Mexico fought for an equitable minimum price for the world market. It was nevertheless decided and ordered that such price would be 3.25 cents U.S. per pound of raw sugar, a price that does not even cover the cost of production.

The fixing of this price was supported by those countries that had the greatest influence in the conference, and seconded principally by Cuba, which enjoyed an



enormous quota in the United States market, greater in fact than its quota in the world market.

In this way Cuba and those countries to which the present Sugar Act grants a generous quota, obtained a very reasonable average price for their exports because of the high price paid by the United States market. Mexico, being practically without a quota from the United States, was placed in the obviously unjust position of having to sell almost all of its exportable sugar at the unfair world market prices.

*Why did Mexico sign the London agreement?*—In spite of the inequitable treatment to which she fell victim in the London conference, Mexico signed the agreement because she was convinced of the necessity of normalizing the world sugar market.

It is noteworthy that notwithstanding the signing of the London agreement, Mexico has never before sought an increase in her United States quota. This is so even though since 1948—5 years before the London agreement—Mexico was prepared to export sugar and now she must find an adequate place in the North American market since there is no other way out of the grave crisis that confronts her sugar industry.

*Basic reasons for an increase in the Mexican quota*

*Mexico's claims are not founded on her history as an exporter.*—In estimated United States consumption of 8,200,000 tons for 1955, Mexico's quota assigned by the Sugar Act is 11,445 tons, or fourteen one-hundredths of 1 percent of the stated consumption.

Our Embassy in Washington has formally requested that in the course of the next revision of the Sugar Act this quota be substantially increased. In order to have a market for her exportable surplus Mexico requires a 2 percent share of United States consumption.

Mexico has practically no history as a sugar-exporting country.

As soon as her industry was able to produce exportable surpluses regularly, the London agreement closed the door to the world market.

In fact, Mexico cannot even export to the United States because of the meager quota assigned to it by the Sugar Acts.

Nevertheless, the Mexican sugar industry is a reality.

It is a reality that, due to the large investments and the valiant efforts of Mexican industrialists, the Mexican sugar industry has come to occupy the fourth most important position among the industries of the country.

It is a reality that it is capable of contributing to the well-being of the United States consumers, by providing an additional and absolutely secure source of sugar even in cases of the most extreme emergency.

It is a reality that it can and will make a powerful and significant contribution to the maintenance and development of the all-important commercial interchange and economic ties that link Mexico with the United States.

These realities and not the history of its exports constitute the basis of Mexico's claim for a United States quota which will absorb its sugar surplus and sustain a balanced and strong industry capable of rendering the required service to the people of the United States even under emergency conditions.

*Well-being of the consumers.*—The history of World War II demonstrated clearly the necessity of the United States having, in case of an emergency, an additional and secure source of sugar. During the war years it was impossible to bring sugar from the Philippines. There were great hazards in transporting it from Hawaii and, at times, it was also difficult to bring the sugars of Puerto Rico and Cuba to the mainland.

As a result the United States domestic demand could not be adequately met and the Government was forced to impose a severe rationing with consequent sacrifice to its own people.

The present Sugar Act expressly declares that one of its objectives is to protect the well-being of sugar consumers. To this end it is indispensable that measures be adopted that will guarantee an available and sufficient supply of sugar at any time and under whatever circumstances that may exist.

Mexico can be a source just as secure as that provided by the domestic producers of the mainland.

At any time and whatever may be the circumstances, Mexican sugar can be placed in the hands of United States consumers, by rail or road if necessary. No other country in the world can offer the United States this incomparable advantage.

But in order that the Mexican sugar industry may be in position to offer this service it must be able to depend on a regular and reasonable quota in the United States market that will absorb its exportable surpluses.

It is unreasonable to deprive the people of the United States of this advantageous additional source of sugar in case of emergency, only because Mexico happens to be without a history as a sugar exporter.

The benefit that could be supplied to United States sugar consumers is therefore one of the reasons on which Mexico relies for an adequate quota in the next Sugar Act.

*Mexico and its trade with the United States.*—Mexico is the third most important buyer of United States products in the world, surpassed only by Canada and Japan.

In this respect, Mexico excels in every appreciable degree any other countries with quotas greater than Mexico's under the existing act.

The following statistics of the United States Department of Commerce show the United States sales to and purchases from each one of these countries during the 22 months, January 1953 to October 1954:

*Trade with the United States, January 1953 to October 1954*

[Millions of dollars]

Countries	Sales made by the United States	Purchases made by the United States	Balance of trade	
			Favorable to the United States	Unfavorable to the United States
Mexico.....	1,165.2	633.6	531.6	-----
Cuba.....	777.4	799.5	-----	22.1
Philippines.....	616.4	509.9	106.5	-----
Peru.....	196.0	168.1	28.7	-----
Dominican Republic.....	89.0	110.4	-----	21.4

During the month of April 1954 Mexico was forced to devalue her currency, principally on account of her unfavorable trade balance. This imbalance is notoriously more pronounced in the case of Mexico than it is in the case of any other sugar-quota country.

This is evidenced by the following figures published by the Statistical Office of the United Nations which shows the exports to and imports from the world during the year 1953 by the countries just mentioned:

*Trade with the world, year 1953*

[Millions of dollars]

Countries	Exports	Imports	Balance of trade	
			Favorable	Unfavorable
Mexico.....	543.5	791.4	-----	247.9
Cuba.....	640.3	489.7	150.6	-----
Philippines.....	390.5	415.5	-----	25.0
Peru.....	221.9	291.9	-----	70.0
Dominican Republic.....	104.2	86.8	-----	17.4

It is apparent that Mexico's unfavorable world trade balance is largely the result of her unbalanced commercial interchange with the United States.

During the year 1953 Mexico's purchases in the United States amounted to \$644 million while her sales to the United States were only \$355 millions; in other words, for every dollar that the United States spent in Mexico, Mexico spent \$1.82 in the United States.

It is impossible to continue indefinitely in such an unfavorable trade position, and it is patent that if the United States desires to maintain and stimulate its important trade with Mexico, it must increase its purchases from Mexico.

There are very few items on which Mexico can depend to increase her exports. One of the most important of these is sugar which Mexico cannot sell on the world

market in sufficient quantity because of the limited and unjust quota fixed by the London Conference.

If the revision of the United States sugar legislation does not offer Mexico an opportunity to place her surpluses, Mexico will have to stifle her sugar industry.

One of the stated fundamental objectives of the present Sugar Act is to stimulate and increase the exports of the United States. According to the policy laid down by the Government of President Eisenhower, the United States must stimulate its exports by increasing its imports.

The absorption of Mexican sugar export surpluses through the assignment of an adequate quota by the United States would satisfy the objectives of the Sugar Act and would be in absolute agreement with the policy of the Government of President Eisenhower.

Thus, the development of her commerce with the United States is one of the foundations on which Mexico relies for a substantial revision of her sugar quota.

#### *"Historic rights"*

*Do historic rights really exist?*—In discussing the United States sugar supply, reference is frequently made to the historic rights of countries or producing areas that participate in that market.

Certainly the Congress of the United States can legislate concerning this matter with no limitations except those that may be imposed by the Constitution or by treaties.

In these circumstances, the so-called historic rights based solely on the proportions of the United States demand supplied during past years, cannot be considered as true rights.

This does not mean that we wholly reject the value of past commercial relations between the United States and its sugar suppliers.

On the contrary, we recognize the importance of that background. Nevertheless the United States is free to revise the law in accordance with proposals made herein.

Such proposals do not contravene rights that Cuba might claim, under article XIII of the General Agreement on Tariff and Trade. They will not change the proportionate participation in the United States sugar market allotted to Cuba, in accordance with historic base periods contained in United States sugar legislation.

*The true limits of the claimed historic rights of Cuba.*—It is necessary to clarify the extent to which these producing areas can invoke the so-called historic rights and for this purpose an examination must be made of the requirements of the various sugar laws that have existed in the United States, and proper weight given to other conditions that may be connected with this problem.

The Jones-Costigan Act, enacted in May 1934, initiated the system that all later laws have followed, namely, that the Secretary of Agriculture determine the total volume of sugar required by the United States each year and the distribution in accordance with the statute of this volume among the various producing areas with rights to participate in the supply.

The same Jones-Costigan Act authorizes the Secretary of Agriculture to choose the 3 most representative years from 1925 to 1933 and to assign to the producing areas as their quota the proportion that each of them may have contributed in the said 3 years to the United States market.

Using this authority, the Secretary of Agriculture selected the years 1931, 1932, and 1933, and the quotas of the producing areas, including Cuba, were fixed in agreement with the average percentage participation of each one of them in United States sugar consumption.

The Sugar Act of 1937 expressly set out the quotas of the producing areas. In this respect the law is based, fundamentally, on the same historic facts taken into consideration by the Jones-Costigan Act.

The quotas specified in this 1937 act were the following:

<i>Producing areas</i>	<i>Quota expressed in percentage of United States consumption</i>
Domestic producers, including Hawaii, Puerto Rico, and Virgin Islands	55. 59
Philippines	15. 41
Cuba	28. 60
Countries that pay full United States import duties on sugar	. 40
<b>Total</b>	<b>100. 00</b>

The Sugar Act of 1948 which was enacted for a limited period of 4 years, introduced some changes in this respect consisting principally of the allocation of fixed quotas to the domestic areas and the Philippines, and left to Cuba and other foreign countries the right to supply the remaining volume to the United States market.

Under the formula of the 1948 law, the quota of each producing area did not correspond to the proportions that, in accordance with the historic background, were assigned to it by the Jones-Costigan and the later 1937 law. This was clearly due to the dislocations in production suffered by the supplying areas as a consequence of World War II, and the desire of the United States to assist principally Cuba by providing her with a means of returning to her normal level of production within a limited time, without provoking grave maladjustments in her economic status.

Nevertheless, the act of 1948 demonstrates clearly that the Congress of the United States considered that the application of the so-called historic rights of Cuba were limited to a participation of 28.6 percent of the annual United States sugar consumption. Section 202 (d) specifies that, if the provisions of the 1948 law result in a quota for Cuba of less than the 28.6 percent to which it would have been entitled under the 1937 law, then the deficiency must be made up to Cuba by reducing the quotas of the domestic areas.

Expressed in another way the 1948 law gave Cuba the right to supply 98.64 percent of the United States sugar imports from all countries except the Philippines. Thus, Cuba's production, considerably increased on account of the war, could be gradually normalized without grave disturbance because of the assurance given to Cuba that she could absorb almost the total annual increases in United States consumption. At the same time, however, foreseeing that this might result in a Cuban quota of less than 28.6 percent the law guaranteed to Cuba the only right that the Congress could guarantee consistently with the historic background, that is, the right to a 28.6 percent participation in the United States consumption.

The amendments of the 1948 act, approved on September 1, 1951, followed basically the quota distribution system established in the original law. These amendments were limited to the authorization of an increase for some of the domestic areas and a decrease in Cuba's participation in the volume of sugar that had to be acquired from all countries except the Philippines. It is, therefore, important to note:

(a) That these amendments followed the text of the original 1948 act by guaranteeing to Cuba a quota not less than 28.6 percent of United States consumption in strict accordance with the historic precedents established by former legislation; and

(b) That Cuba's participation in the volume of imported sugar was reduced from the 98.64 percent to 96 percent and the difference of 2.64 percent was allotted to foreign countries with quota rights. This reduction of Cuba's proportion could never have occurred if Cuba's 98.64 percent participation had been recognized as an historic right.

In review, the examination of the sugar acts demonstrates;

I. That Cuba's pretensions to historic rights are limited to a participation of 28.6 percent of United States consumption;

II. That the granting of a quota that must be based on a certain percentage of the difference between the total consumption and the total fixed quotas, as authorized by the 1948 act and its 1951 amendments, has a transitory and circumstantial aspect that has not changed the limits of Cuba's pretended historic rights; and

III. That beginning with the Jones-Costigan Act, the sugar laws have repeatedly stated the representative prior period on which Cuba's quota must be based and, thus, it continued to be defined that Cuba's only right was the one which was guaranteed to her, that is, 28.6 percent of United States consumption.

*Position of the Philippines.*—As regards the Philippines, even though it had a right awarded under the 1937 law to a quota of 15.41 percent of United States consumption, its position was changed when the commercial treaty with the United States was approved in April 1946, which granted them a fixed quota annually from 1946 to 1974. This same quota is recognized by the 1948 law and its 1951 amendments and it represents 11.9 percent of United States consumption as estimated for 1955 by the Secretary of Agriculture.

*Position of the domestic producers.*—As is well known, the domestic producers have proposed an amendment to the present sugar law, and with the exception of

Puerto Rico, they agree to return to the procedure of the 1937 law, which assigned a quota of a certain percentage of United States consumption to each producing area. In accordance with reports prevalent in this respect, their request has been limited, nevertheless, to a 55-percent participation in the United States consumption in place of 55.59 percent recognized by the 1937 act.

*Quotas of the domestic producers, the Philippines and Cuba.*—Considering the historic background of Cuba, the commercial treaty with the Philippines and the claims of the domestic producers, these areas would participate in the United States consumption in the following proportions:

<i>Producing areas</i>	<i>Quota expressed in percentage of United States consumption</i>
Domestic producers, including Hawaii, Puerto Rico, and the Virgin Islands.....	55. 00
Cuba.....	28. 60
Philippines.....	11. 91
Total.....	95. 51

*The remaining available quantity.*—To make up the 100 percent total of United States mainland consumption of sugar, there remains 4.49 percent which the Congress of the United States has the power to dispose of without violating the rights claimed by those areas or producing countries that have been supplying the United States demand.

Keeping in mind that one of the basic objectives of the present Sugar Act is the promotion of United States exports, and that this goal coincides with the policy of the Government of President Eisenhower, we feel that the remaining 4.49 percent must be employed to maintain and increase United States trade with the countries that have quotas under the Sugar Act and whose sugars pay the full import duties set by the United States.

The insignificant quotas assigned to these countries must then be increased, in an equitable manner that will take into consideration their volumes of production, the value of their commerce with the United States, the position of their trade balances, the advantages and assurances that they may offer, the rights that they have to place their sugar in the world market, and other factors that must, in all justice, be considered.

These considerations demonstrate conclusively the unique merit of Mexico's case and clearly justify the requested quota of 2 percent of the United States consumption.

*The disportation in the quotas assigned to foreign countries*

In the total United States consumption for 1955 of 8,200,000 tons, estimated by the Secretary of Agriculture, the quotas assigned to Mexico and to countries with a larger participation than Mexico, are as follows:

<i>Countries</i>	<i>Quotas</i>
Cuba.....	2, 667, 840
Philippines.....	977, 000
Peru.....	51, 922
Dominican Republic.....	27, 605
Mexico.....	11, 445

Mexico, the third most important buyer in the world of United States products, whose 1953 purchases amounted to \$644 million, whose unfavorable balance of trade with the United States in the same year amounted to \$289 million, has an annual quota of a little more than 11,000 tons.

In comparison:

(a) The Dominican Republic which occupies 39th place as buyer of United States products, whose purchases in 1953 amounted to \$47 million, whose balance of trade with the United States is favorable, and whose sugar production is less than that of Mexico, has an annual quota of 27,000 tons which is almost 2½ times greater than that of Mexico.

(b) Peru which occupies 19th place among the buyers of United States products, whose purchases in 1953 amounted to \$118 million, whose unfavorable balance of trade with the United States is only \$31 million, and whose sugar production is less than that of Mexico, has a quota of more than 51,000 tons; that is, a quota which is 4½ times greater than that of Mexico.

(c) The Philippine Islands occupying 8th place among the countries that buy United States products purchased \$351 million in 1953. Its unfavorable balance of trade with the United States is \$79 million. Its sugar production is

slightly greater than that of Mexico and its annual quota is 977,000 tons or 85 times greater than Mexico's annual quota.

(d) Cuba, which occupies 6th place among the countries importing United States products, whose purchases in 1953 amounted to \$351 million or a little less than 55 percent of the purchases that Mexico made from the United States in that year, whose balance of trade with the United States is favorable, and whose sugar production compared with Mexico is approximately 6 times greater, has an annual quota of 2,667,000 tons or 233 times larger than Mexico's annual quota.

This disproportion of these quotas is quite evident.

It is therefore imperatively urgent to make corrections that take into consideration the equities and economic realities of today.

*Reformation of the sugar law and assignment of just quotas*

*Mexico's position.*—It is likely that the Sugar Act will be revised during the present session of the United States Congress and all, or the greater part, of the producing areas and countries are striving for the adoption of a system that will give each of them an equitable quota.

We recognize that the United States Congress has complete freedom to resolve any problem related to its sugar legislation. We, therefore, do not pretend to assume an attitude that might be interpreted as a desire to intervene in the exercise of that congressional right that we respect absolutely.

We have been invited to present the case of the Mexican sugar industry because of the possibility of the revision of the Sugar Act. Accepting this invitation with the respect that the exercise of the mentioned right merits, we believe we have the obligation to make known with great sincerity our opinions regarding a better solution that might be given to the sugar problems that will have to be studied and resolved by the Government and Congress of the United States.

On this basis, we consider, of course, as has been explained by the representatives of the various interested producing countries and areas, that the quota regulations established in the present act are obsolete. They have no relation to the present economic situation, they do not take into account the vital requirements of the supplying countries and areas, and, above all, they do not agree with the interest manifested by the Government of the United States in the stimulation of its foreign trade.

In these circumstances it may be considered appropriate to take advantage of the opportunity afforded by the impending revision of the sugar law to substitute for the present system of quotas a system which would give to each producing area or country the stipulated proportion of the total sugar consumption of the United States that it deserves. In this way it could also participate, equitably, in the increases of said consumption.

In accordance with our conclusions as set forth in this memorandum we believe that the assignment of new quotas could be made equitably in the following manner:

Domestic producers, including Hawaii, Puerto Rico, and the Virgin Islands.....	Percent 55. 00
Cuba.....	28. 60
Philippines.....	11. 91
Countries that pay full duty on the entrance of their sugar into the United States.....	4. 49
Total.....	100. 00

In making the distribution of the 4.49 percent that relates to the full-duty countries, we believe, that it is completely just that Mexico be assigned a quota of 2 percent of United States consumption, for the following reasons:

(a) The favorable geographic location of Mexico offers the United States a more secure source of supply than any other quota country;

(b) Because of the supreme importance of the commerce between Mexico and the United States which surpasses by more than 100 percent the combined volumes of commerce with all of the full-duty countries;

(c) The balance of trade against Mexico in its commerce with the United States is more than three times greater than the unfavorable balances, of the other full duty countries combined;

(d) Mexico, in spite of having taken measures to restrict its production by 25 percent of the capacity of its sugar industry, is still accumulating large exportable surpluses due to the quota assigned by the London agreement, in the formulation of which the United States participated prominently.

This quota is so small that it has no relation whatsoever to the stature of our industry, nor does it give any consideration to the minimum exports that must be made in order to maintain its economic equilibrium.

(e) The United States is Mexico's natural market, due to their contiguous geographical position which each day demands greater development of their commercial ties. Other full-duty countries are separated from United States territory and, in some cases, have other closer markets that could absorb their surpluses of sugar; and

(f) Mexico's production today is much greater than that of any of the full-duty countries.

After assignment to Mexico of 2 percent of United States consumption, the remaining 2.49 percent might be distributed among the full-duty countries, guaranteeing them that the quotas that they already enjoy under the present law will be equitably increased, taking into account all factors which, in justice, must be considered.

Finally, the Mexican sugar industry feels that when some producing area or country in any given year cannot supply all or any part of its quota, the deficit should be distributed among all countries and areas that might be able to supply it, in proportion to their respective participation in supplying the total volume of sugar required by the United States mainland.

Assuming that these ideas are accepted, the required amendments would have to be introduced in sections 202 and 204 of the Sugar Act, and in other sections that might be affected; and also, the Philippines would have to be guaranteed, in conformance with the present treaty, that its quota in no case would be less than the volume established by the treaty.

*The Mexican sugar industry and the Government and people of the United States.*—The assignment of a just quota to Mexico in the sugar market of the United States, we are sure, will provide effective benefits to both countries and will contribute immensely to the development of the valuable commercial interchange and the friendly relations which happily exist between them.

☐ The Mexican sugar industry has the most profound conviction that its premises are just, and for this reason it is confident that they will be duly appreciated by the straightforwardness and spirit of equity that permeates the acts of the government of President Eisenhower and of the people of the United States of America, whom it desires sincerely to serve to the limit of its possibilities.

Mexico, D. F. March 1955.

UNION NACIONAL DE PRODUCTORES  
DE AZUCAR, S. A. DE C. V.,  
RAFAEL VILLA CORONA,  
*Assistant General Director.*

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#### EXHIBIT No. 2

#### MEMORANDUM—THE UNFAVORABLE POSITION OF THE SUGAR INDUSTRY OF MEXICO

(NOTE: Quantities of sugar mentioned in this memorandum are expressed in short tons, raw value. Prices are calculated in terms of United States currency.)

#### THE REALITIES AND OBJECTIVES ON WHICH A JUST DISTRIBUTION OF SUGAR QUOTAS MUST BE BASED

Unquestionably the United States can take whatever legislative measures it deems proper to satisfy its sugar requirements, however, the Mexican sugar industry feels certain that the government of President Eisenhower desires to consider this matter in accordance with the basic principles of the foreign economic policy laid out by the President.

Fundamentally, those principles take into consideration:

(a) The opportunities of increasing exportations from Latin American countries, as a means of augmenting the commercial interchange between them and the United States; and

(b) The possibility that, on this base of an increasing commercial interchange with the United States, each one of these Latin American countries will achieve a healthy and stable economy that would mean better living standards for its people.

If these objectives, that could contribute so powerfully to a good understanding among the peoples of this hemisphere, are going to be taken into account in the

revision of the present sugar law and in the reassignment of quotas, it is necessary to make a concrete examination in a constructive spirit of the existing conditions in which these Latin American countries find themselves as a result of the operation of the present United States Sugar Law and also of the International Sugar Agreement celebrated in London during 1953, in the preparation, negotiation and operation of which the United States has participated prominently.

#### THE PROBLEM OF PRICES

*The position of Cuba.*—The United States Secretary of Agriculture estimated a consumption for the present year of 8,200,000 tons of sugar and assigned to Cuba a quota of 2,667,840 tons.

In the world market, according to the London agreement, Cuba enjoys a quota of 2,475,000 tons, approximately 7 percent less than that assigned to her in the United States market.

The same agreement fixes a minimum equitable price for sugar of 3.25 cents per pound, f. o. b. Cuban port, but as a matter of fact this price was not able to be established. Recently Cuba realized important sales at 3.05 cents per pound.

Normally the price of sugar in the United States market is above 5 cents per pound, f. o. b. Cuban port.

The security and the enormous resources made available to Cuba by the controlled price in the United States, whose markets absorb about 53 percent of her total exports of sugar, permits Cuba to make sales in the world market at the insignificant price of 3.05 cents per pound, because the average price she obtains, from sales of the combined quotas at the above-mentioned prices, is 4.061 cents per pound, nearly the 4.35 cents that the London agreement fixes as an equitable maximum price.

*The position of Mexico.*—For the year 1955, Mexico is assigned a United States quota of 11,445 tons of sugar.

Mexico's quota in the world market, set by the London agreement, is 82,500 tons, about 7 times more than she is permitted to sell in the United States.

On the supposition that the Mexican sugar industry would receive the same net price of 5 cents calculated for Cuba for her sales to the United States, and that for her sales to the world market she would receive, more or less, the same prices that Cuba is imposing on the world market, then the Mexican industry would receive an average price of 3.289 cents per pound, against the 4.061 that Cuba receives. In other words, as a direct and immediate consequence of the disproportion that exists between the quotas assigned to both countries by the United States sugar law, Cuba receives a 24 percent higher price than Mexico for her sales of sugar.

We have supposed, in making these calculations, that Mexico and Cuba receive the same average net price for their sales of sugar to the United States market. We desire to say, however, that such a supposition is not realized in practice because Mexico, as one of the countries which pays full duties, pays an import duty to the United States that is 25 percent more than that paid by Cuba, by virtue of the concession that that country enjoys, a concession that results in a benefit to the Cuban industry of \$6,669,600, based on its present quota of 2,667,840 tons.

Mexico does not seek such a benefit that is based on an arrangement in which the United States and Cuba have made mutual concessions. We wish only to mention this fact in order to show that even though Mexico and Cuba might be assigned world and United States quotas in the same proportion, the Cuban sugar industry would still continue to enjoy a more advantageous position than the Mexican sugar industry.

*Consequences of the unfavorable position of Mexico.*—It is not difficult to point out the results of the impact on the Mexican sugar industry of the disadvantageous situation in which it is placed due to the operation of the present United States sugar law.

The price of 3.25 cents per pound, fixed as a minimum by the London agreement, does not cover the cost of production of sugar mills in Mexico or Cuba. This cost of production is even farther from being covered by the price of 3.05 cents per pound at which Cuba has closed important transactions recently.

Nevertheless, Cuba can impose these prices and maintain them indefinitely without causing disequilibrium in her industry.

Cuba is the largest producer of sugar in the world, and assisted by the enormous quota and the high prices that she enjoys in the United States market, she is placed in the position of dictating to the world free market a low-price policy whenever it suits her own interest.



As long as Cuba can obtain a per pound income from her exportations that is 24 percent in excess of what Mexico can obtain, the Mexico sugar industry will be at the mercy of the Cuban, because its economic equilibrium depends on the exportation, at adequate prices, of the surplus remaining after the domestic demand has been satisfied.

In the circumstances that prevail under the protection of the present United States sugar law, Mexico has only two alternatives in prospect: to continue exporting at a loss or to suppress her exports to the world market.

Either of these avenues result in the unbalancing of one of the most important industries that support the national economy of Mexico that has had to devalue its currency only as recently as April 1954; and, despite this extreme measure, her unfavorable balance of trade with the United States increased from a total of \$289 million in 1953 to \$299 million in 1954.

We expressly recognize that the United States has the right to import sugar from wherever it deems convenient; but we sincerely believe that a continuing protection, such as the one we have been examining, that ostensibly benefits one certain country, but that can so gravely injure the interests of another country, certainly will not contribute to the development of solidarity among the countries of this hemisphere.

This same policy, applied to the concrete case under examination, surely cannot be the most adequate to allow Mexico to achieve a healthy and stable economy that will permit a betterment of the standard of living of her people.

#### THE SURPLUS PROBLEM

*The position of Brazil, Peru, Santo Domingo and Cuba.*—Neither Peru nor Brazil has ratified the London agreement. This permits their sugar industries to work at maximum capacity and, at the same time, to export their total surpluses. In this way they can reduce their cost of production and, at least in part, compensate for the unfavorable position in which they are placed with relation to Cuba in the matter of prices.

Santo Domingo, a signatory to the London agreement, has a world market quota of 600,000 tons and is permitted to sell 27,605 tons to the United States. These quantities, together with her domestic consumption, come very close to 700,000 tons, the maximum production reached by this country up to the year 1954.

The Cuban sugar industry, in a normal harvest, working during a time that must be considered reasonably adequate for the fabrication of sugar, has a capacity to produce about 7 million tons.

Under prevailing world market conditions, it is to be hoped that the basic quotas of countries subject to the London agreement will be restored in accordance with article 14 of the agreement. Therefore, Cuba will be able to sell 2,475,000 tons to the world market, which, taken together with her domestic consumption and the quota she enjoys in the United States, amounts to a total of very nearly 5,400,000 tons.

This figure represents 77 percent of the normal production capacity of the Cuban industry; it is almost the same as the Cuban production of 1954 and much larger than the total which is expected to be produced during the present year of 1955.

*The position of Mexico.*—In contrast with the position occupied by other sugar exporting countries in Latin America, that have no surplus problems or are on the road to resolving them, Mexico, even though she has limited her production to a volume that, in the present harvest, equals about 75 percent of the industry's capacity, is going to increase by 100,000 tons her surplus which has accumulated from previous harvests. This accumulation was especially marked in 1954, after exportation of the petty quotas that have been fixed in the world market and the United States, and after satisfying the requirements of domestic consumption that has been stimulated by all possible measures that can be employed.

Nobody can doubt that the exportation of the Mexican surplus will help efficiently not only to balance the economic situation of the sugar industry, but also to maintain the active and valuable trade between Mexico and the United States.

#### CONCLUSIONS

Mexico, the greatest buyer of United States products in all Latin America, whose purchases represent about 20 percent of the total value of United States exports to Latin America, solicits a quota in the new sugar law, sufficient to solve the problem of her accumulating surplus, to balance and give a stable economy

to her sugar industry, and to render effective assistance to her ability to import from the United States.

Mexico does not seek to harm the domestic producers nor any foreign country that has access to the United States sugar market. She desires simply to be treated equitably.

The Mexican sugar industry concludes that there is no reason to continue being placed in the most unfavorable position of similar industries in all other Latin American countries.

Mexico, D. F., April 1955.

UNION NACIONAL DE PRODUCTORES  
DE AZUCAR, S. A. de C. V.  
RAFAEL VILLA CORONA,  
*Assistant General Director.*

### EXHIBIT No. 3

#### MEMORANDUM: SOME FACTORS WHICH WARRANT AN INCREASE IN THE SUGAR QUOTA ASSIGNED TO MEXICO

##### STRATEGIC POSITION

1. Mexico is the only country in the world that can supply sugar to the United States by land.

##### MEXICAN-AMERICAN TRADE

2. Mexico's standing as a purchaser of United States products ranks high among the countries of the world and greatly exceeds the importance of any other sugar-quota country. During the past 3 years Mexico has constantly maintained the following standing as a customer of the United States:

Third or fourth in the world, surpassed only by Canada, Japan or the United Kingdom.

First position in all Latin America.

First position among all Latin American sugar-quota countries; her purchases of \$1,939,600,000 during this 3-year period exceeded the combined purchases of Cuba, Peru and the Dominican Republic by \$72,900,000 (table I).

3. Notwithstanding that Mexican purchases from the United States are greater than the combined total of the principal Latin American sugar quota countries, Mexico's quota during the year 1955 amounts only to less than one-half of 1 percent (0.41 percent) of the combined Latin American quotas.

##### BALANCE OF TRADE WITH THE UNITED STATES

4. Mexico's unfavorable balance of trade with the United States is much more disadvantageous than that of any of the Latin American quota countries, both in absolute figures and as a percentage of purchases (table I).

5. Even though the sugar industry is the fourth largest in the country and therefore, one on which the national economy should rely to increase its dollar earnings, the industry itself has an adverse balance of trade with the United States.

##### BALANCE OF TRADE WITH THE WORLD

6. In terms of world trade, Cuba has a favorable balance. Mexico and Peru do not. The Dominican Republic has a favorable trade balance both with the United States and the World (table II).

##### INTERNATIONAL SUGAR AGREEMENT

7. Mexico was assigned a world sugar quota of 82,500 tons, in lieu of her request for 165,000 tons, yet Mexico signed the 1953 International Sugar Agreement in a spirit of international cooperation. This has caused the Mexican sugar industry to operate at less than capacity (75 percent in 1954), and to accumulate exportable surpluses. These surpluses will amount to 350,000 tons at the end of 1955.

##### INCOME FROM SUGAR

8. Countries with high quotas in the American market can export sugar to the world at low prices and still make a profit on their total exports. The Mexican sugar industry, on the other hand, suffers heavy losses because its sales to the United States are only one-eighth of its total exports (table III).

## MEXICAN-AMERICAN COOPERATION

9. The employment of Mexican laborers has contributed in the development of United States agriculture. During the year 1954, 309,033 laborers were employed in the United States, some of them working in the beet areas, helping the sugar industry of the United States (table IV).

WASHINGTON, D. C., May 1955.

TABLE I.—*Mexico's unfavorable balance of trade with the United States*  
3-year period: 1952, 1953-54

[Millions of dollars]

	Purchases in the United States	Unfavorable trade balance	Balance expressed in percent of purchases
Mexico.....	\$1,939.6	\$845.9	44
Cuba.....	1,370.5	100.1	7
Peru.....	342.5	97.6	29
Dominican Republic.....	153.7	<sup>1</sup> (26.4)	

<sup>1</sup> Favorable.

Source: U. S. Department of Commerce.

TABLE II.—*Mexico's unfavorable balance of trade with the world.* 3-year period: 1951, 1952, 1953

[Millions of dollars]

	Purchases from the world	Unfavorable trade balance	Balance expressed in percent of purchases
Mexico.....	\$2,313.4	\$547.8	24
Cuba.....	1,748.2	(333.5)	( <sup>1</sup> )
Peru.....	858.8	146.8	17
Dominican Republic.....	242.3	(95.9)	( <sup>1</sup> )

<sup>1</sup> Favorable.

Source: United Nations, Direction of International Trade, vol. V, No. 8.

TABLE III.—*World and United States quotas assigned to Latin America countries.* Result in terms of average income per ton of sugar exported, using 1954 average price

	Quotas in thousands of short tons		Income from sales in thousands of dollars		Average income per ton
	Basic world	United States	Basic world	United States	
Cuba.....	2,475.0	2,667.8	\$161,370	\$276,922	\$85.22
Mexico.....	82.5	11.5	5,379	1,188	69.90
Peru.....	308.0	51.9	20,082	5,390	70.77
Dominican Republic.....	660.0	27.6	43,032	2,865	66.75

The 1954 world average price of \$65.20 is applied to the basic international quotas, and the 1954 United States average price of \$103.80 is applied to the present United States quotas.

Peru is not a participant in the international agreement. Peru's world quota in the above table is the quantity offered Peru by the council.

TABLE IV.—*Employment of Mexican agricultural workers in the United States during 1954*

Tennessee.....	757	Colorado.....	2,818
Kentucky.....	10	Montana.....	1,495
Michigan.....	5,093	New Mexico.....	18,946
Illinois.....	290	Utah.....	81
Minnesota.....	215	Wyoming.....	540
Wisconsin.....	374	Arizona.....	16,181
Kansas.....	6	California.....	77,423
Missouri.....	1,347	Nevada.....	60
Nebraska.....	1,120	Idaho.....	311
South Dakota.....	222	Washington.....	372
Arkansas.....	22,663		
Texas.....	158,704	Total workers.....	309,033

Source: U. S. Department of Labor, Farm Placement Service, Foreign Labor Division.

TABLE I.—*Rank of Mexico and other Latin American Republics in United States exports, 1953*

	Exports (in mil- lions of dollars)	Rank				Percentage of United States exports to			
		Latin Amer- ica	Main full- duty coun- tries	Same includ- ing Cuba	Total United States exports	Latin Amer- ica	Main full- duty coun- tries	Same includ- ing Cuba	Total United States exports
Mexico.....	644.4	1	1	1	3	22.0	71.4	48.5	4.10
Dominican Republic.....	47.2	10	3	4	41	1.6	5.2	3.6	.30
Haiti.....	28.9	16	7	8	57	.99	3.2	2.2	.18
Nicaragua.....	26.1	17	8	9	53	.9	2.9	2.0	.17
Peru.....	118.8	6	2	3	20	4.1	13.2	8.9	.76
Salvador.....	37.2	14	5	6	46	1.3	4.1	2.8	.24
Total, principal full- duty countries.....	902.6					30.9	100.0	67.8	5.27
Cuba.....	426.6	3		2	6	14.6		32.2	2.70
Total, including Cuba.....	1,329.2					45.5		100.0	7.97
Argentine.....	104.2	7							
Bolivia.....	18.7	19							
Brazil.....	295.9	4							
Chile.....	97.9	8							
Colombia.....	285.1	5							
Costa Rica.....	37.9	13							
Ecuador.....	41.5	12							
Panama.....	83.2	9							
Uruguay.....	24.6	18							
Venezuela.....	512.9	2							
Paraguay.....	7.1	20							
Total, Latin Ameri- can Republics.....	12,918.3								

<sup>1</sup> Excl. "Special Category."

Source: U. S. Department of Commerce.

TABLE II.—United States total exports to Mexico, Cuba and principal full duty countries

[In million dollars]

Countries	1948	1950	1951	1952	1953	1954
Mexico.....	521.5	512.0	711.4	666.2	644.4	627.7
Dominican Republic.....	47.0	41.2	48.5	54.1	47.2	52.0
Haiti.....	20.2	25.1	28.2	32.8	28.9	35.8
Nicaragua.....	20.6	18.3	21.3	25.3	26.1	33.2
Peru.....	66.5	71.0	114.7	127.0	118.8	96.5
Salvador.....	25.8	32.1	60.7	37.0	37.2	41.3
Cuba.....	441.0	456.2	539.8	515.9	426.6	428.2
Total.....	1,142.6	1,155.9	1,524.6	1,458.3	1,329.2	1,314.7
Percentage distribution						
Mexico.....	45.6	44.2	46.6	45.8	48.5	47.8
Dominican Republic.....	4.1	3.6	3.2	3.7	3.6	4.0
Haiti.....	1.8	2.1	1.9	2.3	2.2	2.7
Nicaragua.....	1.8	1.6	1.4	1.7	2.0	2.5
Peru.....	5.8	6.1	7.5	8.7	8.9	7.3
Salvador.....	2.3	2.7	4.0	2.5	2.8	3.1
Cuba.....	38.6	39.9	35.4	35.4	32.2	32.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

Source: U. S. Department of Commerce.

TABLE III.—General trade position of Mexico, Cuba, and principal full-duty countries with United States

[Value in millions of dollars]

	1948	1950	1951	1952	1953	1954
Mexico:						
United States exports.....	521.5	512.0	711.4	666.2	644.4	627.7
United States imports.....	246.7	315.4	325.8	410.0	355.1	327.9
Trade balance.....	-274.8	-196.6	-385.6	-256.2	-289.3	-299.8
Cuba:						
United States exports.....	441.0	456.2	539.8	515.9	426.6	428.2
United States imports.....	375.0	406.4	418.0	439.8	431.0	401.3
Trade balance.....	-66.0	-49.8	-121.8	-76.1	+4.4	-26.9
Dominican Republic:						
United States exports.....	47.0	41.2	48.5	54.1	47.2	52.0
United States imports.....	35.2	37.9	49.1	55.8	52.4	72.0
Trade balance.....	-11.8	-3.3	+6	+1.7	+5.2	+20.0
Haiti:						
United States exports.....	20.2	25.1	28.2	32.8	28.9	35.8
United States imports.....	18.8	23.1	32.6	29.5	16.8	24.8
Trade balance.....	-1.4	-2.0	+4.4	-3.3	-12.1	-11.0
Nicaragua:						
United States exports.....	20.6	18.3	21.3	25.3	26.1	<sup>1</sup> 33.2
United States imports.....	11.7	19.5	20.7	22.8	24.9	<sup>1</sup> 25.5
Trade balance.....	-8.9	+1.2	-.6	-2.5	-1.2	-7.7
Peru:						
United States exports.....	66.5	71.0	114.7	127.0	118.8	96.5
United States imports.....	34.9	48.8	60.7	61.8	87.3	96.2
Trade balance.....	-31.6	-22.2	-54.0	-65.2	-31.5	-.3
Salvador:						
United States exports.....	25.8	32.1	42.0	37.0	37.2	41.3
United States imports.....	31.1	51.0	63.7	61.1	65.2	61.2
Trade balance.....	+5.3	+18.9	+19.7	+24.1	+28.0	+19.9

<sup>1</sup> January–November.  
+ Surplus. - Deficit.

Source: U. S. Department of Commerce.

## SUGAR ACT EXTENSION

TABLE IV.—United States leading exports to Latin America, Mexico, Cuba, and Peru in 1953

Commodities	Latin America	Mexico		Cuba		Peru	
	Value in million dollars	Value in million dollars	Percent of Latin America	Value in million dollars	Percent of Latin America	Value in million dollars	Percent of Latin America
Machinery.....	764.2	156.2	20.4	61.1	8.0	42.5	5.5
Industrial machinery.....	420.4	92.1	21.7	23.4	5.5	24.6	5.8
Electrical machinery.....	215.2	37.2	17.3	28.6	13.3	10.9	5.1
Automobiles, parts, and accessories.....	341.3	83.4	24.5	28.3	8.3	18.8	5.5
Motor trucks, busses.....	138.2	31.5	22.7	5.1	3.7	8.1	5.8
Passenger cars and chassis.....	119.6	27.9	23.4	15.8	13.2	6.7	5.6
Chemicals and related products.....	283.1	70.5	24.9	30.4	10.7	9.3	3.3
Medicines and pharmaceuticals.....	105.6	20.1	19.0	12.2	11.5	3.5	3.3
Foodstuffs, total.....	382.6	92.1	24.2	139.6	36.4	8.2	2.1
Vegetable food products.....	266.0	67.6	25.5	104.8	39.4	5.1	1.9
Grains and preparations.....	186.9	52.6	28.1	73.7	39.4	3.3	1.8
Fats, milk, meats, and other edible animal products.....	116.6	24.5	21.0	34.8	29.8	3.1	2.6
Textile manufactures.....	183.6	18.1	9.9	41.2	22.5	6.4	3.5
Iron and steel mill products.....	155.8	39.4	25.2	11.3	7.2	7.8	5.0
Motor trucks, busses, and chassis (in 1,000).....	69.0	18.0	26.1	3.0	4.3	4.0	5.8
Passenger cars and chassis (in 1,000).....	67.0	15.0	22.4	9.0	13.4	4.0	6.0
Iron and steel mill products (1,000 tons).....	1,081.0	404.0	37.4	67.0	6.5	50.0	4.6

Source: U. S. Department of Commerce.

TABLE V.—Position of Mexico, Cuba, and principal full-duty countries as world sugar producers—1954

	Production 1954 (1,000 short tons)	Rank as a world sugar producer	Rank among full-duty countries	Rank among full-duty countries and Cuba
Mexico.....	968	9	1	2
Dominican Republic.....	700	14	2	3
Haiti.....	54	45	4	5
Nicaragua.....	40	50	6	7
Peru.....	677	16	3	4
Salvador.....	36	54	7	8
Cuba.....	5,390	1	-----	1

Source: U. S. Department of Agriculture, Sugar Situation, February 1955, table 2.

TABLE VI.—*Production of sugar in Mexico, the principal full-duty countries, and Cuba: averages—1936-40 and 1946-50, 1949-55*

[In 1,000 short tons, centrifugal sugar raw value]

	Average, 1936-40	Average, 1946-50	1949	1950	1951	1952	1953	1954	1955 <sup>1</sup>	1954 index (1936-40=100)	1954 index (1949=100)
Mexico.....	353	636	714	692	778	807	2 911	2 968	2 1,045	274	136
Dominican Republic.....	491	506	465	524	582	648	661	700	777	142	151
Haiti.....	44	49	47	56	64	64	63	54	63	123	115
Nicaragua.....	9	21	20	26	30	35	38	40	38	444	200
Peru.....	444	483	520	479	518	526	673	677	670	153	130
Salvador.....	17	27	33	27	31	31	32	36	35	212	109
Cuba.....	3,183	5,879	5,763	6,127	6,349	7,964	2 5,687	2 5,390	2 5,000	170	94
Total, excluding Cuba.....	1,358	1,722	1,799	1,804	2,003	2,111	2,378	2,475	2,628	182	137
Total, including Cuba.....	4,541	7,619	7,562	7,931	8,352	10,075	8,005	7,865	7,628	173	104

<sup>1</sup> Preliminary.

<sup>2</sup> Restricted crop.

Source: U. S. Department of Agriculture, Sugar Situation, February 1955, table 2. Sugar Statistics, table 50.

TABLE VII.—Percentage distribution of sugar production among principal full-duty countries (as percentage of annual production of listed countries), 1949, 1951–55

[Centrifugal sugar—Raw value]

Countries	1949	1951	1952	1953	1954	1955 <sup>1</sup>
Mexico.....	39.7	38.9	38.2	38.3	39.1	39.7
Dominican Republic.....	25.8	29.1	30.7	27.8	28.3	29.6
Haiti.....	2.6	3.2	3.0	2.6	2.2	2.4
Nicaragua.....	1.1	1.5	1.7	1.6	1.6	1.4
Peru.....	28.9	25.9	25.0	28.3	27.3	25.5
Salvador.....	1.8	1.5	1.5	1.3	1.4	1.3
Total, principal full-duty countries.....	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Preliminary.

Source: U. S. Department of Agriculture.

TABLE VIII.—Production, consumption, exports and stocks of sugar in Cuba, averages 1937–41 and 1942–46, 1947 through 1954

[In 1,000 short tons, raw value]

Year	Production	Consumption	Exports	Stocks, Dec. 31	Production index, 1937–41=100
Average:					
1937–41.....	3,149	176	3,026	746	100
1942–46.....	4,033	271	3,694	763	128
1947–51.....	6,272	249	5,991	324	199
1947.....	6,448	222	6,245	395	205
1948.....	6,675	179	6,522	215	212
1949.....	5,763	249	5,391	313	183
1950.....	6,127	273	5,799	327	195
1951.....	6,348	322	5,998	322	200
1952.....	7,964	337	5,520	2,386	253
1953.....	5,687	284	6,081	1,662	181
1954.....	5,390	284	14,689	12,197	171

<sup>1</sup> Preliminary estimates.

Sources: Production: The Sugar Situation, Feb. 17, 1955, U. S. Department of Agriculture, p. 17, table 5. Consumption, Stocks and Exports: Sugar Statistics, U. S. Department of Agriculture, p. 284 for years 1936–51; figures for 1952–53: Foreign Agricultural Circular, May 20, 1953, p. 7. For year 1954: Lamborn &amp; Co. estimates.

TABLE IX.—Production, imports, consumption, exports and stocks of sugar in Mexico, 1941–55

[In 1,000 short tons, raw value]

Year	Production	Imports	Domestic consumption	Exports	Stocks, Dec. 31
1941.....	386	75	430	-----	-----
1942.....	494	-----	493	-----	-----
1943.....	486	21	503	-----	-----
1944.....	459	57	525	-----	-----
1945.....	439	109	532	-----	-----
1946.....	443	114	524	-----	-----
1947.....	578	-----	508	-----	-----
1948.....	720	-----	597	201	-----
1949.....	714	-----	661	159	-----
1950.....	692	-----	687	24	-----
1951.....	778	-----	742	-----	87
1952.....	807	-----	766	10	159
1953.....	911	-----	798	63	209
1954.....	968	-----	865	79	240
1955 <sup>1</sup> .....	1,045	-----	894	79	351

<sup>1</sup> Estimates.

Sources: Production, 1940–47, Mexican; 1948–54, U. S. Department of Agriculture, Sugar Situation, February 1955, table 2. Imports: Mexican Association of Sugar Producers. Consumption: Mexican Association of Sugar Producers. Stocks: Mexican Association of Sugar Producers.



TABLE X.—*Sugar production of Mexico, Cuba, and the principal full-duty countries in relation to United States quotas, United States sugar consumption, and United States exports, 1954*

Countries	Sugar production	United States quota	United States quota as percent of United States consumption	Percent of United States exports to Cuba and full-duty countries	Production full-duty countries, excluding Cuba
Cuba.....	100.0	100.0	33.0	32.6	.....
Mexico.....	18.0	.45	.136	47.8	39.0
Dominican Republic.....	13.0	1.85	.356	4.0	28.6
Haiti.....	1.0	.096	.026	2.7	2.2
Nicaragua.....	.743	.29	.0946	2.5	1.6
Peru.....	12.59	2.04	.0670	7.3	27.4
Salvador.....	.669	.....	.....	3.1	1.4
Total.....	.....	.....	.....	100.0	100.0

TABLE XI.—*Sugar deliveries for United States consumption average, 1935-39 and 1948 through 1954*

[In 1,000 short tons, raw value]

	1935-39	1948	1949	1950	1951	1952	1953	1954
United States and Territories: (Mainland beet cane Hawaii, Puerto Rico, and Virgin Islands).....	3,796	3,842	3,909	4,476	4,096	4,074	4,484	4,436
Cuba.....	1,992	2,927	3,101	3,264	2,947	2,981	2,766	2,729
Philippine Islands.....	970	252	525	473	706	860	932	973
Mexico.....	( <sup>1</sup> )	8	9	2	.....	6	12	12
Peru.....	36	25	22	31	.....	23	56	56
Dominican Republic.....	11	15	12	20	12	13	30	30
El Salvador.....	.....	6	1	.....	.....	.....	.....	.....
Nicaragua.....	3	2	5	6	.....	6	8	8
Haiti.....	.....	1	1	2	.....	1	3	3
Others.....	3	5	1	.....	1	2	6	6
Total United States consumption.....	6,811	7,084	7,588	8,274	7,762	7,966	8,298	8,253
United States population (in millions).....	128.9	146.6	149.2	151.7	154.3	157.0	159.6	162.4
United States per capita consumption of refined sugar (in pounds).....	96.2	94.9	94.3	94.7	96.1	96.1	96.8	96.2

<sup>1</sup> Mexico's exports in these years were less than 1,000 tons.

Source: United States Sugar Reports and Situation.

TABLE XII.—*Sugar quotas of Mexico, Cuba, and principal full-duty countries under United States Sugar Act and International Sugar Agreement and percentages of production, 1954*

[In 1,000 short tons, raw value]

Countries	Production	United States quota	Percent of production	ISA quota	Combined United States and ISA quotas	Percent of production	Combined United States and ISA quotas as percent of export availabilities
Mexico.....	968	12.2	1.26	66	78	8.06	25.0
Cuba.....	5,390	2,723.4	50.6	1,969	4,692	87.1	69.4
Dominican Republic.....	700	29.4	4.2	525	554	79.1	85.0
Haiti.....	<sup>1</sup> 54	2.6	4.82	45	48	88.9	252.6
Nicaragua.....	40	7.8	19.5	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Peru.....	677	55.3	8.16	247	302	44.9	49.9
Salvador.....	36	0	0	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	.....
Philippines.....	1,416	974.0	68.9	25	999	70.6	.....

<sup>1</sup> USDA figure.

<sup>2</sup> Does not participate in ISA.

Source: United States Sugar Reports for quotas. ISA quotas: ISA document, based on original proposal.

TABLE XIII.—*Estimated export availabilities and quotas for Mexico, Cuba, and principal full-duty countries, 1954*

	Cuba	Mexico	Dominican Republic	Peru <sup>1</sup>	Haiti	Nicaragua	Salvador
Stocks at beginning of year <sup>2</sup> .....	1,662	209	3	126	3	3	6
1954 production.....	5,390	968	700	677	54	40	36
Total availability.....	7,052	1,177	703	803	57	43	42
1954 domestic consumption <sup>2</sup> .....	284	865	51	198	38	26	32
Total export availability 1954.....	6,768	312	652	605	19	17	10
Quotas under United States Sugar Act.....	2,723	12	29	55	3	8	-----
Quotas under United States Sugar Act as a percent of export availability.....	40.0	3.8	4.5	9.1	15.8	47.0	-----
Quotas under International Sugar Agreement.....	1,969	66	525	247	45	( <sup>3</sup> )	( <sup>3</sup> )
Quotas under International Agreement as a percent of export availability.....	29.1	21.1	80.2	40.8	237.0	-----	-----
Combined International and United States quotas.....	4,692	78	554	302	48	8	-----
International and United States quotas as a percent of export availability.....	69.4	25.0	85.0	49.9	252.6	-----	-----

<sup>1</sup> Peru has not signed the International Sugar Agreement as of this date. This quota based on the amount planned at the time of agreement.

<sup>2</sup> Domestic consumption and stock figures for Peru, Dominican Republic, Haiti, are estimates based on International Sugar Council figures. Mexico stock and domestic consumption figures are based on Sugar Producers Association—Nicaragua and Salvador consumption and stock figures are based on special compilation by USDA.

<sup>3</sup> Does not participate in International Sugar Agreement.

TABLE XIV.—*Cuba's historic share in United States consumption, 1948 to 1954*

[In 1,000 short tons]

	United States marketings of sugar	Cuban historic share of United States marketings expressed as 28.6 percent of United States consumption	Cuba's actual exports to the United States	Excess over historical share
1948.....	7,084	2,026	2,927	901
1949.....	7,588	2,170	3,102	922
1950.....	8,274	2,366	3,264	898
1951.....	7,762	2,220	2,946	726
1952.....	7,966	2,278	2,982	704
1953.....	8,298	2,373	2,766	393
1954.....	8,253	2,360	2,729	369
Total.....	-----	15,793	20,716	4,913
1948-54 averages.....	-----	2,256	2,959	702

Source: USDA sugar reports and situation.

TABLE XV.—*The United States and world sugar prices, annual average in cents per pound*

[1937-41 average—1948 through 1954]

Year	United States price FAS Cuban ports	World market price FAS Cuban ports
1937-41.....	1.95	1.23
1948.....	4.64	4.23
1949.....	4.94	4.16
1950.....	5.09	4.98
1951.....	5.07	5.67
1952.....	5.36	4.17
1953.....	5.39	3.41
1954.....	5.19	3.26

Source: United States Sugar Situation, February 1955, United States Sugar Statistics, vol. 1.

TABLE XVI.—Value of United States direct private investments in Latin America by country—1953

[In million dollars]

	1953	Relative position of countries					
		Rank			Percent of Latin America	Percent of full duty	Percent of Cuba and full duty
		Latin America	Full duty and Cuba	Full duty			
Mexico.....	509	5	2	1	8.35	54.40	31.40
Dominican Republic.....	121	10	4	3	2.20	12.90	7.40
Haiti.....	16	15	8	7	.27	1.70	.90
Nicaragua.....	9	17	9	8	.15	.96	.56
Peru.....	259	8	3	2	4.32	27.70	15.90
Salvador.....	22	14	7	6	.37	2.35	1.40
Total principal full duty countries.....	936				15.65	100.00	57.56
Cuba.....	686	3	1		11.42		42.30
Total including Cuba.....	1,622				27.07		100.00
Argentina.....	406	6			6.77		
Bolivia.....	15	16			.25		
Brazil.....	1,003	2			16.75		
Chile.....	666	4			11.10		
Colombia.....	235	9			3.92		
Costa Rica.....	61	13			1.18		
Ecuador.....	17	15			.28		
Panama.....	398	7			6.64		
Uruguay and Paraguay.....	82	11			1.37		
Venezuela.....	1,308	1			23.00		
Total Latin American Republics.....	6,001				100.00		

Source: U. S. Department of Commerce.

TABLE XVII.—Mexico—Significant basic resources

Material	Percentage of United States supply
Antimony.....	25
Fluorspar.....	25
Graphite, all grades.....	20
Lead—mine smelter.....	20
Mercury.....	9
Zinc.....	22
Cadmium.....	32
Celestite.....	14
Cordage Fibers—Sisal.....	14
Manganese—metallurgical grade.....	4

Source: U. S. International Development Advisory Board, August 1954. p. 174.

TABLE XVIII—*Mexico, Important Economic Indicators*

	Unit	1949	1950	1951	1952	1953	1954
<b>Production:</b>							
Industrial production.....	1948=100	107	118	127	130	133	-----
Agricultural production.....	1935-39=100	46	160	161	161	—	-----
Sugar (in tons).....	1948=100	92	106	107	119	120	-----
<b>Foreign trade:</b>							
Exports, f. o. b. to world.....	Million U. S. \$.	437	466	573	581	536	-----
Imports, c. i. f. from world.....	do.....	493	556	822	808	821	-----
Trade balance.....	do.....	-56	-90	-249	-227	-285	-----
Trade with United States as percent of total foreign trade:							
Export to United States.....	Percent.....	79	86	71	79	75	-----
Imports from United States.....	do.....	87	84	81	83	83	-----
Trade balance with United States.....	Million U. S. \$.	—	-196.6	-385.6	-256.2	-289.3	-299.8
Balance of payments (curr. acc.)—with world.....	do.....	+31	+42	-111	-49	-107	-----
Gross national product, 1950 prices <sup>1</sup> .....	do.....	4,862	5,375	5,938	6,025	5,800	-----
Index.....	1949=100	100	111	122	124	119	-----

<sup>1</sup> Economic Commission for Latin America.

Source: U. S. International Development Advisory Board.

The CHAIRMAN. The Chair is informed that Congressman Dixon is here and desires to present a statement.

Congressman Dixon.

#### STATEMENT OF HON. HENRY ALDOUS DIXON, A REPRESENTATIVE IN CONGRESS, FROM THE FIRST DISTRICT OF UTAH

Mr. DIXON. Mr. Chairman, I merely seek consent to insert in the record of these proceedings my statement in support of this committee print proposed by Senator Bennett to H. R. 7030, and to give in that statement my reasons for supporting this measure from the standpoint of the domestic producers.

The CHAIRMAN. Thank you, Congressman Dixon. We will insert your statement in the record, sir.

Mr. DIXON. Thank you.

Senator BENNETT. For the record, Mr. Chairman, I should like to identify Congressman Dixon further as a member of the House Agriculture Committee, who sat through the sugar debate on the other side.

(The prepared statement of Mr. Dixon is as follows:)

##### STATEMENT OF CONGRESSMAN HENRY ALDOUS DIXON, UTAH FIRST CONGRESSIONAL DISTRICT

Mr. Chairman, first of all I want to thank you and the committee for giving me this opportunity of appearing here this morning, for the purpose of testifying in behalf of the committee print amendment proposed by Senator Wallace F. Bennett, of Utah, to H. R. 7030, to amend the Sugar Act of 1948.

My remarks this morning, Mr. Chairman, will be directed primarily to the need for increasing the domestic quota as it relates to the domestic sugar-beet area. Since I understand you have a large list of witnesses waiting to be heard, who undoubtedly will adequately cover other aspects of this proposed legislation, I will be as brief as possible.

As you know, Mr. Chairman, the Sugar Act of 1948 now provides for a quota of 1,800,000 short tons raw value for the domestic beet areas. This is based upon an estimated annual need for sugar of 8 million short tons raw value. This statutory finding of annual needs is as we all know considerably below the actual needs of the past few years. Yet under the Sugar Act our domestic areas cannot provide any of our increased annual needs which have been growing at about the rate of 135,000 short tons per year as our population has continued to increase.

Technological advances over the last 7 years have led to increased yields per acre of from about 13½ tons in 1948 to 15.1 tons in 1954. This has meant that even off less acreage, farmers have been producing sugar considerably in excess of their quota. For example in 1954 the acreage planted to sugar beets was 878,000 acres, yet a production of 1,998,000 short tons raw value from 198,000 short tons in excess of the beet areas basic quota of 1,800,000 short tons was produced. Farmers producing sugar beets, therefore, have had to take a severe cut in acreage allotments or in proportionate shares as they are called by the Sugar Act of 1948. In 1954 sugar beet acreage allotments were cut approximately 10 percent.

Many farmers have had to eliminate sugar-beet production entirely because their allotments have been so small that it was either not feasible to efficiently utilize mechanical equipment to do the thinning, hoeing, and topping, or because labor costs were too high if the work had to be done by hand. In many beet-producing States this had a negative effect upon maintaining a diversified agriculture dependent upon crop rotation, since sugar beets have not only been planted as a cash crop, but also in order to maintain balanced soil conditions.

As Senator Watkins from Utah told the committee in his statement yesterday, "Sugar beets return everything that they take from the soil." Also continued reduction of domestic sugar-beet acreage will soon make its effects felt in the livestock industry in many of the 22 States in which sugar beets are produced. As you know, the byproducts of sugar beets; namely, beet pulp, tops, and molasses are utilized as supplemental feed for livestock, especially during the winter when it is necessary to bring cattle in off the range because of lack of adequate feed.

I sincerely hope, Mr. Chairman, that the Congress will enact this legislation providing for a very moderate increase in the domestic quotas for the sugar-beet areas. As you know the committee print proposed by Senator Bennett, of Utah, provides that in addition to the basic quotas of 1,800,000 short tons raw value now provided for in the Sugar Act of 1948, that the beet areas shall receive 51.5 percent of the first 165,000 short tons raw value allocated to the domestic producers.

With the sugar prices at 98 percent of parity as of the middle of November 1955, it is not too difficult to see why farmers are clamoring for an opportunity to provide a larger share of this country's growing sugar needs, when the parity price of other commodities grown in rotation with sugar beets range anywhere from 57 percent for potatoes to 73 percent and 74 percent for beans and oats, respectively. I believe when farmers are caught in a cost-price squeeze with the parity ratio continuing to decline with large surpluses of almost every commodity overhanging the market, that we ought to give farmers all the opportunity possible to plant those commodities in greater quantity for which the price outlook is the brightest. Even moderate increases in sugar beet acreage allotments in many of the 22 States producing sugar beets would in 1956 do a great deal to help many farmers on the brink of going under.

I sincerely hope, therefore, Mr. Chairman, that this committee will recommend the adoption of the committee print. I thank you once again for the opportunity of appearing before you this morning.

The CHAIRMAN. The next witness, Mr. Laurence A. Crosby, of the United States Cuban Sugar Council.

**STATEMENT OF LAURENCE A. CROSBY, PRESIDENT, CUBAN-ATLANTIC SUGAR CO.; AND CHAIRMAN, UNITED STATES CUBAN SUGAR COUNCIL**

Mr. CROSBY. Mr. Chairman and members of the committee, I have handed you a printed pamphlet which reviews the background of sugar legislation and discusses the proposals pending before the Congress and reviews or summarizes briefly Cuban-American sugar relations, and states certain conclusions.

I do not intend to read that statement to you but would like to have it printed in the record at this point. I would rather direct myself in oral remarks to some of the principal aspects of this problem and its impact upon Cuba.

(The statement referred to follows:)

## PENDING UNITED STATES SUGAR QUOTA LEGISLATION, 1955-56, AND THE CUBAN SUGAR INDUSTRY

United States Cuban Sugar Council <sup>1</sup>

Members of the United States Cuban Sugar Council: Central Altagracia Sugar Co., Central Violeta Sugar Co., Cuban Atlantic Sugar Co., (Cia. Azuc. Atlantica Del Golfo), Guantanamo Sugar Co., Manati Sugar Co., Miranda Sugar Co., Punta Alegre Sugar Corp., The American Sugar Refining Co., The Cuban-American Sugar Co., The Francisco Sugar Co., The New Tuinucu Sugar Co., United Fruit Co., Vertientes-Camaguey Sugar Co.

## A. BACKGROUND

United States sugar quota legislation originated in 1934, after the harmful effects of the high protection policy of the 1920's culminating in the prohibitive 2-cent per pound tariff rate of the Hawley-Smoot Act of 1930 against Cuban sugar, had become fully evident to all concerned, including domestic producers. They had not profited from increasing their production, and Cuba had been ruined.

Congress adopted the quota system by enacting the so-called Jones-Costigan Act (approved on May 9, 1934), as an amendment to the Agricultural Adjustment Act of 1933.

The new system had been recommended by the President's message of February 8, 1934, which merits quotation, as an official statement of origin, purposes and basic features:

THE WHITE HOUSE,  
February 8, 1934.

*To the Congress:*

Steadily increasing sugar production in the continental United States and in insular regions has created a price and marketing situation prejudicial to virtually everyone interested. Farmers in many areas are threatened with low prices for their beets and cane, and Cuban purchases of our goods have dwindled steadily as her shipments of sugar to this country have declined.

There is a school of thought which believes that sugar ought to be on the free list. This belief is based on the high cost of sugar to the American consuming public.

The annual gross value of the sugar crop to American beet and cane growers is approximately \$60 million. Those who believe in the free importation of sugar say that the 2 cents a pound tariff is levied mostly to protect this \$60 million crop and that it costs our consuming public every year more than \$200 million to afford this protection.

I do not at this time recommend placing sugar on the free list. I feel that we ought first to try out a system of quotas with the threefold object of keeping down the price of sugar to consumers, of providing for the retention of beet and cane farming within our continental limits, and also to provide against further expansion of this necessarily expensive industry.

Consumers have not benefited from the disorganized state of sugar production here and in the insular regions. Both the import tariff and cost of distribution, which together account for the major portion of the consumers' price for sugar, have remained relatively constant during the past 3 years.

This situation clearly calls for remedial action. I believe that we can increase the returns to our own farmers, contribute to the economic rehabilitation of Cuba, provide adequate quotas for the Philippines, Hawaii, Puerto Rico, and the Virgin Islands, and at the same time prevent higher prices to our own consumers.

The problem is difficult but can be solved if it is met squarely and if small temporary gains are sacrificed to ultimate general advantage.

The objective may be attained most readily through amendment of existing legislation. The Agricultural Adjustment Act should be amended to make sugar beets and sugarcane basic agricultural commodities. It then will be possible to collect a processing tax on sugar, the proceeds of which will be used

<sup>1</sup> The United States Cuban Sugar Council, Washington, D. C., is registered under the Foreign Agents Registration Act of 1938 with the Department of Justice, Washington, D. C., as agent of a group of companies owning or operating sugar properties in Cuba, the stockholders of which are predominantly United States citizens. Copies of the registration statement and of this material are filed at the Department of Justice. Registration does not indicate approval by the United States Government of this material.

to compensate farmers for holding their production to the quota level. A tax of less than one-half cent per pound would provide sufficient funds.

Consumers need not and should not bear this tax. It is already within the Executive power to reduce the sugar tariff by an amount equal to the tax. In order to make certain that American consumers shall not bear an increased price due to this tax, Congress should provide that the rate of the processing tax shall in no event exceed the amount by which the tariff on sugar is reduced below the present rate of import duty.

By further amendment to the Agricultural Adjustment Act, the Secretary of Agriculture should be given authority to license refiners, importers, and handlers to buy and sell sugar from the various producing areas only in the proportion which recent marketings of such areas bear to total United States consumption. The average marketings of the past 3 years provide on the whole an equitable base, but the base period should be flexible enough to allow slight adjustments as between certain producing areas.

The use of such a base would allow approximately the following preliminary and temporary quotas:

	<i>Short tons</i>
Continental beets.....	1, 450, 000
Louisiana and Florida.....	260, 000
Hawaii.....	935, 000
Puerto Rico.....	821, 000
Philippine Islands.....	1, 037, 000
Cuba.....	1, 944, 000
Virgin Islands.....	5, 000
<b>Total.....</b>	<b>6, 452, 000</b>

The application of such quotas would immediately adjust market supplies to consumption, and would provide a basis for reduction of production to the needs of the United States market.

Furthermore, in the negotiations for a new treaty between the United States and Cuba to replace the existing Commercial Convention, which negotiations are to be resumed immediately, favorable consideration will be given to an increase in the existing preferential on Cuban sugars, to an extent compatible with the joint interests of the two countries.

In addition to action made possible by such legislative and treaty changes, the Secretary of Agriculture already has authority to enter into codes and marketing agreements with manufacturers which would permit savings in manufacturing and distributing costs. If any agreements or codes are entered into, they should be in such form as to assure that producers and consumers share in the resulting savings.

FRANKLIN D. ROOSEVELT.

#### *Jones-Costigan Act quotas*

Under the Jones-Costigan Act, the quotas for 1934 were as follows:

	<i>Tons<sup>1</sup></i>
United States beet area.....	1, 556, 166
Louisiana and Florida.....	261, 034
Hawaii.....	948, 264
Puerto Rico.....	807, 312
Virgin Islands.....	5, 304
Philippines.....	1, 005, 602
Cuba.....	1, 866, 482
Other foreign.....	25, 836
<b>Total for United States consumption.....</b>	<b>6, 476, 000</b>

<sup>1</sup> The word "tons" means English short tons of 2,000 pounds.

While the new system put a halt to the rapid elimination of Cuba from the American sugar market by the Hawley-Smoot Tariff, the quota of 1,866,482 tons established for Cuban sugar in 1934 was less than 29 percent of consumption (being based on the rapidly declining sugar imports from Cuba in 1931-33 when the tariff was at its worst). During the first 30 years of the century Cuba had supplied on the average about 50 percent of the American market. Her sugar exports to the United States had averaged annually about 3,850,000 tons in 1925-

29, and about 3,630,000 in 1920-29. Annual American sugar consumption in the 1920's averaged about 6,600,000 tons.

Foreign countries other than Cuba received a small quota tonnage because for many years they had not normally been substantial suppliers of sugar to the American market, and the average of their 1930-33 exports of sugar to the United States, gave a quota of 25,836 tons, of the 1934 consumption.

On the other hand, for United States areas and island possessions, the 1931-33 base period generally selected pursuant to the act, was the most favorable 3-year period in their history—their marketings of sugar in continental United States were then at their highest record.

#### *Sugar Act of 1937*

After 3 years of the Jones-Costigan Act, the quota system was continued by the Sugar Act of 1937. Quotas were suspended during World War II. In that period, from 1942 through 1947, Cuba materially increased her sugar output at the request of the United States, and sold virtually all of it at a low price to a United States Government agency, which imported amounts averaging over 45 percent of the annual consumption and allocated the rest to allied countries. Cuba's cooperation with the United States in the Second World War and in the Korean crisis of 1950-51, was a decisive factor in avoiding really severe sugar famines and very high prices.

#### *Sugar Act of 1948, as amended in 1951*

In the summer of 1947, the Sugar (Quota) Act of 1948 was enacted, to replace the old law which had become obsolete in the circumstances then existing. Instead of basic percentage quotas, it established for the domestic areas fixed tonnage quotas (generally in liberal amounts), and residual quotas for Cuba and the other foreign countries. This plan was approved by the domestic industry. The act was to run for 5 years, expiring December 31, 1952. In 1951 it was extended and amended with the assent of the domestic sugar industry, the quotas being changed at the expense of Cuba to the extent of about 250,000 tons per year, for the benefit of Puerto Rico, the Virgin Islands, and foreign countries other than Cuba and the Philippines. The 1951 amendments became effective January 1, 1953, and extended the life of the act until December 31, 1956. This legislation establishes the following quotas, in short tons, raw value: (1) For the domestic areas: United States beet areas, 1,800,000; Louisiana and Florida, 500,000; Hawaii, 1,052,000; Puerto Rico, 1,080,000; Virgin Islands, 12,000; (2) for the Philippines, the Independence Act quota of 850,000 long tons of sugar, now computed as equivalent to 980,000 short tons, raw value; (3) for foreign countries: Cuba, 96 percent of the difference between total United States consumption and 5,424,000 tons (the sum of (1) and (2) above); and for other foreign countries, 4 percent of such difference. Under this system Cuba's 1955 final quota, in a total consumption of 8,400,000 tons, was 2,859,840 tons or 34.05 percent, and that for other foreign countries, 119,160 tons or 1.42 percent.

On December 16, 1955, the Department of Agriculture announced that its initial estimate of 1956 United States consumption is 8,350,000—which is about 200,000 tons less than actual final 1956 consumption is now expected to be, as the annual increase in consumption due to growth of population is 135,000 to 150,000 tons. Cuba's share of 8,350,000 tons, under the existing law is 2,808,960 tons or 33.64 percent and that of other foreign countries, 117,040 tons or 1.40 percent. If the present law continues in effect until its expiration date, it is expected that, of estimated final total consumption of 8,550,000 tons, Cuba's 1956 quota would be 3,000,960 tons or 35.10 percent, and that of other foreign countries would be 125,040 tons or 1.46 percent.

#### *Economic aspects of the quota system*

A fundamental feature of the quota system is the power of the Secretary of Agriculture to determine estimated sugar consumption requirements, and to change his estimate from time to time. This power enables him to control sugar prices—at least in peace time—and within such ranges as he deems appropriate to fulfill the purposes of the legislation. As was intended, this has divorced the American market price from the world market price, and unquestionably promoted price stability. The world market for sugar is a relatively small and residual market; and therefore subject to great fluctuations and speculation. While generally below the American price, it reached a figure 2 cents per pound higher during part of the Korean war crisis. During 1955, with excess world stocks, the world raw sugar market price has been about 1.75 cents below the American market, despite the stabilization efforts under the International Sugar



Agreement of 1953, which is still in effect and to which both the United States and Cuba are parties.

Besides the price protection afforded by the quota system, the domestic producing areas, but not Cuba or other foreign countries, enjoy the benefit of a subsidy from the United States Treasury, amounting to about 0.7 cent per pound of sugar, on the average. Such subsidies now aggregate about \$65 million per year, and in effect are financed by the sugar excise tax of 0.5 cent per pound, raw value, paid by all sugar consumed in the United States. This tax, which is paid by Cuban as well as domestic sugar, now produces over \$80 million per year, and is reflected in the American refined sugar price.

The United States tariff on Cuban sugar is now 0.5 cent per pound, raw value, and nets the United States Treasury about \$30 million per year; and likewise is reflected in the American refined sugar price. The rate on Cuban sugar is a preferential rate under trade agreements, whereunder Cuba in turn grants numerous and substantial preferences to United States products. The United States tariff rate on sugar from foreign countries other than Cuba and the Philippines is 0.625 cent per pound, raw value. Under a trade agreement signed September 6, 1955, Philippine quota sugar, heretofore duty-free, will pay, beginning January 1, 1956, 5 percent of the lowest United States prevailing duty on sugar. Since the lowest duty now prevailing is the 0.5 cent per pound 20 percent preferential rate on Cuban sugar, the initial new duty on Philippine sugar is at 0.025 cent per pound, raw value. Under the trade agreement the Philippine percentage of lowest prevailing duty rises to 10 percent January 1, 1959; to 20 percent January 1, 1962; to 40 percent January 1, 1965; to 60 percent January 1, 1968; to 80 percent January 1, 1971; to 100 percent January 1, 1974; but after July 3, 1974, the Philippine sugar will pay the then full-duty rate (now 0.625 cent per pound).

When the quota legislation was renewed in 1947 and 1951, there was little opposition to the system, or public discussion of its economic principles and purposes.

#### B. LEGISLATIVE PROPOSALS, 1955-56

##### *The Ellender bill; effects on Cuba*

In the spring of 1955, the domestic areas (which receive subsidies under the quota system as a consideration for restricting production and complying with labor and other requirements), intensively pressed the demands they had initiated in 1954, that the quota law be amended, effective 2 years before its expiration, so as to give them a substantial amount of that portion of the market which, under the existing law, would pertain to Cuba in 1955 and 1956. The reason given for such demands was that excessive product on in the continental cane and beet areas had created alleged surplus stocks of sugar and/or growing cane or beets. It has been said that if the act had been more conservatively administered, and carefully lived up to, such conditions might not have occurred. Identical bills were introduced in March 1955 in the Senate (S. 1635, known as the Ellender bill) and in the House of Representatives (H. R. 5406). On the basis of 1955 consumption of about 8,400,000 tons and an estimate of 8,550,000 tons as final consumption in 1956, those bills, if enacted, would have reduced Cuba's American marketings for the 2 years by a total of some 450,000 tons, as compared with the provisions of the existing law.

In the history of United States sugar legislation, no change in quotas had ever been made effective prior to the expiration of the existing law. In 1952, Cuba justifiably planned and based her difficult and costly program of sugar stabilization and drastic restriction of production on the principle that no change in the American sugar quotas would be made effective before December 31, 1956—when the existing law will expire. Cuba set aside in 1952, and financed, some 2 million tons of excess sugar, for marketing in the United States in five annual installments, 1953-57. (That excess sugar resulted from larger cane plantings made by Cuban farmers in late 1950, when sugar was scarce, as the Korean war threatened to break into a world war.) In line with American policy favoring stabilization of the world sugar market, Cuba held that excess sugar off the world market and drastically restricted her production, in order to prevent a disastrous price collapse. Rightly or wrongly, the Cuban sugar industry feels there is a sort of "moral commitment" not to change her American quota "retroactively", i. e., effective before December 31, 1956. It is not surprising that the domestic industry's demands in 1954, intensified and stiffened in the Ellender bill of 1955, caused great alarm and consternation throughout Cuba, whose political and economic welfare depend so largely on her sugar industry. Under

preferential tariffs, the United States supplies about 85 percent of Cuba's imports, or about \$430 million per year, and Cuba, with only 6 million people, was in 1954 the eighth,<sup>1</sup> and in 1953 the sixth, largest importer of United States products. On a per capita basis, Cuba is the third best customer of the United States. As Cuba's purchases include a large amount of American farm products, her buying power, which depends chiefly on sugar sales to the United States, is a matter of real concern to the American farmer. Under present conditions, Cuba's purchases from the United States exceed her sales to this country and she has a substantial overall deficit in her international balance of payments with the United States.

*Administration proposal; Cuban comments thereon*

In June, the Washington administration announced a legislative sugar plan of its own, to run until December 31, 1962, and to provide in substance, as follows:

(1) No change in legislative sugar quotas in 1955;

(2) For 1956 and subsequent years, all the various supplying areas including Cuba, (a) to enjoy their proportions under the present law in the first 8,350,000 tons of consumption; and (b) of the excess of consumption above that figure, the domestic areas to supply 55 percent, beginning January 1, 1956, Cuba to supply 43.2 percent in 1956 and 27 percent thereafter, other foreign countries (except the Philippines) to supply 1.8 percent in 1956 and 18 percent thereafter;

(3) To assist the problem of alleged surpluses (largely in the form of growing cane or beets) in the continental areas, the Government proposed to purchase in the fiscal year 1955-56, for foreign aid purposes, 100 000 tons of sugar from those areas above and outside their quotas.

Although this administration proposal removed the objectionable "retroactivity" of the Ellender bill against Cuba for 1955, it would operate retroactively for 1956. Thus, it would still compromise a principle, at the expense of Cuba, for the substantial benefit of the subsidized domestic areas. It is now estimated that such retroactivity for 1956 would, if enacted, reduce Cuba's share of the expected 1956 market under the existing law, by about 100,000 tons. The exact amount depends on the 1956 consumption, which may now be estimated as about 8,550,000 tons—or 150,000 tons above the 1955 consumption estimate of 8,400,000 tons, and 200,000 tons above the administration's base figure of 8,350,000 tons. In recommending for the domestic areas a 55 percent share in the future increase of consumption, the administration proposal would restore a provision of the 1934 and 1937 Quota Acts. But on the other hand, it also proposes to deprive Cuba of the right she enjoyed under those acts to share, pro rata, in any reallocation of a domestic area deficit in respect of such increase of consumption.

The Cuban sugar industry sees no economic ground for the administration's proposal to increase, at Cuba's expense, the share of other foreign countries in the future growth of American sugar consumption, from the 4 percent share which they enjoy under the present law (as amended in their favor in 1951), to 18 percent in 1957 and thereafter; while reducing Cuba's share in such growth from the 96 percent thereof under the present law to only 27 percent. This formula would gradually reduce Cuba's present proportion of total American sugar consumption, for the benefit of other foreign countries, principally the Dominican Republic, Peru and Mexico. Cuba's sugar industry is about 40 percent American-owned, was built chiefly to supply this market, has a long record of great cooperation with the United States, and is now gravely restricted, with mills idle during 30 to 40 percent of the normal grinding season and labor very inadequately employed and without other work available. To Cuba, it seems inexplicable that more American quota should be given, at her expense, to the Dominican Republic, Peru, and Mexico, whose sugar industries are, or have been, building new mills or expanding capacity; and are actually at or near peak records of production. The Dominican Republic has a favorable trade balance with the United States; Peru's trade balance is just about even; and Mexico's unfavorable trade balance with the United States is offset by the very large American tourist expenditures. The economies of all three countries are prosperous. They have rich natural resources, and wide diversification of agriculture and industry; sugar is not the mainstay of their economic activity. It is unwise world sugar economics to encourage them to further sugar expansion, when mills and labor are idle in Cuba. This seems a peculiarly unsympathetic gesture toward Cuba, with whom the United States

<sup>1</sup> In 1954, Cuba's purchases from the United States were exceeded only by those of such very much larger or richer countries as Canada, United Kingdom, Japan, Mexico, Venezuela, West Germany, and Brazil.

has had close political ties, and enjoyed profitable and preferential commercial privileges and expanding trade, for over 50 years. Today, the chief quid pro quo for the privileged position of American products in the Cuban market, is Cuba's proportionate share of the American sugar market—which Washington now proposes to freeze and indeed reduce, as American sugar consumption increases.

#### *Legislative action in 1955*

In June–July 1955, the House of Representatives Committee on Agriculture held extensive hearings on H. R. 5406, and on the administration proposal. The evidence showed that the alleged continental surpluses consisted chiefly of growing cane or growing beets and were small in the beet area but more important in the cane area. The committee eventually reported a revised version of the administration proposal, in which the domestic areas' share of the growth of consumption beginning January 1, 1956, is made 50 percent, instead of the proposed 55 percent, and Cuba's share is arbitrarily reduced to a residual figure which may be about 10 percent in 1957 and about 17 percent thereafter, in order to increase the other foreign countries' share to 175,000 tons in 1957, and by an additional 45,000 tons per year, cumulatively, thereafter. The bill also would limit Cuba's right under previous quota legislation, to share pro rata with domestic areas, in the reallocation of any domestic area deficit. After brief debate, this revised bill was passed by the House of Representatives on July 30, 1955. Due to adjournment on August 2, the Senate did not act on sugar legislation in the 1955 session.

The United States Department of Agriculture announced on October 31, 1955, that in accordance with the administration sugar plan of June 8, the House bill (H. R. 7030), and a Senate resolution, it would purchase before the end of 1955 100,000 tons of cane and beet sugar from the continental areas, for foreign aid purposes.

#### C. CUBAN-AMERICAN SUGAR RELATIONS

Cuban economic relations with the United States have been formed by the history of 50 years. The United States came to Cuba's assistance in its war for independence, 1895–98. Ever since their reciprocal trade treaty of 1902–3, Cuba and the United States have maintained preferential rates of duty on each other's products. The very first agreement under the Hull Reciprocal Trade Act of 1934 was made with Cuba in August of that year. During both World Wars and in the Korean crisis, Cuba furnished a war resource of great importance to the United States and her allies, by providing a dependable and expanding source of sugar supply at reasonable prices.

1. Cuba is the most dependable source of sugar supply at reasonable prices for the United States, in war and peace, and has demonstrated this fact repeatedly. In effect, Cuba is now maintaining at its own expense a virtual sugar stockpile which would be available to the United States in any emergency.

2. Cuba is a large and profitable preferential market for American farm and industrial products, but its buying power depends almost entirely on sugar exports and chiefly on its sugar exports to the United States; and the Cuban sugar quota in the American market is the principal consideration for the expanding American preferential trade with Cuba.

3. Over \$700 million of private American capital is invested in Cuba; more than one-third being investments in 38 sugar mills, which represent nearly 40 percent of the total production of the island. In the record crop of 1952 the American-owned mills produced 3,275,000 tons of sugar out of the total production of 7,963,630 tons; in the restricted 1955 crop they produced about 1,950,000 tons out of the total of 4,993,662.

4. The sugar industry in Cuba was built prior to 1925, to supply the American sugar market. In 1920–29 (the last decade before the Hawley-Smoot Tariff of 1930 drastically reduced Cuba's share of the American market and the quota legislation of 1934 and 1937 froze Cuba at the low basis thus created), American sugar consumption averaged about 6,589,000 tons per year, of which Cuba supplied an annual average of 3,636,000 tons, or 55.2 percent of the total; the American domestic areas and island territories (including the Philippines), supplied 42.2 percent, and foreign countries other than Cuba, supplied 2.20 percent.<sup>2</sup> In contrast with that picture, 1955 total American consumption requirements were set at 8,400,000 tons, of which Cuba was permitted under the existing law to supply 2,859,840 tons, or 34.05 percent of the total; the domestic areas and island territories (excluding the Philippines), 4,444,000, or 52.9 percent; the Philippines,

<sup>2</sup> From this figure is excluded 0.4 percent, representing nonrecurring imports of 273,000 tons from Java, during the sugar panic of 1920.

977,000 tons, or 11.63 percent; and the other foreign countries, 119,160 tons, or 1.42 percent.

5. Cuba's share of the United States sugar market declined from 1948 to 1954, due to elimination of deficits from other areas, and because Cuba's share of increases in consumption was insufficient to offset her annual loss of about 250,000 tons of United States quota under changes in the Sugar Act made effective January 1, 1953. It had just begun to recover in 1955, under the terms of the present sugar legislation. The following table shows Cuba's share of total entries and marketings in the continental United States:

Year	1,000 short tons, raw value		Cuba, percent of total	Year	1,000 short tons, raw value		Cuba, percent of total
	Total	Cuba's share			Total	Cuba's share	
1948.....	7,083	2,927	41.32	1953.....	8,298	2,766	33.33
1949.....	7,589	3,103	40.89	1954.....	8,253	2,729	33.07
1950.....	8,275	3,264	39.44	1955.....	8,400	2,860	34.05
1951.....	7,761	2,946	37.96	1956 (initial quotas).....	8,350	2,809	33.64
1952.....	7,967	2,982	37.43				

6. In contrast with the situations prevailing in 1920-29, and in 1955, the administration's proposed plan would result in the 1962 American sugar market (estimated at 9,450,000 tons) being supplied about as follows: By Cuba, 3,105,960 tons, or 32.87 percent; by domestic areas and island territories (excluding the Philippines), 5,049,000 tons, or 53.43 percent; the Philippines, 980,000 tons, or 10.37 percent; and the other foreign countries, 315,040 tons, or 3.33 percent. The corresponding figures for 1962, under the formula of the bill passed by the House of Representatives July 30, 1955 (if continued to 1962), would be: Cuba, 3,076,000 tons, or 32.55 percent; domestic areas and island territories (excluding the Philippines), 4,994,000 tons, or 52.85 percent; the Philippines, 980,000 tons, or 10.37 percent; and the other foreign countries, 400,000 tons, or 4.23 percent.

7. In 1952, due to heavy cane plantings made by the Cuban farmers in the Korean war crisis of 1950, Cuba produced a record crop of 7,963,630 tons, of which approximately 2 million tons had to be set aside and financed as a stabilization reserve to be marketed in the United States in 5 annual installments from 1953 to 1957, inclusive. This action was based on the assumption that the United States Sugar Act of 1948, as extended until December 31, 1956, would continue in force until its expiration date. The Cuban Government drastically restricted the Cuban sugar crops of 1953, 1954 and 1955, to gradually decreasing amounts, so that the 1955 crop was limited to about 63 percent of that of 1952. During those 3 years the stabilization reserve surplus of 1952 has been cut by 60 percent. It is expected that Cuba's 1956 crop will have to be restricted to about the same figure as 1955.

8. In 1953 an International Sugar Agreement was made in London, to which both the United States and Cuba are parties, in order to stabilize the world market outside the United States by a system of quotas. Cuba has cooperated fully in that effort, which has meant serious restriction of her production and reduction in her sales to that market. Total world sugar production has increased over 6 percent since 1952, but Cuba's share thereof declined from 18.28 percent in 1952 to 10.94 percent in 1955.

#### D. CONCLUSIONS

1. In contrast with Cuba's sharp reduction of production in the last 3 years, the principal other Western Hemisphere sugar-exporting countries supplying sugar to the United States—Peru, the Dominican Republic, and Mexico—have maintained or expanded production in those years, and are now producing at or near record volume. In those countries, sugar is only one of many resources, and many diversified activities—agricultural, mining and industrial; and their economies are very prosperous and expanding. Never in their history have they been consistent, substantial suppliers of sugar to the United States, and their sugar industries were not built for that purpose. In these circumstances, the proposals to enlarge the shares of those countries in the American market at the expense of the share enjoyed under the existing law by Cuba's drastically restricted, one-crop economy, seems to the Cuban people unreasonable. It also seems unsound economics, be-

cause it may easily encourage further expansion of sugar production capacity in the Western Hemisphere, where there is already an excess. Cuban opinion, and American capital invested in Cuba, feel that, in fairness and sound economics, the present share of the full-duty foreign countries in the future increase of sugar consumption in the United States should not be enlarged at Cuba's expense, but rather maintained at the present figure of 4 percent, to which it was raised (at her expense) by the 1951 amendments to the Sugar Act effective January 1, 1953.

2. The American domestic sugar-producing areas, particularly the continental beet and cane areas, claim that their fixed quotas, established with their approval in the Sugar Act of 1948 (and similarly amended and extended in 1951 for the period ending December 31, 1956), are now inadequate, due in part to the pressure in 1954-55 for planting more sugar cane and more sugar beets, because of the present restrictions on other major crops. The administration has taken the position that any extension of sugar quota legislation should provide for the domestic areas a participation of 55 percent in the annual increase in American sugar consumption. The bill approved by the House of Representatives set it at 50 percent. The Cuban sugar industry feels that such participation ought to be fixed at such percentage, and become effective under such conditions, as may be reasonable in the best interests of American agriculture, industry and consumers, having regard to the whole economy.

January 12, 1956.

#### UNITED STATES CUBAN SUGAR COUNCIL.

NOTE.—There are annexed 2 tables projecting sugar quotas for various areas through 1962, giving effect to extension of the present act, and the various legislative proposals. Annex 1 is on the basis of an estimated 150,000-ton annual increase in consumption, and annex 2 on the basis of an estimated 135,000-ton increase.

## SUGAR ACT EXTENSION

## ANNEX 1

*Projection of sugar quotas, actual and proposed (Based on 150,000-ton annual consumption increase)*

## EXISTING SUGAR ACT OF 1948, IF EXTENDED

	Estimated total consumption	Cuba's quota	Domestic quotas	Foreign full duty quotas	Philippines
1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,550,000	3,000,960	4,444,000	125,040	980,000
1957.....	8,700,000	3,144,960	4,444,000	131,040	980,000
1958.....	8,850,000	3,288,960	4,444,000	137,040	980,000
1959.....	9,000,000	3,432,960	4,444,000	143,040	980,000
1960.....	9,150,000	3,576,960	4,444,000	149,040	980,000
1961.....	9,300,000	3,720,960	4,444,000	155,040	980,000
1962.....	9,450,000	3,864,960	4,444,000	161,040	980,000
Total (final).....	71,400,000	26,890,560	35,552,000	1,120,440	7,837,000

## ELLENDER BILL (S. 1635)

1955.....	8,400,000	2,673,024	4,638,600	111,376	977,000
1956 (initial).....	8,350,000	2,628,480	4,632,000	109,520	980,000
1956 (final, estimated).....	8,550,000	2,734,944	4,721,100	113,956	980,000
1957.....	8,700,000	2,799,744	4,803,600	116,656	980,000
1958.....	8,850,000	2,864,544	4,886,100	119,356	980,000
1959.....	9,000,000	2,929,344	4,968,600	122,056	980,000
1960.....	9,150,000	2,994,144	5,051,100	124,756	980,000
1961.....	9,300,000	3,058,944	5,133,600	127,456	980,000
1962.....	9,450,000	3,123,744	5,216,100	130,156	980,000
Total (final).....	71,400,000	23,178,432	39,418,800	965,768	7,837,000

## ADMINISTRATION PLAN, JUNE 1955

1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,550,000	2,895,360	4,554,000	120,640	980,000
1957.....	8,700,000	2,903,460	4,636,500	180,040	980,000
1958.....	8,850,000	2,943,960	4,719,000	207,040	980,000
1959.....	9,000,000	2,984,460	4,801,500	234,040	980,000
1960.....	9,150,000	3,024,960	4,884,000	261,040	980,000
1961.....	9,300,000	3,065,460	4,966,500	288,040	980,000
1962.....	9,450,000	3,105,960	5,049,000	315,040	980,000
Total (final).....	71,400,000	23,783,460	38,054,500	1,725,040	7,837,000

## BILL (H. R. 7030) PASSED BY HOUSE OF REPRESENTATIVES, JULY 30, 1955

1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,550,000	2,904,960	4,544,000	121,040	980,000
1957.....	8,700,000	2,926,000	4,619,000	175,000	980,000
1958.....	8,850,000	2,956,000	4,694,000	220,000	980,000
1959.....	9,000,000	2,986,000	4,769,000	265,000	980,000
1960.....	9,150,000	3,016,000	4,844,000	310,000	980,000
1961.....	9,300,000	3,046,000	4,919,000	355,000	980,000
1962.....	9,450,000	3,076,000	4,994,000	400,000	980,000
Total (final).....	71,400,000	23,770,800	37,827,000	1,965,200	7,837,000

## ANNEX 2

*Projection of sugar quotas, actual and proposed (based on 135,000-ton annual consumption increase)*

## EXISTING SUGAR ACT OF 1948, IF EXTENDED

	Estimated total consumption	Cuba's quota	Domestic quotas	Foreign full duty quotas	Philippines
1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,535,000	2,986,560	4,444,000	124,440	980,000
1957.....	8,670,000	3,116,160	4,444,000	129,840	980,000
1958.....	8,805,000	3,245,760	4,444,000	135,240	980,000
1959.....	8,940,000	3,375,360	4,444,000	140,640	980,000
1960.....	9,075,000	3,504,960	4,444,000	146,040	980,000
1961.....	9,210,000	3,634,560	4,444,000	151,440	980,000
1962.....	9,345,000	3,764,160	4,444,000	156,840	980,000
Total (final).....	70,980,000	26,487,360	35,552,000	1,103,640	7,837,000

## ELLENDER BILL (S. 1635)

1955.....	8,400,000	2,673,024	4,638,600	111,376	977,000
1956 (initial).....	8,350,000	2,628,480	4,632,000	109,520	980,000
1956 (final, estimated).....	8,535,000	2,728,464	4,712,850	113,686	980,000
1957.....	8,670,000	2,786,784	4,787,100	116,116	980,000
1958.....	8,805,000	2,845,104	4,861,350	118,546	980,000
1959.....	8,940,000	2,903,424	4,935,600	120,976	980,000
1960.....	9,075,000	2,961,744	5,009,850	123,406	980,000
1961.....	9,210,000	3,020,064	5,084,100	125,836	980,000
1962.....	9,345,000	3,078,384	5,158,350	128,266	980,000
Total (final).....	70,980,000	22,996,992	39,187,800	958,208	7,837,000

## ADMINISTRATION PLAN, JUNE 1955

1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,535,000	2,888,880	4,545,750	120,370	980,000
1957.....	8,670,000	2,895,360	4,620,000	174,640	980,000
1958.....	8,805,000	2,931,810	4,694,250	198,940	980,000
1959.....	8,940,000	2,968,260	4,768,500	223,240	980,000
1960.....	9,075,000	3,004,710	4,842,750	247,540	980,000
1961.....	9,210,000	3,041,160	4,917,000	271,840	980,000
1962.....	9,345,000	3,077,610	4,991,250	296,140	980,000
Total (final).....	70,980,000	23,667,630	37,823,500	1,651,870	7,837,000

## BILL (H. R. 7030) PASSED BY HOUSE OF REPRESENTATIVES, JULY 30, 1955

1955.....	8,400,000	2,859,840	4,444,000	119,160	977,000
1956 (initial).....	8,350,000	2,808,960	4,444,000	117,040	980,000
1956 (final, estimated).....	8,535,000	2,897,760	4,536,500	120,740	980,000
1957.....	8,670,000	2,911,000	4,604,000	175,000	980,000
1958.....	8,805,000	2,933,500	4,671,500	220,000	980,000
1959.....	8,940,000	2,956,000	4,739,000	265,000	980,000
1960.....	9,075,000	2,978,500	4,806,500	310,000	980,000
1961.....	9,210,000	3,001,000	4,874,000	355,000	980,000
1962.....	9,345,000	3,023,500	4,941,500	400,000	980,000
Total (final).....	70,980,000	23,561,100	37,617,000	1,964,900	7,837,000

Mr. CROSBY. I should identify myself, because the above-written statement contains no identification.

I am an American citizen by birth. For many years I was a lawyer for a firm which had Cuban sugar clients, and as a result of that connection I eventually retired from the firm about 10 years ago, and since that time have been the president of an American corporation called Cuban-Atlantic Sugar Co., which is incorporated in the State of Delaware and owns a group of operating subsidiaries in Cuba, which produce raw and refined sugar.

The total share of the Cuban production represented by this company and its subsidiaries is approximately 12 percent. In the year 1955, that represented a raw sugar production of about 575,000 short tons.

I appear here not in that capacity, but as the chairman of the United States Cuban Sugar Council, which is a voluntary association composed of companies which are predominantly American owned and are engaged in the sugar production business in Cuba. Those companies in the aggregate produce about 40 percent of the Cuban sugar production. They or holding companies which own them are publicly owned for the most part, and the shares of a number of them are quoted on the New York exchanges, as are the shares of the company which I specifically represent.

The CHAIRMAN. Are those companies controlled by American interests?

Mr. CROSBY. Yes, sir; the stocks to my knowledge are quite widely distributed. There is no bank concentration of ownership or control that I know of.

Years ago, the Cuban sugar industry was at one time quite largely in the hands of banks as a result of financial difficulties in the early and late twenties, but that is not the case today.

The CHAIRMAN. Would it be a fair statement to say that 40 percent of the sugar producing companies in Cuba are owned by Americans?

Mr. CROSBY. It would be a fair statement to say that 40 percent, approximately—it is about 38 or 39—I used the round figure for convenience—it would be a fair statement to say that between 38 and 40 percent of the Cuban sugar production is owned by American capital and is produced for the account of American capital.

Senator SMATHERS. What was that last statement? And produced—what?

Mr. CROSBY. Produced for the account of American capital.

Senator SMATHERS. Would you mind going into who runs these sugar plantations which are owned by United States interests and who is employed there? Are they Cubans or United States people?

Mr. CROSBY. The great mass of our employees, Senator, is Cuban. The management, the top management, is chiefly American. In my company, which employs in the crop period all told maybe 12,000 people, the number of individual Americans employed is very small in proportion. It would not exceed, I think 15 people, including the top officials of the company and the managers of some of the larger mills of the company.

Some of our mills are managed by Cubans, and there is a freedom and a harmony of relationship between the Cuban personnel and the American personnel that is most impressive from the standpoint, at



least, of a foreigner like myself who is a resident of Cuba and at the head of that organization.

Senator WELKER. May I have a question, Mr. Chairman?

The CHAIRMAN. Just one minute, Senator Welker.

What taxes do these companies pay in Cuba?

Mr. CROSBY. Those companies, sir?

The CHAIRMAN. Any companies.

Mr. CROSBY. The Cuban sugar industry is pretty heavily taxed, sir, with a great variety of taxes. We have, of course, a general profits tax, which corresponds to what we call the income tax on corporations in the United States.

The CHAIRMAN. How does that compare in actual payment of taxes on a given income in the United States?

Mr. CROSBY. In the United States we have now a flat rate of 52 percent, or approximately that. In Cuba, our rate is not so high, and it is a graduated tax, sir, based upon the amount of profit, not on the relationship of the profit to the capital invested, but upon the absolute amount of profit.

The first bracket begins at between 17 and 18 percent on \$100,000 of net taxable profit, and then the brackets go up until at the top, on profits over \$1 million, the rate is now 36 percent.

The CHAIRMAN. Suppose a company earned \$200,000 in Cuba; how much taxes would it pay?

Mr. CROSBY. It would pay about \$40,000, I would say.

The CHAIRMAN. And that would compare to \$104,000, approximately, in this country.

Mr. CROSBY. Yes, sir.

The CHAIRMAN. In other words, the Cuban tax is less than half?

Mr. CROSBY. Yes, sir. But I have only touched the profits tax, sir. I would like to speak of some of the other taxes.

We have a tax on the production of sugar of 33 cents a bag of sugar, a bag of 325 pounds. That is in a sense a crude form of, you might say, gross returns tax, or gross profits tax. That is a very easy way for the state, the Cuban Government, to collect, because the bags are numbered as they are produced, and the tax is paid as you go along. You cannot export the sugar unless you can produce proof of having paid that tax.

Then we have in addition——

The CHAIRMAN. Thirty-three cents a what?

Mr. CROSBY. A bag.

The CHAIRMAN. How much would that amount to a ton?

Mr. CROSBY. That would be roughly, well, call it \$2 a ton. In my company in 1955, that would have represented more than \$1 million of taxation.

Senator BENNETT. It is a cent a pound.

Senator KERR. What size bag?

Mr. CROSBY. 325 pounds, sir.

Senator KERR. A 325 pound——

Mr. CROSBY. Bag of raw sugar.

Senator KERR. It costs 33 cents?

Mr. CROSBY. It pays a tax of 33 cents.

Senator KERR. That is a tenth of a cent a pound.

Mr. CROSBY. Yes, sir.

Senator BENNETT. I beg your pardon?

Senator KERR. Approximately.

Senator BENNETT. That is right.

Mr. CROSBY. Yes.

Then, besides that taxation, sir, we have a system of municipal and provincial and national taxation on sugar mills, which is based on a profit concept, and the tax is calculated in this way: You have to file data showing the amount of cane you have ground in the crop. They apply to that cane the average spot price for Cuban sugar over a period of 3 years, and thereby result in an arbitrary but more or less realistic valuation of the product of that cane. And against that gross product, which may have no relation to the price at which the mill actually sold its own sugar, they allow a deduction of a certain arbitrary percent for expenses of operation, and the balance is taxed at a rate which amounts now to about 10 percent, because there are different taxes, municipal taxes, provincial taxes, and national taxes, that are calculated on this base.

That is a very substantial tax and amounts in our company—I do not have the 1955 figures in my head, but in a normal year, to another \$500,000 or more of taxation in that form.

Besides that, we have a multiplicity of taxes of a minor nature: Taxes on dividends that we pay; taxes on export of money; stamp taxes. I think it has been reckoned in Cuba that there are about 30 different taxes that affect the sugar industry.

To give you an illustration of what the impact is, this year our company estimated or made provision in the aggregate for Cuban profits taxes of about \$1,300,000, and judging from our experience in 1954, when our production conditions were substantially the same, the amount of taxes that we paid other than profits taxes adds up to around \$2 million to \$3 million in these various forms. It is a very complicated and involved system.

The CHAIRMAN. And what is your production of sugar?

Mr. CROSBY. Our production of sugar this last year, sir, was about 575,000 tons of sugar, raw basis.

Now, if there are no further questions on that subject, I would like, if I may, to give a picture——

Senator WELKER. Mr. Chairman, may I have just one question?

The CHAIRMAN. Yes, Senator Welker.

Mr. CROSBY. Yes, sir.

Senator WELKER. Mr. Witness, you told us that your company employed 12,000 people at the peak of sugar harvesting time.

Mr. CROSBY. At the peak; yes, sir.

Senator WELKER. About 12 or 15 of those were Americans?

Mr. CROSBY. Correct, sir.

Senator WELKER. What is your wage that you pay the sugar worker?

Mr. CROSBY. The average wage in the 1955 crop for the lowest man in the scale, in the factory, the man who sweeps the factory out—an absolutely unskilled man—was approximately \$4 a day. The wage for an agricultural worker, similarly a low man in the scale, and not a foreman or supervisor, would be about \$3 a day in the 1955 crop.

I wanted to give you the figures first. But then I want to explain, sir, that the wages and salaries in the sugar industry in Cuba are regulated by the Government. They have been regulated for a great

many years. During the war and early postwar years, that regulation was based upon the price of sugar, and as the price was going up the wages were going up and everybody was happy and prosperous with the rising wages. But after the end of rationing of sugar here and the ending of the war, the price of sugar fell, and then the Cuban Government did not wish to invoke or apply the sliding scale provisions of the decree, which provided that wages would drop with the price of sugar.

So the wages were frozen at the peak, so to speak, for a number of years.

The sugar industry was able to withstand that condition in spite of a falling price, because of large volume. But since 1952, when we have had restricted crops, and also further declining prices, it has been necessary for the Government to give some relief to the sugar mills and to the farmers. And the Government in effect, since the end of 1952, has allowed wage reductions of about 13 percent from the peak.

Frankly, they did not dare to go further, I believe, because the workman of the crop in the dead season period was also suffering from reduction in his take-home pay through reduction of the period of the crop due to restriction, a shorter number of days being required for this seasonal operation.

And it has been calculated—I think Secretary Holland mentioned it in his statement yesterday—that the straight wage reduction was about 13 percent and the number of days lost by shortened crops was equivalent to another 27 percent reduction in the take-home pay for the year.

Senator WELKER. Thank you very much.

Mr. CROSBY. Of course, sir, I would like to add that the figures I have given you are just of the lowest man in the whole grade, and the wages paid to mechanics, technicians, foremen, and so forth, in the factory are substantially higher, and the effect of this adjustment of wages to prices during the war period was to get salaries in the office personnel really very high, higher than they were in New York, and they have not come down—

The CHAIRMAN. How many hours do they work a week?

Mr. CROSBY. We have in Cuba during the crop, sir, which has to be a continuous operation—we have an 8-hour day, but a 24-hour-a-day operation of the factory, 7 days a week, because it is a seasonal job and it is highly important not to stop a sugar factory once it starts.

The CHAIRMAN. When you spoke of \$4 and \$3 a day, what would that be per hour?

Mr. CROSBY. It is an 8-hour day. It would be 50 cents an hour for the \$4 man, and a little less for the \$3 man.

We have a highly regulated labor system in Cuba. The labor is very strongly protected by the Constitution and by the labor laws, and it is completely unionized.

I would like to—

Senator SMATHERS. Mr. Witness, let me ask you a couple of questions right there, if you do not mind.

What percent of Cuba's productivity, of her total productivity, is represented by the sugar industry?

Mr. CROSBY. I will answer that in two ways, Senator Smathers. In the practical economic life of Cuba, sugar is really everything. It keeps the whole machinery going.

Now, the economists and statisticians who reckon the gross national product, what we sometimes call national income, of Cuba, put it out as now around \$1,800 million a year, somewhere in that neighborhood.

Senator SMATHERS. What percentage—

Mr. CROSBY. May I finish the sentence, sir?

Senator SMATHERS. Yes.

Mr. CROSBY. And the sugar portion of that \$1,800 million is generally stated to be about one-third, and that practically all of that comes from the export of sugar.

There is very little income from the sale of sugar in Cuba, a very small proportion of the total. And the economists there say, well, that proceeds received from the export normally turn over about three times in the Cuban economy, and provide the oil and fuel, economically speaking, which run the little housekeeping industries, consumer goods industries, that we have in Cuba.

Cuba, while endowed with tremendous richness of soil and sun and rain, which is so splendid for producing sugar, is a poor country in natural resources. It has very few minerals. It has no fuel. We have to run the sugar industry solely by burning the bagasse from the cane.

It has no grains except corn for local consumption, and a little rice, which has developed somewhat in the last years. It has no textile products except a little cotton, and its only other important crop besides sugar is tobacco. The tobacco in the export picture of Cuba represents about eight as compared with 100 for sugar. I mean on that ratio.

There are practically no exports except the minerals, a few winter vegetables, sometimes a few fruits.

Senator SMATHERS. What percent of your total number of wage earners in Cuba are employed in the sugar industry?

Mr. CROSBY. There are no very accurate statistics on that, Senator, but I would say that the total employed by the industry in the crop period is close to half a million people.

Senator SMATHERS. What percent would that be of the total number, do you have any idea, the total number of the employment?

Mr. CROSBY. We have a total population in Cuba of about 6,300,000 people.

Senator SMATHERS. Does that count women and children?

Mr. CROSBY. Men, women and children, sir, everybody. So you may have a working population, you would say, two, two and a half million including self-employed, and we generally are of the opinion in Cuba that there is a chronic unemployment mass of nearly half a million people. That means half a million employed in the sugar industry and about half a million people who are wholly unemployed or very inadequately employed.

Senator SMATHERS. Sugar is the largest employer, is it not?

Mr. CROSBY. Oh, by far, sir, yes.

Senator SMATHERS. Of any industry.

What percent of Cuba's imports come from the United States?

Mr. CROSBY. It fluctuates; from 78 to 85 percent of the total imports of Cuba come from the United States. There are two reasons for that. One is, the United States is our best customer. Another one is that Cuba grants very substantial tariff preferences to all American products, and that has been the case since 1920. And those preferences run anywhere from 20 to 50 percent or so.

And the third reason—I should have said there were three reasons—the third reason is that the Cuban prefers American products.

Senator SMATHERS. There are no restrictions on the importation of any American goods in Cuba, are there?

Mr. CROSBY. No, sir.

Senator SMATHERS. Let me supplement that in case of any misleading inference that might be drawn from it, in the case of rice—except arms and munitions, I should add. [Laughter.]

Mr. CROSBY. Yes, sir. In the case of rice, Cuba grants the United States a tariff preferential of 50 percent on a specified minimum quantity of rice per year, three and a quarter million 100-pound bags, at that rate, but there is no limitation.

Senator KERR. How many?

Mr. CROSBY. Three and a quarter million 100-pound bags of rice come into Cuba at a tariff rate of 50 percent less than the full tariff rate. Also the agreement provides that Cuba will give supplemental additional quotas above that minimum to the extent that she needs importations for her rice consumption. She is a large consumer of rice, about 100 pounds per capita per year. However, there is no prohibition of the entry of rice above those quantitative limits I have mentioned and paying the full duty. So that there is no prohibition against the importation of any quantity of rice from the United States to Cuba. No prohibition, just tariff.

Senator SMATHERS. Go ahead, I have no further questions at this time.

Senator BENNETT. I would just like to ask one question, Mr. Chairman.

What proportion of Cuba's economy is supported by tourists?

Mr. CROSBY. It is very small, sir. It is very small. In fact, Cuba has an adverse trade balance in tourists.

Senator BENNETT. The Cubans want to get away from it all in Miami Beach? [Laughter.]

Senator SMATHERS. Thank you, Senator.

Mr. CROSBY. They love the United States. We may not all agree with them, Senator Smathers, but with all due respect may I say, that some people enjoy other places more than they do Miami, but the Cubans love Miami.

Senator SMATHERS. There is always a minor group in everything. [Laughter.]

Mr. CROSBY. Yes, sir.

I am glad you raised the question, Senator Bennett. The Cuban at every opportunity comes for a vacation to the United States, and there are thousands of them in Miami, not only in the winter but in the summer. And the Cuban also loves to send his children to the United States to be educated, and there are several thousand Cuban students constantly in the United States in our secondary schools and colleges. But Cuba has a deficit in tourism, and I think I have a figure here that may show that.

I have balance of payments statements here prepared by the Banco Nacional De Cuba, which corresponds to our Reserve Bank System in the United States, and the overall deficit on tourist income and outgo in Cuba for the 5 years, 1950 to 1954, was estimated by that bank as \$56½ million deficit against Cuba on tourist trade, and so far as the United States is concerned, that deficit for the 5 years was \$11.2 million.

We get more tourists from the United States into Cuba than we do from any other country. So the deficit between the United States and Cuba is smaller than the overall deficit.

Well, Mr. Chairman—

Senator SMATHERS. Do you have a favorable balance of trade with the United States or not, overall?

Mr. CROSBY. No, sir, we have a very unfavorable balance of trade with the United States, or if I might put it that way, balance of payments.

I would like to give you the figures from this same statement. For the 5 years, 1950 to 1954, the overall deficit of Cuba in balance of payments with the United States, as reported by the Banco Nacional De Cuba, is \$676,400,000, and in the one year, 1954, it is reported as \$93,100,000. On the commercial balance alone, not counting the remittances and tourism and all that sort of thing, the straight commercial, what you would call trade balances, the deficit of Cuba to the United States for the same 5-year period was \$352 million. And in the year 1954 it was \$40.9 million.

And the overall situation of Cuba in that respect, I think, is of equal interest. Cuba is able to keep going against that huge adverse balance with the United States by the fact that she has a favorable trade balance with the rest of the world, but for the 5-year period, 1950 to 1954, the overall deficit on balance of payments for Cuba was \$250,500,000, and for the year 1954 it was \$72,200,000.

That is a very serious situation for a little country like Cuba, and of course, it cannot go on. Something has to be found to solve that problem, with the shrinking sugar production, due to the drastic restrictions that we have had to put into effect in Cuba since 1952, cutting our production by nearly 40 percent.

Senator KERR. By what?

Mr. CROSBY. By nearly 40 percent. The Government, appraised of the fact of being confronted with this adverse balance of trade, has had to resort to what we would call here deficit financing, with a program of roadbuilding and public works on which they are spending approximately \$100 million a year.

In that way they are using up the reserve that they accumulated during the period between 1947 and 1952, when the sugar industry was prosperous and producing at maximum figures.

That is a very serious situation, and I do not think it can continue very much longer. The Cuban currency at present is at parity with the United States dollar, and it is reported to be backed to the extent of about 60 percent by gold and dollar exchange. But the drain is very heavy and there is a grave danger that within a short period—I mean a year, 2 years or something like that—unless Cuba's sugar situation improves, the sugar outlook improves, there will have to be imposed serious restrictions on imports, restrictions on foreign exchange, controls of all kinds, because with the drain on Cuban

reserves, they cannot continue at the present rate for very much longer.

It is a matter of great preoccupation to all of us, and if I may say so, is one of the reasons we feel so concerned about this sugar legislation, sugar being the major source of our foreign exchange, to maintain the present amount of buying power for imports which are essential to the Cuban standard of living.

Mr. Chairman, as I am speaking without notes, I may touch different subjects at different times, but I would like to trace a little bit the background of the Cuban sugar industry.

Cuba has been a producer of sugar for centuries, of course, and all during the 19th century it was a principal source of sugar for the United States.

After Cuba won her independence—it deeply appreciated the cooperation of the United States in the Spanish-American War—she was given a reciprocity treaty with the United States, giving her a 20 percent tariff preferential on sugar and other products in return for which she gave tariff concessions, 20 percent or more on American products, and as a result of that, the Cuban industry became, or I would rather say continued, to be the main supplier of sugar to the American people.

From 1920 to 1930 Cuba supplied about 48 percent on the average of the sugar consumed in the United States. The amounts got to be very large in the First World War and in the mid-1920 period. When I say large, I mean in the neighborhood, in the 1920 decade, of about 3,600,000 tons a year to the American market.

But sugar in the twenties was getting into a very serious surplus condition in the world, not only in the area serving the American market, but also in the world market. The Philippine production expanded enormously. There was an expansionist trend in our own American-flag islands, and in our continental industry as well. A crisis was obviously approaching. And the crisis was brought to a very decisive head by the Hawley-Smoot tariff of 1930, which raised the rate on Cuban sugar to 2 cents a pound, and dropped Cuba's shipments of sugar to the United States from a figure of close to 4 million tons in 1929 to a million and a half tons in 1933, and plunged Cuba into a complete economic and political chaos. And as you know, revolution took place.

Senator BENNETT. Mr. Crosby, but you do not think that had anything to do with the inability of the American housewife to buy as much sugar in 1933 as she had bought in 1929, do you?

Mr. CROSBY. No, sir.

Senator BENNETT. You think that was entirely the result of the Hawley-Smoot tariff?

Mr. CROSBY. I do, sir.

Senator BENNETT. And the fact we had a depression in the United States?

Mr. CROSBY. I don't think that economic depression had much effect on the consumption of sugar. It was very slight. It might be 2, 3, 4 pounds per capita per year, but sugar is one of those commodities in which difference in price, a small difference in price, has very little effect on the human consumption, because it is so cheap in the family budget, whether it is produced by the beets or by the cane or by Cuba or anybody else. It is so cheap in the family budget that

it is not one of the things that people stop eating by preference when times get a little hard.

Well, with that background, we come to the enactment of the quota system in 1934. That was a tremendous relief to all sectors of the sugar industry, including Cuba, although it was inevitable in the structure of the sugar market at that time, the size of production in the domestic areas and in the Philippines, that the Cuban quota under the Jones-Costigan Act of 1934 must be limited to the average tonnage imported from Cuba from 1931 to 1933.

So that Cuba under the Jones-Costigan Act was given a quota of 28.6 percent of the then consumption of sugar in the United States as compared with an average supply by Cuba in the preceding 30 years of the 20th century of about 48 percent of the American market. That was an inevitable and necessary solution.

It was not feasible to adopt the legislation except on that basis, and it saved Cuba from ruin, and I think it saved practically every sector of the sugar industry, supplying the American market from certainly very difficult times, if not ruin.

That legislation established the basis for the domestic sectors of the industry, the beets and cane, and Hawaii and Puerto Rico which supplied approximately 50 percent of the domestic market, and Cuba and the Philippines and the other foreign countries which supplied the rest. That legislation was extended by the act of 1937 and continued in effect until the war. And then during the war the quotas were naturally suspended.

Senator BENNETT. At that point, just for the record, was not the figure of 55.59 percent put in the 1937 legislation?

Mr. CROSBY. Yes, sir.

Senator BENNETT. So that it was not approximately 50. It was approximately 55.

Mr. CROSBY. Well, I was mindful of that fact when I made that very hurried review, sir. I did not intend to suppress it because I was going to speak about it later.

You have a historical basis in the 1937 act for the request of the domestic industries now for 55-percent participation in the American market, and we Cubans recognize you have that historical basis under that legislation.

Now, during the war, the United States Government bought the Cuban crops from 1942 to 1947, inclusive, and I think it is agreed by everyone that she bought those crops at moderate prices.

If she could have got the transportation Cuba could have sold the sugar to world buyers at much higher prices than we gladly accepted from the United States. There was no resentment in Cuba with respect to the price levels that were obtainable in those deals. But I do want to mention one thing because I think it illustrates the sentiments and affection that the Cubans have for the United States, and that is this: Five weeks before the attack on Pearl Harbor the Cubans were invited to come to Washington, because Washington wished to negotiate for the purchase of the whole 1942 Cuban sugar crop, and offered a price of 2.65 cents per pound, f. o. b. Cuban port.

That price was frankly disappointing to the Cubans. War was threatening and they thought they should get a little more. They had been through some very lean years for a long time in Cuba. And the Cuban commission which came here did not dare to accept that



price without returning to the island and discussing the matter fully with its Government.

The commission did so, and when the attack occurred on Pearl Harbor it was still discussing the matter in Cuba, and had not accepted the price. But within a week the commission accepted the price, and the reason it did so without further discussion, was that the war, the outbreak of war, so far from giving the Cubans a motive for demanding a higher price because of the evident essentiality of the sugar, the motive for accepting it was because they felt bound to make that gesture of friendliness and cooperation toward the United States. And that is the way they have felt and acted ever since in sugar sales to the United States.

In the Korean crisis in 1950, Mr. Myers of the Sugar Division of the Department of Agriculture, asked the Cubans to sell the United States 600,000 tons of sugar at half a cent below the worldmarket price at the time, and they did so immediately and that, whatever motive one ascribes to it, I agree is good business.

I think it is good business and I am all for it, and I only mention it here because I want everyone to feel that it is the desire of the Cuban sugar industry to cooperate with the United States Government. And it is the desire of the Cuban people also, not only in times of war but in times of peace. And in that—it goes so far as to desire to cooperate in the working out of this legislation.

Senator SMATHERS. Mr. Crosby, right on that point, it has been mentioned here that the reason why you sold this sugar to the United States during World War II at this low price was because you could not sell it anywhere else or ship it anywhere else.

Mr. CROSBY. Well, Cuba has no merchant marine and did not at that time, and had only a very small navy. There is no doubt that Cuba could not physically with her own ships have transported the sugar but, on the other hand, would the United States Government say to its people, "You cannot have any sugar because Cuba has a big stock and instead of being paid 2.65 cents per hundred for it, which was the price we offered 5 weeks before Pearl Harbor, they want to have 2.75, 2.90."

I do not believe any Government in the United States would have confronted its people with such proposition.

Senator SMATHERS. In other words, you believe that while you may not have been able to ship it, you might have been able to raise the price to the United States?

Mr. CROSBY. I have no doubt about it myself, sir. I think that the price could have been raised, and I think the Cubans honestly felt that, as a matter of honor, they should not ask for an increased price because they realized the situation created by the Japanese attack.

Well, one reason why I have spent this time on the background, Mr. Chairman, is this: We hear this discussion about quotas and their impact on the full-duty countries and on Cuba, as if somehow the quota was a privilege or an act of bounty granted by the United States to these different foreign areas.

But the historical fact in the case of Cuba is that the quota is a restriction. It restricts Cuba from sending into the United States as much sugar as she sent into the United States 30, 40 years ago, and it is a restriction imposed on an industry which is, to a very great extent, American-owned and, therefore, when Cuba—or the Cuban

sugar industry—has to consider the sugar bill, the committee print, H. R. 7030, she must be pardoned if she looks at it from the standpoint of where it leaves her in tonnage compared with where she was before the quota system was adopted, before the Hawley-Smoot Tariff Act ruined her, and of what her industry was built for and what it is geared to produce.

The industry was built to supply the American market. The American market went away through the Smoot-Hawley tariff, and the quota system restricted it to a base. I am not criticizing the quota system. Every Cuban is grateful that the quota system was established because it saved the country from complete economic destruction and chaos. But the fact remains that today on a quota base of 8,350,000 tons, Cuba will be allowed to send into the United States this year 2,808,000 tons, whereas in the 1920's she was shipping in 3.6 million, 3.7 million, some years 4 million tons.

We come down now to the concrete provisions of the bill. The most important issue raised here is the question of the participation of the domestic areas in the future growth of the country.

Just for purposes of comparison, and with no other motive, I want to mention how different the picture would look to Cuba if the present law were extended as is.

I have no illusions that that is a practical legislative suggestion, and I am not making it, but I want to show you the impact of this bill on the Cuban sugar industry and on the Cuban people.

If the present law were extended as is for 6 years, as compared with the committee print, that is the administration formula, Cuba would place a cumulative total of 2,800,000 more tons of sugar in this market than she will under the committee print as it stands.

Now, of that two-million-eight-hundred-and-twenty-thousand-odd tons, about two and a quarter million tons will pass from Cuba as a supplier to the domestic area as a supplier under this 55 percent share of the growth, and the other 550,000 tons odd of this amount will pass to the full-duty countries under the administration formula of the 60-40 percent division of the 45 percent share for imported sugar as outlined here yesterday by Secretary Holland.

Now, as to the 55 percent share of the domestic industry, I would like to say this: If this were a question of pure economics, and we were all under the same flag, a very strong argument could be made that it would be better for the American people to obtain their sugar from Cuba or some other Caribbean area at lower cost than to obtain so large a percentage as 55 percent from the domestic areas, but we are not living in that kind of world. We are not under one flag.

We have our domestic problems; we have our domestic political problems, and this is not purely an economic question, and if you look—if a Cuban looks—at this thing in its political aspects, he is bound to recognize that there are very strong reasons, political reasons, certainly, for granting the domestic areas the 55 percent share in the United States growth of sugar consumption which they enjoyed under the 1937 act.

It is very difficult for anyone in the sugar business, whether he is in the Cuban sugar business or some other sugar business, to argue against the restoration of that percentage principle which was enacted by this Congress almost 20 years ago.

Now, we do regret from the Cuban side the idea that this should be made effective January 1, 1956. If it is going to be done, we bow to it.

I mean, if the 55 percent is the will of Congress, which I believe it is, and the will of the administration, which it obviously is, we Cubans have to bow to it.

We would not put ourselves in the invidious position of trying to block or defeat this legislation on that proposition. I, for one, personally would never take that position.

I would feel very much less unhappy about it if the effective date proposed could have been December 31, 1956, which is the end of the life of the present law, instead of January 1, 1956.

The difference between the two dates will mean a difference of a hundred thousand tons of American market this year to Cuba which, with her tremendous surplus stock of a million and a half tons of sugar in warehouse and a tremendous excess stock of cane, is a very important factor; and also psychologically it is a depressing thing in Cuba for us to contemplate the change of a sugar quota act before we get across the stream of the quota as established, the life period of the act.

I realize that this legislation has proceeded so far, and with the backing of the administration on a compromise formula, it is very difficult to change any such part of this proposed legislation.

But I would like to register this thought because, it seems to me, that maybe the administration in the operation of foreign relief, or something of that kind, may be able to give Cuba some compensation or some grace in her situation which will make the impact of this retroactivity, as we call it in Cuba, of the proposal a little less disagreeable to us, if I may use that word.

When we come to the full-duty countries, it seems to us that the proposition is a very different one.

The proposal of the administration is, in effect, to multiply the participation of the full-duty countries in the growth of sugar consumption in the United States by  $4\frac{1}{2}$  times.

As recently as 1951 in the amendments that were then adopted, effective January 1, 1953, the full-duty countries' participation in the market was multiplied by 3 times, and here we are, 4 years later, debating a proposal to multiply it by another  $4\frac{1}{2}$  times. Of course, all of that increase proposed by the administration has to come out of the future prospects of Cuba and cumulatively over the 6-year life of the bill, that is 550,000 tons of sugar, which is a large amount of sugar to anybody who is carrying a big surplus and struggling to work it off.

I do not think the thing is economically sound. I do not think it makes sense in the sugar world today when you have an excess capacity in the Western Hemisphere, excess cane, excess mills, I do not think it makes sense to encourage other countries, no matter how close friends they may be of all of us, to build new sugar factories and to plant more cane.

When I say "other countries" I mean the Dominican Republic, Peru, and Mexico, because all three of those countries are now producing at capacity levels, at near record levels, and if the administration formula is passed as it stands, in my judgment, new sugar construction will be put underway in each one of those countries;

whereas on the other side of the fence you have Cuba, with her mills operating only 60 or 65 percent of the normal grinding season, her cane fields loaded with excess cane, and her workmen unemployed, and 40 percent of the capital represented in that industry is American capital.

I do not think we ought to proceed that way on sugar legislation. I am perfectly willing, from the Cuban standpoint, to say the full-duty countries by no means should be reduced in any way. They have a participation of 4 percent under the present law in the growth of the American market, and they should continue to have it; and I would even go further and say that if it is desirable in the interest of the policies of the United States that something more, a little more, be given them, all right. It gets to a small matter of tons, and what is at stake here is much more important than a few tons.

But to give them  $4\frac{1}{2}$  times what they have got when the domestic industry at the same time is to be restored to this 55 percent is asking, I think, too much of the Cuban sugar industry, too much—putting too much risk on the Cuban economy, and it will be regarded in Cuba as a harsh, an unnecessarily harsh gesture.

I wish to be frank about that. I think Cuban public opinion will feel very very badly about this. The Cubans admire the United States. They love to send their children up here to school. They regard themselves as historically the greatest friend of the United States.

But they will be deeply hurt if the administration formula—deeply hurt in their hearts as well as hurt in their pocketbooks—if the administration formula on the full-duty aspect of this problem is passed by the Congress.

Senator BENNETT. Mr. Chairman, may I ask the witness a question? You were undoubtedly in the room when Mr. Chapman was talking—

Mr. CROSBY. Yes, sir.

Senator BENNETT. On the increase to Mexico? We argued about percentages—and the increase to Mexico amounts to 12,000 tons in 6 years, an increase from 18,000 to 30,000 tons.

Senator KERR. The other way.

Senator BENNETT. Yes, 18,000 tons in 6 years.

Do you regard that as a sufficient increase to justify the building of sugar mills, and the change in the capitalization of the Mexican industry?

Mr. CROSBY. I do, sir, in the case of Mexico, and I will tell you why.

The Mexican sugar business is a fine business. It is a trust. They all operate together. They have an inadequately supplied domestic market, and they can easily build more sugar mills. They have the backlog of sure possibility of more demand in the domestic market, but this added incentive of 18,000 tons a year, worth a hundred dollars a ton or so, is very attractive to anybody who wants to put his money in sugar, when he has a backlog market available at his disposal.

The Mexicans do not have enough sugar to eat compared with our standards.

Senator BENNETT. You do not think the overriding power of the domestic market is not infinitely more important than this pittance, as Mr. Chapman pointed out, of a few thousand tons a year?

Mr. CROSBY. Well, of course, it is more important because that is a sure market, and the builder of the new mill, unless he has some great influence, is not sure of getting all of the 18,000 tons. He has to take his chance on that.

Senator BENNETT. That is right.

Mr. CROSBY. But there is no question but it will be an encouragement. If it were not an encouragement, they would not ask for it, and the same thing is true of Peru in greater degree. There your increase is much more than 18,000 tons.

Senator BENNETT. We have not heard from the Peruvian people.

Mr. CROSBY. And in Santo Domingo it is the same thing. You heard what is going on in Santo Domingo, I am sure.

Senator BENNETT. I would like to ask another question.

Senator KERR. Would he tell us?

Mr. CROSBY. I will; and maybe the Dominican representative will correct me if I make a mistake on this, but the general belief in the sugar industry is that the gentleman who is publicly believed to rule Santo Domingo is in the sugar industry in a heavy way, maybe as much as 30 percent, and is planning to build another mill or to buy other mills.

So that there you have a situation where expansion is almost inevitable if you increase her quota. I do not say she should not expand, but Santo Domingo went to London in the world agreement and demanded a big quota compared to her record, because she did not have a good quota here. She got the good quota in the International Sugar Agreement, and then she comes here and asks for more here, too. I do not criticize her for doing that—I probably would do that myself if I were in the same position—but I do not think she should have it both ways.

Senator BENNETT. You undoubtedly have had many, many opportunities to present your problem in all its aspects to the State Department; is that not true?

Mr. CROSBY. I personally have never gone to the State Department, and I would like to say why, because the question might be asked me.

For 20 years I was in a law firm as a partner of Mr. John Foster Dulles, and I did not think it was proper that I should go to the State Department personally on this subject.

Senator BENNETT. Well, you are not the only——

Mr. CROSBY. But my representatives have, although not speaking in my name. [Laughter.]

Senator BENNETT. I know you are not the only representative of the Cuban sugar industry in the United States, because many others have approached me over these past few months.

In fact, I have often wondered just how many there are, and how much of the American Bar is currently profiting from this particular contest.

Mr. CROSBY. Well, it is not a very large segment of the bar, sir.

Senator BENNETT. I was interested in your statement a little earlier that you did not believe the Cuban people should put too much pressure on us under the circumstances.

You recognized our, probably our right, to return to the historic relationship, 55-45.

I know that every Rotary Club in the United States received letters from the Cuban Rotary Club asking us to kill this legislation, and I know that every chamber of commerce received a map similar to the one that was shown us here today from Mexico, showing the amount of, volume of, business that our State would lose if this bill were changed.

I do not know of any legislation since I came to the Senate on which more pressure has been put, from an outside country, and I am not denying your right to represent your client, you and the rest of the American lawyers who are members of your team, but I do not think the record should show that there has been no pressure used for the benefit of Cuba in this particular legislation; and I think it is quite significant, although I do not know all of the things behind it, that when the House bill came out, the American's share of the future growth was 50 percent instead of the traditional 55, so that somebody had that much of a victory in the House consideration.

Now, is it not fair to say, for the record, that the Cuban situation has had an adequate hearing by the State Department, that its position has been presented, and that the decision of the State Department has not been taken in absence of all these figures that you have given to the committee?

Mr. CROSBY. Yes, I think that is fair to say, sir. The Cubans, in their official representation of their Government, have had many conferences with the State Department; and the American companies, through their direct contact as American citizens, have spoken with the representatives of the State Department.

I do think it is fair to say we have the impression that the State Department figures are not based upon a principle, that they are compromised and, frankly, we do not know why they have suggested 60-40 instead of some other splitting of the 45 percent—I have no notion of what the reason for that is.

Senator BENNETT. I am sure that most of the American sugar producers, both beet and cane, have had the feeling all last year that the influence of Cuba in the State Department was far more potent than theirs.

Mr. CROSBY. Well, the Cubans must have put on a good show then, because the Cubans themselves did not feel it.

Senator BENNETT. I am going to make this same point with every witness, Mr. Chairman. I want to make sure that the record shows that representatives of the foreign nations have had opportunity to present their claims and their pleas to the State Department, and that when the State Department makes the recommendations contained in this bill, it has made them after consideration of the proposition that is being presented to the committee.

Mr. Chairman, there is just one other point I would like to clear up while Mr. Crosby is with us.

Early in your testimony, Mr. Crosby, you referred to some slight increases in the Cuban rice production. Do you have any figures showing the increases in rice tonnage over the past 10 years?

Mr. CROSBY. I should not have used the word "slight." I think that was a slip of the tongue. [Laughter.]

The increases have been substantial, but when I say "slight" I will tell you what is in the back of my head, and I did not do it in order to give a wrong impression here.

One of the consequences of living in a one-crop economy where your life's stream can be changed by an act of another government, through its due legislative processes, is that you seek to diversify whenever you can. The idea of diversifying in Cuba by growing rice developed in the course of the war, and in the Geneva agreement the United States and Cuba negotiated a clause on the rice tariff, which I have already mentioned.

Now, with the impact of sugar restriction, following the 1952 crop in Cuba, many people thought that rice would provide some alternative since the Cubans were such great consumers of rice. At that time they were eating 7 million bags per year, of milled rice, which is a great quantity.

They aspired to get a production of maybe approximately half that, maybe a little more. They rushed into it pellmell, and a lot of money has been lost up to date by a great many people in Cuba.

They did not know the business. They planted rice on lands that were not very suitable.

We tried it in one of our sugar mills to the extent of about 1,500 acres, and we invested \$200,000 or \$300,000 in machinery and cleared this land, and up to date we still have our machinery, we have operated 3 or 4 years, and we have made \$9,000 in 3 or 4 years, and we are not expanding.

There is talk every day in Cuba about the money that has been put into rice and how it has been a failure, except under certain especially favorable conditions.

So that the rice production in Cuba, in my judgement, is no threat whatever to the minimum quota, that is, the low-duty quota which the Americans enjoy under the Geneva agreement, the GATT agreement, the three and a quarter million bags at 50 percent preferential and, in fact, I do not look forward to the day when Cuban rice will amount to a production of 4 million bags a year.

Senator BENNETT. Well now, just for the record, Mr. Chairman, in 1944—in the period 1944 to 1949 the production of rice in Cuba was 80 million pounds.

Last year—rather, 1954, it was 250 million pounds, so it has increased by—we have added twice as much as the production at that point—

Mr. CROSBY. Yes.

Senator BENNETT. In the last 10 years.

Now, this is equally interesting: In 1947 the Cuban importation of American rice was at a high of 737 million pounds. In 1954 it had dropped to 400 million pounds, so Cuba is buying its rice from somebody else or else it is not eating as much rice.

Mr. CROSBY. May I explain that?

Senator BENNETT. Yes.

Mr. CROSBY. There was an overpurchasing of rice in Cuba in 1953. The 1953 figures of imports are a great deal higher than 1954, but in addition, with the restriction of the sugar crops due to lack of markets, the eating of rice in Cuba has declined because the principal consumption, as you would recognize as natural, is in the country regions.

The workers in the fields and the workers in the factories eat rice when they have the money to buy it. But when their incomes are cut, they shift out of rice and they go to the local grown vegetables, and I am told by persons connected with the Cuban Government

that the consumption rate of rice in Cuba today is not 7 million bags, which is the figure I used a while ago, and which was the rate in 1952, but it has now dropped to about five and a half million bags, and that shrinking consumption——

Senator BENNETT. In 1954.

Mr. CROSBY. Plus excess purchases in 1953 can easily account for the drop in imports.

Senator BENNETT. But in 1954 you produced two and a half million, and bought 4 million, so that is six and a half million consumed in 1954.

Mr. CROSBY. Yes, but in my testimony in the House committee in June the figure I was given by the Cuban authorities as to the consumption of rice in Cuba was something over 6; that it had dropped from 7 to about 6. They now say that it has dropped another 500,000 bags in its annual rate.

Senator BENNETT. Well, Mr. Chairman, I wanted to get these figures into the record, and I would like to offer for the record two tables with figures, based on the United States Department of Agriculture figures.

The first table shows the Cuban rice production from 1935 to 1954, and the second shows the exports, United States exports of milled rice to Cuba from 1935 to 1954.

The CHAIRMAN. Without objection, the insertion will be made.  
(The documents referred to follow:)

TABLE A.—*Cuban rice production, 1935-39 to 1954*

<i>Year</i>	<i>Million pounds (milled rice basis)</i>	<i>Year</i>	<i>Million pounds, (milled rice basis)</i>
1935-39.....	28	1951.....	167
1940-44.....	46	1952.....	180
1944-49.....	80	1953.....	244
1949.....	87	1954.....	250
1950.....	116		

Source: U. S. Department of Agriculture.

TABLE E.—*United States exports of milled rice to Cuba, 1935-54*

<i>Year</i>	<i>Millions of pounds</i>	<i>Year</i>	<i>Millions of pounds</i>
1935.....	65	1945.....	335
1936.....	3	1946.....	263
1937.....	136	1947.....	737
1938.....	205	1948.....	427
1939.....	209	1949.....	591
1940.....	290	1950.....	676
1941.....	359	1951.....	554
1942.....	268	1952.....	480
1943.....	304	1953.....	550
1944.....	356	1954.....	400

Source: U. S. Department of Commerce.

Mr. CROSBY. May I add one more comment on rice, Senator Bennett? Before the Second World War or, perhaps, put it another way, before 1944, Cuba imported practically no rice from the United States.

Senator BENNETT. That is right.

Mr. CROSBY. But received all its rice from Siam and Burma or the Far East. It was due to the modification of the reciprocal trade relations between Cuba and the United States, at the urging of the



United States, at the same time that the United States was giving concessions to Cuba, that the Cuban rice market was opened up to the United States. So that in the long history, I think the record of performance is pretty favorable.

Senator BENNETT. I think these tables will show that, prior to 1935 or at 1935, both the Cuban production and the American exports were minimal.

Mr. CROSBY. Yes; that is correct, sir.

Senator BENNETT. Maybe this is one of those things that has enabled us to more nearly balance our trade relations, and now apparently it has gone the other way.

Mr. CROSBY. May I, Mr. Chairman, refer to 1 or 2 of the observations made by Mr. Chapman who preceded me as a witness? I do not wish to take your time to comment on other statements.

Senator BENNETT. Before you leave this rice thing, may I clear up one other question?

Mr. CROSBY. Certainly, sir.

Senator BENNETT. Do you believe that the lessening of American exports of rice to Cuba has been brought about as retaliation for the consideration of this sugar legislation?

Mr. CROSBY. No, sir; not as a retaliation, not at all.

Senator BENNETT. Do you believe that if we passed this bill, Cuba will retaliate in the future by reducing its rice imports, imports of American rice?

Mr. CROSBY. Cuba, in my judgment, will never retaliate against the United States. That is not the way the Cuban mind thinks about a problem of this sort.

What I envisage is this: Cuba cannot maintain her present standard of living and her volume of imports unless she can sell more sugar either to the United States or to the world market.

Her population is growing at the rate of 150,000 people a year. The boat is being kept afloat by the Government's program of public works, which is pouring \$100 million a year into the pockets of the Cuban workmen, the Cuban people.

The national debt in Cuba has risen two or three hundred million dollars in the last 2 or 3 years—this is the internal debt, and the program will call for increasing that debt by \$100 million more in 1956, and maybe \$100 million more in 1957, and by the time Cuba gets to that point she is going to run out of money. The money that Cuba is using comes from the reserves that were accumulated in the banks during the war.

In my judgment, they are going to have to impose—do something that every Cuban would hate to see done—import controls and exchange controls of which at this time we have none in Cuba. We have none of that sort of thing, and it will be a tragedy for Cuba and for the Cuban people when that has to happen.

But I am afraid it will happen because if you maintain this standard of living by this local financing, you create additional buying power every year in terms of the Cuban peso, but you cannot maintain the stability of the peso unless you have foreign trade keeping pace more or less with your growth of spending power by the number of people you have with local incomes, and I just think we are running into a stone wall, and I am afraid that we are going to have to restrict, I mean through currency and import controls.

I shudder to think of it. I think it is an extremely depressing thing even to contemplate. But I am afraid it will be inevitable, and I hope if it does come that no one in this room will ever think of it as an act of retaliation, because the Cuban people are not that way. They want to buy our goods. They prefer our goods.

They are great spenders. They like to live to the top of their incomes or a little bit beyond. You go to Cuba—some of you may have been there—and you walk down the street, and you see the shops full of American goods, signs advertising American goods, and you feel as if you are in part of the American economy.

So the Cubans, in my judgment, will never retaliate. They will have to keep their house in order, otherwise they would have collapse. But I hope if that sad moment comes that it will never be looked upon in the United States as a retaliation.

Senator SMATHERS. On that point right there, Mr. Crosby, how much reduction in actual tons of sugar would this formula which is being proposed, and which will undoubtedly be adopted, how much cut in tonnage will that effect in Cuba?

Mr. CROSBY. Well, we have to use our words carefully, Mr. Senator, because the point has been made, and it is mathematically correct, that these proposals do not take existing tons away from Cuba. What they do do is to prevent Cuba sharing to the extent she shares now in growth of sugar consumption.

Now, if you project a growth, as the Department of Agriculture experts do, at a rate of 135,000 tons a year above this base of 8,350,000 tons, when you get to 1962, you will have a consumption of 9,345,000 tons in this market.

Cuba's share of that total in tons will have gone up somewhat—I think Mr. Chapman mentioned a figure of 200,000 tons.

The percentage share of the total will have fallen. The percentage share of the 8,350,000 today is pretty close to 34 percent on the present base. But by the time, under the administration formula, you get up to 9,345,000, I think it falls down to below 32 percent or very close to that figure.

On the other hand, the full-duty countries will cumulatively during this period under this formula, as compared with what they have today, 4 percent of the total growth will enjoy 18 percent of the total growth, they will have made a cumulative gain of about 550,000 tons over the 6-year period, and their quota, their aggregate quota which, under the 8,350,000 is, I believe, 117,000 tons, will be 296,000 tons in the year 1962.

Now, that is what this amounts to. Compared with the quota of 2.8 million or 3 million tons, 200,000 tons or 300,000 tons, does not sound like a large proportion; but when you have the economic situation that you have in Cuba, anything that is in the terms of a hundred thousand tons is very important. A hundred thousand tons are \$10 million, and \$10 million turned over 3 times are \$30 million, and that is what this kind of thing means in the Cuban economy.

Senator SMATHERS. What is your quota, your regular fixed quota, today?

Mr. CROSBY. In the 8,350,000 tons.

Senator SMATHERS. Yes.

Mr. CROSBY. It is 2,808,960 tons, I think.

Senator SMATHERS. And what if we did not pass this legislation and you still had 98 percent of the increase, how many additional tons would you estimate that you would be able to sell next year?

Senator BENNETT. Senator, if we did not pass this legislation effective January 1, 1956, we would have to pass some legislation effective before 1957 because this legislation would have expired.

Senator SMATHERS. I am saying I would like to ask Mr. Crosby this question—I understand the Senator's position completely, that this is going to pass and it will pass.

Senator BENNETT. My reason for interrupting you is that I think he can only answer your question with respect to one year for the year 1956.

Senator SMATHERS. That is what I asked him. I asked him about this year. It would help——

Mr. CROSBY. If the act were extended this year, kept in effect this year, 1956, because it is in effect now, and were not changed during 1956, and the consumption totals 8,535,000 tons, which, I believe, is the estimate of the Department of Agriculture, Cuba's quota would be 2,986,440 tons.

Senator SMATHERS. 2,986,440 tons? In other words, as you say, 100,000 tons means about \$10 million?

Mr. CROSBY. Yes.

Senator SMATHERS. Did I understand you to say that a minute ago?

Mr. CROSBY. Yes, sir. On that same consumption, Senator, the administration proposal would give Cuba a quota of about 2,891,760 tons this year, 1956. So you have a difference there of slightly over a hundred thousand tons, the shrinkage, which is the impact of this bill on Cuba in the year 1956.

Senator SMATHERS. Then actually it will not mean any less employment, however, in the country of Cuba by the adoption of this bill? It would not mean any less employment?

Mr. CROSBY. Well, I wish to answer your question in entire frankness. If we had not fixed the size of our crop already in Cuba 1956, we would have taken into consideration action by this Congress in passing this bill, because that action would mean a hundred thousand tons less market for Cuba in sugar in 1956; and with the huge surplus we have, we do not wish to overproduce.

However, we have fixed our crop already just in the last few days, and I do not think it will be changed.

I would not like to give you the impression that it would be changed whether we get that hundred thousand tons or not, because that is not practical, because once you set up the standards and the size of the crop and the portion, the cutting of the cane has to be worked out, we would not change the crop.

Senator BENNETT. Well, Mr. Crosby, you have had reasonable notice for nearly a year now that this kind of a bill was going to be considered so that you have been able to—you have had ample notice to adjust the size of the crop you fixed in view of the impending situation.

Mr. CROSBY. Yes, sir. Of course, you cannot change the cane that is in the field, and that was planted several years ago.

Senator BENNETT. That is right.

Mr. CROSBY. Yes, sir.

Senator SMATHERS. I have no further questions.

Senator KERR. (presiding). That is all, Mr. Crosby.

Mr. CROSBY. May I make one more statement, Senator?

Senator KERR. Do you want to answer a question that has not been asked?

Mr. CROSBY. I wanted to comment only on one of the statements made by the preceding witness.

Senator KERR. All right.

Mr. CROSBY. I would like to read the statement, where he said that the 1952 crop in Cuba, which was so large, a record crop, was made, and I quote, "against the advice of the United States Department of Agriculture."

That is the first time that I ever heard that the United States Department of Agriculture gave us any advice with respect to that 1952 crop, and I was in a position in Cuba at the time, I think, to have known if any such advice had been given.

I do not say it was not given, but I do not know anything about it.

Senator BENNETT. We have Mr. Meyers here, maybe he can answer it.

Senator KERR. I did not understand it to be a question. I thought it was a statement.

Senator MALONE. Mr. Chairman, a matter of information.

Mr. Crosby, where do you live? Do you live in the United States or in Cuba?

Mr. CROSBY. No, sir; I live in Havana.

#### CRITICAL MATERIALS—WESTERN HEMISPHERE

Senator MALONE. It has been a complete mystery to me for the last 10 years why, with so many countries doing so much for us, we have to raise our debt limit every year and increase our foreign aid but that, of course, is not your worry.

Now, you mentioned buying rice and other products from the United States. What price do you pay for the rice? Do you pay the world price or our support price?

Mr. CROSBY. I cannot answer your question, Senator, as a matter of direct testimony because I have never bought any rice from the United States personally.

Senator MALONE. You do not know anything about it?

Mr. CROSBY. We consume rice in my house. It is bought in the retail stores, and I think we generally buy the American rice because it is of better quality.

Senator MALONE. And you buy it at what price, the world price or the price we guarantee it here?

Mr. CROSBY. I do not know what the price for the rice is, but we have to pay around 18, 20 cents a pound for it.

Senator MALONE. You are talking about retail?

Mr. CROSBY. The best quality rice.

Senator MALONE. You are talking about the kitchen price—the retail price?

Mr. CROSBY. Yes, sir.

Senator MALONE. For your information you buy it at the world price, whatever your country buys wholesale.

Mr. CROSBY. I would presume so, sir, yes; because it is export rice.

Senator MALONE. Do you, as a matter of fact, buy from the United States that which you could get cheaper someplace else?

Mr. CROSBY. You mean does Cuba buy anything?

Senator MALONE. Yes.

Mr. CROSBY. We certainly do.

Senator MALONE. What is it?

Mr. CROSBY. Machinery.

Senator MALONE. Do you buy anything from the United States when you could get the same quality of goods cheaper from another nation?

Mr. CROSBY. Certainly—well, that is a question of opinion, perhaps, the quality. I said, I think a few minutes ago, that the Cuban consumer prefers American goods, and he is prepared to pay a little more in the belief—

Senator MALONE. Is it because of the quality of the goods in each case?

Mr. CROSBY. Well, undoubtedly the quality, and the reliability and the readiness of service, if you are buying machinery or anything like that.

We like to buy from the great corporations in the United States, which have that tremendous reputation standing back of their goods.

They have agencies in Cuba, experts, and so forth. We prefer to buy their goods whenever we can. I would say that, as a general statement, is true of Cuba.

Senator MALONE. If you had the same guaranties and same reliability and exactly the same kind of machinery, you would get it where you could get it the cheapest?

Mr. CROSBY. I think that is a general test by which a businessman should conduct his business, but I do not think the alternative exists.

Senator MALONE. Of course it exists, since our own American manufacturers have branch plants behind the low-wage curtain and supply the same goods from the branch plants you can get from the United States—just like the American investors went to Cuba and and produce the sugar and sell it to the United States.

Now, Mr. Crosby, I think you have made a very fine witness for Cuba. What do you pay in wages there in the ricefields, in the canefields, in the industrial field, do you know?

Mr. CROSBY. That question was asked earlier, sir, and I testified as to the figures paid in the canefields, and in the factory for the lowest paid worker.

Senator MALONE. What are they?

Mr. CROSBY. In the factory it is approximately \$4 a day of 8 hours, and in the field for the lowest paid worker it is approximately \$3.

Senator MALONE. Do you know what our wages are here?

Mr. CROSBY. Oh, yes, sir.

Senator MALONE. Probably about \$12 to \$15 a day.

Mr. CROSBY. For the unskilled worker, that is what I am talking about.

Senator MALONE. Still about a dollar and a half an hour.

Mr. CROSBY. I am sure it is higher, much higher, than in Cuba, but we have other things that compensate in Cuba somewhat. The cost of living is considerably lower.

Senator MALONE. The standard of living is lower. Therefore American sugar producers can make more money producing sugar in Cuba.

Mr. CROSBY. The standard of living is lower.

Senator MALONE. I listened very carefully to your testimony about the great harm the Smoot-Hawley Tariff Act did to you. At what point did it fix the tariff on sugar?

Mr. CROSBY. Two cents on Cuban raw sugar.

Senator MALONE. It was a flexible tariff that could be lowered or raised 50 percent upon application by an importer or by a grower here or by a committee of Congress.

Mr. CROSBY. Was that the power of the Tariff Commission?

Senator MALONE. Yes. You did not know that?

Mr. CROSBY. Oh, yes; I knew there was a provision for Tariff Commission investigation, and so forth.

Senator MALONE. And a flexibility of 50 percent.

Mr. CROSBY. In other words, they could lower it to 1 cent, or they could raise it to 3 cents.

Senator MALONE. That is correct, upon application of the producer, consumer, or a United States Army motion.

Mr. CROSBY. Yes.

Senator MALONE. Did you apply to be heard?

Mr. CROSBY. Well, at that time I was not running a company; I was a lawyer in a law office.

Senator MALONE. What company is it that you run now?

Mr. CROSBY. The Cuban Atlantic Sugar Co., the name of the holding company, sir.

Senator MALONE. You have already testified to this, I am sure, but this particular company, is it the largest company, or is it the only company?

Mr. CROSBY. It is the largest singly controlled group of mills in Cuba of American ownership. We make, as I testified at the outset, approximately 12 percent of the Cuban production.

Senator MALONE. If you were regulating a tariff on the basis of the difference in cost of production here and in Cuba at your standard of living, wages, and our standard of living here in America, what would you say offhand should be the differential in the tariff?

Mr. CROSBY. I do not think I am competent to answer that question; I do not know.

Senator MALONE. I am certain you are too good a witness for your company to answer it, but I will say now I do not think the 2 cents sounds out of line and maybe it was not high enough. I want the record to show that the Smoot-Hawley Tariff Act, about which so many of you people who have taken up residence in other nations testify was ruining your production, was subject to adjustment of 50 percent up or down on a flexible basis; the Congress finally arrived at the particular tariff listed on each product, and established flexibility which, at that time, would have been enough to make a fair differential adjustment between the wage standard of living here, and the wage standard of living in the chief competitive nation, on each product.

Since that time, 1930—inflation has lowered the tariff about 70 percent.

We now have about a 35-cent dollar, based on 1934, and if the tariff was set at 2 cents, then that lowered the tariff in proportion to the inflation. That would have been about 33½ percent of the 1930 tariff, would it not?

Mr. CROSBY. Yes, sir.

Senator MALONE. But when we lowered the price of the dollar to 33 cents, that made a considerable difference, it lowered the effective tariff 50 to 75 percent and that made it insignificant, did it not?

Mr. CROSBY. I would think so; yes.

Senator MALONE. Now then, for the record, what agreement, and where was it arranged that lowered the tariff on Cuban sugar to one-half cent?

Mr. CROSBY. Senator, that reduction from the 2 cents of the Hawley-Smoot Tariff to the half cent of today was brought about in a succession of steps.

The first 50 percent reduction came in 1934.

Senator MALONE. That was 1 cent.

Mr. CROSBY. From 2 cents to 1.5 cents, which came in 1934, through the action of the Tariff Commission's report to the President, making use of the power which you have mentioned in the Smoot-Hawley Tariff Act. The Cuban duty was reduced by half a cent a pound.

Senator MALONE. That would have been a 25 percent reduction. In what year was it made?

Mr. CROSBY. 1934, sir.

Senator MALONE. That was the year, 1934, that the 1934 Trade Agreements Act was passed.

Mr. CROSBY. Immediately after the passage of the Jones-Costigan Act. That was part of the program, you might say, of the adjustment.

Senator MALONE. Was that not the year that the 1934 Trade Agreements Act passed, when Congress ceased to have anything to do with the adjustment of tariffs?

Mr. CROSBY. The first 50 points were taken off by action of the Tariff Commission prior to the putting into effect of the machinery of the Reciprocal Trade Agreements Act. As you will recall, and as I recall it, the Reciprocal Trade Agreements Act was passed on the 12th of June, or became effective on the 12th of June 1934, and then the program or scheme of the administration with respect to Cuban sugar was carried forward another step through Reciprocal Trade Agreement under the Hull Act of 1934.

Senator MALONE. Yes. We are somewhat familiar here in this committee with the so-called Reciprocal Trade Act.

Do you still say that the one-cent remaining represented more than a differential cost of producing a pound of sugar in Cuba and in the United States?

Mr. CROSBY. Well, after the Tariff Commission action, the amount remaining was a cent and a half, and that was reduced to 0.90 cent per pound under the First Reciprocal Trade Agreement that Cuba signed, or made effective in early 1934.

Senator MALONE. You still think that was higher than the differential of cost of producing a pound of sugar here and in Cuba?

Mr. CROSBY. I would like to carry the reductions from the 0.90 cent.

Senator MALONE. Go ahead.

Mr. CROSBY. Subsequently, late in 1941, effective, I think, the 1st of January or early January 1941, the 0.90-cent rate was reduced to 0.75 cent, and then by the GATT agreement, the Geneva agreement of 1947, I believe, it was reduced from 0.75 cent to 0.50 cent, which is the present rate.

Senator MALONE. That is after the President transferred the constitutional responsibility of Congress to regulate foreign trade and the national economy, to Geneva, where 35 nations now sit down and divide up the markets of the United States. But that was one of the first actions at Geneva; was it not?

Mr. CROSBY. Well, that change in the duty on Cuban sugar was one of the great many items negotiated between the United States and Cuba.

Senator MALONE. Kind of a network. Other nations participated; did they not?

Mr. CROSBY. I do not know how many nations were at Geneva; a great many.

Senator MALONE. And it was part of a network, kind of an interwoven spider web of reductions involving us all over the world, was it not?

Mr. CROSBY. Well, that is one way to describe it; yes.

Senator MALONE. Do you have a better way?

Mr. CROSBY. I am not a competent witness on the subject. I was not there. I do not even know which countries were represented there, and I do not know what they did except what was published.

Senator MALONE. Of course no one knows what they are doing until it is finished. However, you are too competent a witness to answer a question like that, I am sure.

Mr. CROSBY. Well, it would be only opinion, Senator.

Senator MALONE. Now, Mr. Chairman, may I say to the witness, you are a very competent witness. I want to congratulate you on your competency.

You talked about balance of payments. What constitutes a balance of payments? What brings it about?

Mr. CROSBY. A considerable number of items, and I will just—

Senator MALONE. I am talking more on a principle.

Mr. CROSBY. First, generally, in looking at a balance of payments, you look at the commercial trade, the physical trade in commodities. That is the simplest and easiest thing to see.

But in the statement that I have here from the Cuban Bank of Issue, there are also included the following items of payments, plus and minus: Tourist expenses, transportation, insurance, return on investments, intergovernmental transactions, and miscellaneous, and then after making a total of those, they give an item called private gifts. I suppose they mean by that remittances of persons whose purpose they cannot account for, and then they come to their final figure, so you see—

Senator MALONE. Then you have a balance?

Mr. CROSBY. Yes, sir.

Senator MALONE. What year was it and what was the balance?

Mr. CROSBY. Just for the United States or for the whole world? Between Cuba and the United States or Cuba and the whole world?

Senator MALONE. Both, United States and the whole world.

Mr. CROSBY. The United States for the year 1954, the balance of payments between Cuba and the United States, according to this table, was \$93,100,000 against Cuba, unfavorable.

Senator MALONE. What did that mean? What do you have to do in that case?

Mr. CROSBY. What was that?



Senator MALONE. What do you mean balance of payments, that you owed us that much money?

Mr. CROSBY. Yes; that we paid you that much more money than we got from you on those concepts.

Senator MALONE. How is that deficit arrived at? Does it mean you purchased more from us than you could afford?

Mr. CROSBY. If we kept on it would be true, unless we change the situation; yes, sir.

Senator MALONE. Is it a good deal like an individual when he cannot pay his bills, when he insists upon purchasing more than he can pay for, they finally close him out?

Mr. CROSBY. Of course, it is not just purchases; it is interest, it is payment of dividends, and expenses of children in schools.

Senator MALONE. You are talking now about dividends made by Americans—payment of dividends to Americans?

Mr. CROSBY. To American capital; yes, sir.

Senator MALONE. But in the long run there is no balance of payments necessary if you do not exceed your earning power in expenditures, is there, or at least nothing that you cannot pay, if you do not exceed your earning power in purchases?

Mr. CROSBY. Of course, sir, it is not just a question of purchases. I mean, all remittances are reflected in a balance of payments.

Senator MALONE. I understand.

Mr. CROSBY. And you may have a country that has an unfavorable trade balance, but is receiving importations of capital from another country, new investments.

Senator MALONE. Let us put it another way: If there is not some source of money, like the United States taxpayer or the United States market, eventually your purchases will balance your sales, considering the items you have named?

Mr. CROSBY. I think that is axiomatic. You have got to balance your payments sometime.

Senator MALONE. Then what you are here for is to try to balance your trade by getting more of a share of the American market or money in lieu of the market?

Mr. CROSBY. What we are here for is to try to maintain as much as we can our present percentage share of the market, and project that into the future if we possibly can.

Senator MALONE. I understand that. You made such a bad case for the economy of Cuba this morning that I am trying to understand why you are involved in these deficits.

Mr. CROSBY. Let me give you the total figure.

Senator MALONE. I am involved in deficits all the time; I am an individual, but I know what causes it. I think I also know what causes yours. That is spending more than you earn.

Mr. CROSBY. The total—we showed a deficit of \$93 million to the United States on balance of payments in 1954.

Senator MALONE. How much was it to the world?

Mr. CROSBY. To the world for the same year it was a \$72 million deficit because our favorable balance with the rest of the world on payments offset part of our deficit with the United States.

Senator MALONE. Do other nations favor you as the United States does? Do you go to other nations capitals or parliaments and try to get some favors to make up your deficits?

Mr. CROSBY. In our dealings on sugar with the other nations, sir, we work through this International Sugar Council referred to yesterday.

Senator MALONE. You sell it at the world market price?

Mr. CROSBY. What?

Senator MALONE. You sell it to the world at the world market price?

Mr. CROSBY. We have to.

Senator MALONE. You do not sell at the world market here, do you?

Mr. CROSBY. No, sir. The Secretary of Agriculture would not let us.

Senator MALONE. He would not buy it if you sold at the world market?

Mr. CROSBY. He regulates the price, we do not. We did not set up the quota system. The United States did, and the purpose of it was to maintain a certain price level, or one of the purposes of it.

Senator MALONE. The purpose was to keep the price of foreign sugar higher to our consumers? You do not sell sugar to us at the world market, and you are not offering to. Do I understand you are offering to sell us sugar at the world market and the Secretary would not take it?

Mr. CROSBY. Well, Senator, the amount we can sell is limited by the Secretary of Agriculture in his fixing of the quotas. He fixes that total consumption, having several factors in mind, and one is to maintain the welfare of the domestic sugar industry and, at the same time, be fair to consumers.

Now, in order to maintain the welfare of the domestic sugar industry, he wants to have a certain price level. Under those circumstances a person who is an officer of a corporation, such as I am, cannot in the discharge of his duty to his stockholders give away his sugar to the great industrial users or the consumers of the United States. He has got to get the market price, otherwise he cannot only be fired, he can be sued.

Senator MALONE. You may have your signals mixed. You are not a State in the Union; are you? You are talking about our consumers here, not yours.

Mr. CROSBY. Yes.

Senator MALONE. We are taking care of our consumers or trying to. But you are Cuba, you are not a State in the Union.

Mr. CROSBY. No.

Senator MALONE. So you are talking about not being able to sell at the world price to the United States because of "our consumers."

Mr. CROSBY. No. I am saying that in the United States under this sugar legislation there has for years been set up a mechanism to control the price structure of sugar to be purchased by American consumers.

Under that mechanism Cuba has a certain slice, a certain tonnage. That tonnage is owned by private people, individual sugar mill owners or corporations.

In my case, I represent a corporation. It would be wholly improper, it would be criminal, for me to sell any sugar of that corporation on a specific date at less than the market price in the destination to which it is going; that is all there is to it.

Senator MALONE. All right. I understand your position perfectly, that you are here to get more money at a price higher than the world price so that you can pick up the check there on your balance of payments. I understand your position perfectly on that. And so your American Co. in Cuba can get a bonus of \$1.75 per hundred above the market price by selling to us.

You have made reference to political reasons for allowing the United States, the States and the Nation here, to participate in their own market. Just what did you mean by that?

Mr. CROSBY. I mean this: That the farmers of the United States or some of them wish to plant beets, and they are voters in the United States; they have the right to petition their Congress to help them realize their ambitions, and they send to the Congress Senators and Congressmen to represent their views in the interests of the whole country, and in the operation of a democracy a problem like this can never be solved on purely economic grounds, looking at the world as a whole, as I think Senator Douglas referred to it here.

I think that is elemental, that one of the purposes of democracy and one of the reasons we like it so much is that it does give the individual man the opportunity to express his own interest and to defend it in public.

Senator MALONE. It interests me that you did recognize to some extent the right of the United States to participate in her own market. But my further interest in you is that, while you sell to other nations sugar at \$3.25 per hundred and make money, you insist upon \$6 per hundred in the United States market.

Mr. CROSBY. I certainly do recognize that.

Senator MALONE. I thought that was quite a concession.

Mr. CROSBY. I think I went further than that, I did not criticize it.

Senator MALONE. I have heard of Cuba's reputation before I was in the Senate long before I was elected. I have been coming here on other matters for more than 30 years, and your predecessor had a tremendous impact on Congress throughout that time. An honorary Assistant Secretary of State, Mr. Eden, will arrive from England in a few days to confer with some of our top officials, to be sure we stay on the English track in our future foreign policy.

I would like very much for this Congress to return to the Constitution and the Bill of Rights—care for the interests of the United States of America once more. I am for that principle first, last, and all of the time.

The Senators who have sat here, it seems a futile thing, this is the second day—and talked about the additional acreage in beets and sugarcane that their producers need to make their operation feasible. It may be that you are more powerful than they are. It has all the earmarks, because you say this is a compromise, it came down from the State Department. We had the testimony of the State Department yesterday, that they want to buy more foreign sugar in order to sell more of our other products to them.

Now, the products we sell, we sell at the world price, and pick up the check, since the world price is substantially below our support price. But what you—Cuba—sell to us, you sell at our support price, regardless of what the world price may be.

I want to make that clear for the record, and if that is not true, I want you to explain it.

Mr. CROSBY. I agree with you, sir, that we sell our sugar to the United States at the United States price.

I, however, insist, if I may, that is what your Government asked us to do, and if your Government would, or this Congress would, change this system and abandon this quota system——

Senator MALONE. I am all for changing the system in favor of our own people, don't worry about that.

Mr. CROSBY. We would sell at whatever the price was, whatever the law of supply and demand, operating freely, would permit the price to be, subject, of course, to whatever the tariff might be.

Senator MALONE. Not only on sugar but on every product produced in quantity in the United States, I would like to see a flexible import fee that would make up the difference between the wage standard of living here and in the chief competitive country on each product, and flexible so that when such a foreign nation raises its standard of living, the tariff would be lowered accordingly, and when you pay the wages, when your standard of living approaches our own, then free trade would be almost automatic and immediate.

The flexible duty or tariff would take the profit out of your low-cost labor at our water's edge. That is all a tariff was ever designed to do. That is all it was ever meant to do. American investments are going in to many low-wage countries to furnish other low-wage countries their product and ship their product here under free trade.

Mr. CROSBY. Well, I think, as a historical fact, there is not any doubt about that.

Senator MALONE. I would challenge you to say for the record that a 2-cent tariff would any more than make up the difference in the wage standard of living in the United States and in Cuba.

Mr. CROSBY. At the time that tariff was passed?

Senator MALONE. At that time or this time.

Mr. CROSBY. It is my opinion that it did make up for it.

Senator MALONE. How?

Mr. CROSBY. Today or then?

Senator MALONE. Both times.

Mr. CROSBY. I would like to refer to history. In the Underwood Tariff of 1913, the rate on sugar, Cuban sugar was fixed, at approximately 1 cent a pound, and a clause——

Senator MALONE. That was the tariff.

Mr. CROSBY. Yes, sir; and a clause was put in the bill that sugar would go on the free list, I think, in 1916 or 1917.

Then came the First World War, and that free list——

Senator MALONE. Who was President at that time, in 1913?

Mr. CROSBY. I think it was Dr. Wilson, Woodrow Wilson.

Senator MALONE. I think you are correct—a free trader.

What was that tariff bill called? You are old enough to remember the name of that bill.

Mr. CROSBY. Underwood, Oscar Underwood of Alabama.

Senator MALONE. Now, follow that through.

Mr. CROSBY. All right.

Senator MALONE. Go ahead.

Mr. CROSBY. In 1920, 1921, I think they passed an emergency tariff.

Senator MALONE. Yes, they did, in order to keep the United States in business. They had a special act in Congress to raise the duties to take the profit out of the low cost labor.

Mr. CROSBY. Whatever the motive was, they passed it.

Senator MALONE. And nullified the Underwood tariff bill.

Mr. CROSBY. And that raised the rate on Cuban sugar to a figure which, at the moment, escapes me, but it was somewhere about 1.6 cents.

Then a year or two later, 1922, they passed the Fordney-McCumber bill—I forget the exact name of the Senator—and that raised the tariff still further, I can look those figures up, if you wish to have the exact rates.

Senator MALONE. I would like to have you put them in the record.

Mr. CROSBY. I have them right here.

(The following was later furnished for the record:)

*United States tariffs on raw sugar from Cuba since 1897*

Date and authorization	Duty (cents per pound)
July 24, 1897 (Dingley tariff).....	1.6850
Dec. 27, 1903 (Cuban Reciprocity Treaty effective).....	1.3480
Aug. 5, 1909 (Payne-Aldrich tariff).....	1.3480
Mar. 1, 1914 (Underwood-Simmons Tariff enacted Oct. 13, 1913) <sup>1</sup> .....	1.0048
May 27, 1921 (emergency tariff).....	1.6000
Sept. 22, 1922 (Fordney-McCumber tariff).....	1.7648
June 18, 1930 (Hawley-Smoot tariff).....	2.0000
June 8, 1934 (Presidential proclamation).....	1.5000
Sept. 3, 1934 (Cuban trade agreement under act of June 12, 1934).....	.9000
Sept. 12, 1939 (suspension of Sugar Act quotas).....	1.5000
Dec. 27, 1939 (reimposition of Sugar Act quotas).....	.9000
Jan. 5, 1942 (trade agreement with Cuba).....	.7500
July 29, 1942 (trade agreement with Peru).....	.7500
Jan. 1, 1948 (Geneva trade agreement).....	.5000
June 6, 1951 (Torquay trade agreement).....	.5000

<sup>1</sup> The act of 1913 provided that sugar should be placed on the free list on May 1, 1916. This provision was repealed Apr. 27, 1916.

Senator MALONE. What tariff bill was that called?

Mr. CROSBY. That was the Fordney-McCumber.

Senator MALONE. Who was President at that time?

Mr. CROSBY. Warren Harding.

Senator MALONE. They began trying to adjust the differential between the wage standard of living here and in your country which was proper to save our interests and the workingman.

Mr. CROSBY. After that, if I recall correctly, the Tariff Commission, about 1924, 1923–24, made an investigation of sugar tariffs, and they recommended a reduction of the tariff on Cuban sugar, and President Coolidge put it in his pigeonhole and never acted upon it.

Senator MALONE. He is remembered as a good President. Do you remember him?

Mr. CROSBY. Well, he comes from the same part of the country that I come from.

Senator MALONE. I think there is a little Coolidge in you, but you are on the free trade other side that free trade for this country in the products your people produce.

Mr. CROSBY. Then came the Hawley-Smoot tariff.

Senator MALONE. Yes. That had the flexible provision in it.

Mr. CROSBY. Well, that flexible provision, I think, was first in the Payne-Aldrich tariff in 1907, or a similar one. The Tariff Commission was created——

Senator MALONE. If you are going to explain the tariffs, explain how the tariffs operated. The 1930 tariff was the first straight across-the-board tariff with a flexibility feature. But if you will go back to the Payne-Aldrich and explain it, it will be helpful.

Mr. CROSBY. I was in high school when the Payne-Aldrich tariff was passed; but I remember very keenly the fact that the Tariff Commission was set up under that tariff bill, because one of the—I think the first Chairman of the Tariff Commission, was a distant cousin of mine.

Senator MALONE. He must have been a pretty good man.

Mr. CROSBY. Thank you, sir. He had the word "Crosby" as his middle name.

Senator MALONE. What did we do in 1925?

Mr. CROSBY. After 1925 there was no further action on sugar until after the Smoot-Hawley, which was proposed in 1929, and passed in 1930.

Senator MALONE. And did it have that flexible feature?

Mr. CROSBY. Yes, sir; it did.

Senator MALONE. Particularly aimed at any discrepancy or any hardship or any wrong that it might bring about, so you say then in 1934 they did lower it a half cent?

Mr. CROSBY. They lowered it a half cent, and then 60 points more in 1934.

The first step was the Tariff Commission's action, and the second step was the reciprocal trade agreement.

Senator MALONE. But the first step they did not go as far as they could have gone, so they must have been convinced that the cent and a half was about the differential between the labor standard here and in Cuba.

Mr. CROSBY. That the report should——

Senator MALONE. The so-called reciprocal trade, we know what that has done. We have lowered all tariffs far below any differential between the standard of living wage here and in the chief competitive country on each product, and most of them are in business through government money going in it. Mostly under the guise of national defense.

Again, you are too good a witness to give me any information on this subject, so I am simply going to ask you if you think that this Congress has the right to take the annual increase in the markets here—and distribute them any place they see fit to the Nations in a friendly hemisphere.

The testimony was to the effect that you cannot get hurt, that you cannot sell less sugar to us under the new bill. You will increase the amount of sugar that you sell to the United States under this bill. You are not getting the percentage of the increase that you have had for 10 years.

Mr. CROSBY. We do not anticipate any possibility of getting the percentage in the increase which we have enjoyed for the last—since 1948——

Senator MALONE. You are not being reduced.

Mr. CROSBY. In 1948, and in an act of Congress, which was adopted by the Congress on the recommendation of the domestic sugar industry, and extended in 1951 until 1956 on the recommendation of the sugar industry, and it was not dictated by Cuba or anybody in Cuba.

Senator MALONE. I did not say it was dictated by Cuba.

Mr. CROSBY. But it was a voluntary action.

Senator MALONE. That is not even the subject of my question.

Mr. CROSBY. I know.

Senator MALONE. I said you are not being reduced—the testimony is clear.

Mr. CROSBY. I do not know what you mean by not being cut.

Senator MALONE. You are going to increase your sales under the bill, far from reducing the amount you sell here—you are going to increase it.

Mr. CROSBY. Yes. But in Cuba you have a system of preferential tariffs where the Cuban market is thrown open to the domestic products and domestic farm products of the United States without any restrictions of any kind.

Senator MALONE. I am utterly opposed to the operation of the 1934 trade agreements in any form whatever. You should know that, and I am questioning you to find out what you have been doing to us. You have been selling to us at our support prices whereas we sell to you at the world market, and pick up the difference with the taxpayers' money. In case of wheat the difference is \$1.35 per hundred that it cost our taxpayers for every 100 pounds of wheat we sell to you.

Mr. CROSBY. The only substantial quid pro quo that the United States gives to Cuba in exchange for those preferences is the share of Cuban sugar in the American market at a preferential of 20 percent, which is 12 points, 12½ cents, per hundred pounds on the price of sugar.

Now, if the United States wants to scrap that deal, that is another matter, but I do not think anyone can say that so long as that kind of preferential arrangement exists it is unreasonable or unfair or improper on the part of the Cuban sugar industry or the Cuban Government, when the Cuban Government is speaking, to urge on the United States authorities that Cuba should have a reasonable share in the growth of the consumption of sugar in the United States.

The United States has a hundred percent share in the growth of imports of many products in Cuba.

Senator MALONE. I have just established the point, I think, and we will go over it again if I have not, that we sell to you at the world price and pick up the difference with the taxpayers' money in America in agricultural products, rice, wheat or anything else we sell to you, and that as far as I have been able to learn, you do not buy anything from us that you can get cheaper someplace else. You buy because you think it is better quality or you buy wherever you can get the cheapest price for the quality you want.

Mr. CROSBY. If you think, Senator, that you are doing Cuba a great favor by selling her rice at the world price, why, she would try to buy the rice from somewhere else—we do not wish to be under obligation to you.

Senator MALONE. I think you are buying rice from us at the world price and our taxpayers pay the difference between that and our support price.

Mr. CROSBY. No, sir.

Senator MALONE. You are raising increasing amounts of rice in Cuba while we hold down our production of sugar.

Is there anything else you can raise in Cuba besides rice and sugar?

Mr. CROSBY. We can raise enough coffee for our own needs, and a small surplus for export, but very small.

We have never been able to make any substantial production of cocoa. We can produce local tropical vegetables. We can raise cattle, not of the quality that the American market is accustomed to, but maybe we will be able to improve that over a period of years.

But we can also raise northern vegetables in the winter, but the entry for them into the United States is very limited because, of course they would compete with the Florida product. That is about all.

Senator MALONE. That is about all?

Mr. CROSBY. It is a rich soil but adapted for these tropical products.

I should mention, perhaps, we can produce a certain amount of fiber similar to sisal. We have about 2 percent of the world market in the export of that hard fiber.

Senator MALONE. There would be a ready market for that product would there not?

Mr. CROSBY. For sisal?

Senator MALONE. Yes.

Mr. CROSBY. There has been an overproduction ever since the Korean crisis was over, and the market dropped very heavily. Mexico was one of the biggest producers of that, and exports a great deal to the United States.

Senator MALONE. What is the national debt in Cuba?

Mr. CROSBY. The national debt, I think, is about \$350 million or so of internal debt. I may be understating that, I could get those figures for you.

Senator MALONE. What do you mean by internal debt?

Mr. CROSBY. Debt issued in Cuban pesos, and payable in Cuba.

Then there is an external debt quoted on the New York Stock Exchange of Cuban bonds, and the amount outstanding I do not remember, but it is very easy to put those figures in the record if you wish them.

Senator MALONE. Yes, I think it would be very good to have them in the record.

The following was later furnished for the record:

*Public debt of the Republic of Cuba as of Dec. 31, 1954*

	<i>Thousands of dollars</i>
External.....	58, 218. 8
Internal.....	284, 652. 3
Total.....	<u>342, 871. 1</u>

Senator MALONE. Now, the \$350 million are the bonds that your Government has sold to your own people?

Mr. CROSBY. Yes, that is right.

Senator MALONE. That is all.

Senator SMATHERS. That is all? Thank you very much, Mr. Crosby, and we will stand in recess until 2:15.

(Whereupon, at 1:15 p. m., the committee recessed, to reconvene at 2:15 p. m. the same day.)



## AFTERNOON SESSION

Senator SMATHERS (presiding). The committee will come to order. The next witness on the list is Mr. Herman Fakler, of the Millers' National Federation.

Mr. Fakler.

Mr. FAKLER. I am Herman Fakler, Mr. Chairman, and I have with me Mr. Gordon P. Boals, director of export programs for the Millers' National Federation.

Senator SMATHERS. Very well.

Senator CARLSON. May I ask, do you have copies of your statement?

Mr. FAKLER. Yes, we have, and they were given to the clerk this morning, Mr. Carlson.

Senator SMATHERS. Very well, you just go right ahead. We will get them distributed.

Mr. FAKLER. Yes; very good.

**STATEMENT OF HERMAN FAKLER, VICE PRESIDENT, MILLERS' NATIONAL FEDERATION; ACCOMPANIED BY GORDON P. BOALS, DIRECTOR OF EXPORT PROGRAMS, MILLERS' NATIONAL FEDERATION, WASHINGTON, D. C.**

Mr. FAKLER. I am vice president and Washington representative of the Millers' National Federation, the national trade association of the wheat flour milling industry. It has members located in 36 States and the District of Columbia and the production of its members accounts for around 85 percent of the total flour produced in the United States and almost 100 percent of the flour exported.

In considering the proposals being made for changes in the existing sugar legislation, and especially the relative quantities of sugar from the respective sources, there are two points which the federation believes should be brought to the attention of your committee.

The first relates to the principle of reciprocity with respect to our import and export trade. Flour and sugar have been important agricultural items in our export and import trade for many decades. In the two countries with which the United States has negotiated preferential tariff agreements, namely, Cuba and the Philippines, sugar and flour were among the important items receiving preferential treatment.

Such import and export trade has been beneficial to both parties because it has been based on the comparative advantage which each country has in natural resources. No country in the world, for example, has a wheat producing and processing industry comparable to that of the United States. It was the milling industry with its mechanization, efficient operation, and large capacity that played such a major role in meeting the unusual world demands for food during the postwar food crisis. Cuba, in particular, received special aid with considerably larger than normal supplies of flour in 1945-47 from the United States, due to the reduced allocations of rice and other foodstuffs. In turn, Cuba contributed in a major way to United States sugar supplies in years of great need.

If reciprocity is to have real meaning in our foreign trade, it must be a two-way proposition. United States export commodities such as

flour, for which the United States has a definite economic advantage, should receive fair and equitable treatment in importing countries; and, of course, similar consideration is due import items from foreign countries which can be supplied advantageously and with continuity from those foreign countries. This trade position is notably true for products which have been included in trade-agreement negotiations as such agreements recognize the mutual basis of trade.

The record would seem to be very clear on this point in connection with United States-Cuban trade. Historically, Cuba has occupied the No. 1 market position for United States flour, similar to the United States position as a market for Cuban sugar. Because of this situation, the two food commodities have formed an important part of the preferential tariff treatment that has featured the trade between the two countries over many decades and particularly under the 1947 Geneva agreement. At that time, Cuba reduced the duty on United States flour and exempted it from the general 20 percent surtax. In turn, the United States gave special concessions for Cuban sugar.

The second point, to which I would like to call the committee's attention, involves the proposed construction of a new flour mill in Cuba. An application to the Cuban Government for tax and other special concessions, as well as an assigned import quota of wheat, is reported to have been made by a newly formed company at Santiago, Cuba. It is indicated in the application, however, that if the protection applied for is refused, the project would be abandoned and the company would be dissolved.

It is recognized at the outset, therefore, that the flour mill is not considered to be an economically sound industry in Cuba, and that it must receive special concessions as well as a protected market to survive. Such concessions, of course, result in loss of revenue to the Government that has to be made up by additional taxes collected on other imports, or from Cuban consumers generally, in the form of higher prices.

If such a mill were to be built, Cuba would no longer be a very significant market for United States flour. The trade concession received on flour in the Geneva agreement has already been seriously impaired by the mill built at Habana in 1952. The concession would become virtually nullified by the building of a new mill. Canada, rather than the United States, has been the principal beneficiary from the present mill, while United States flour exports have suffered approximately a 40-percent decline. Over \$8,500,000 were spent for wheat in Canada during the 3 years 1952-54, following the construction of the Habana mill. Statistical tables showing exports of wheat and flour from the United States and Canada over a 10-year period by volume and value are included in the appendix to this statement.

Mr. Chairman, if I may request the statistical tables to be incorporated in the record as a part of my statement—

Senator SMATHERS. Without objection, they will be made a part of the record.

Mr. FAKLER. Thank you, sir.

(The table referred to is as follows:)

## APPENDIX

TABLE I.—Cuba: Wheat and flour exports from the United States and Canada, prewar average and annually 1945-46 to 1954-55<sup>1</sup>

[1,000 bushels, wheat equivalent]

Year	United States			Canada			Total		
	Wheat	Flour <sup>2</sup>	Total	Wheat	Flour	Total	Wheat	Flour	Total
Average, 1934-35 to 1938-39..	22	4,717	4,739	-----	58	58	22	4,775	4,797
1945-46.....	76	8,442	8,518	86	47	133	162	8,489	8,651
1946-47.....	86	8,737	8,823	4	65	69	90	8,802	8,892
1947-48.....	58	6,145	6,203	-----	419	419	58	6,564	6,622
1948-49.....	70	6,342	6,412	12	582	594	82	6,924	7,006
1949-50.....	56	5,022	5,078	4	1,831	1,835	60	6,853	6,913
1950-51.....	68	5,153	5,221	17	2,525	2,542	85	7,678	7,763
1951-52.....	145	4,956	5,101	949	2,362	3,311	1,094	7,318	8,412
1952-53.....	1,354	5,051	6,405	1,638	149	1,787	2,992	5,200	8,192
1953-54.....	1,442	3,143	4,585	1,152	776	1,928	2,594	3,919	6,513
1954-55.....	1,621	3,819	5,440	1,113	995	2,108	2,734	4,814	7,548

<sup>1</sup> Supplying countries other than United States and Canada have been unimportant during this period.<sup>2</sup> Includes semolina and also flour milled in bond.

Source: Official export data for United States and Canada.

TABLE II.—Cuba: Dollar value of wheat and flour shipments from the United States and Canada, 1945-54

[1,000 United States dollars]

Year (calendar)	United States			Canada			Total		
	Wheat	Flour	Total	Wheat	Flour	Total	Wheat	Flour	Total
1945.....	123	13,758	13,881	-----	-----	-----	123	13,758	13,881
1946.....	154	16,077	16,231	-----	-----	-----	154	16,077	16,231
1947.....	230	25,462	25,692	-----	665	665	230	26,127	26,357
1948.....	199	14,236	14,435	-----	1,015	1,015	199	15,251	15,450
1949.....	144	14,640	14,784	30	3,180	3,210	174	17,820	17,994
1950.....	129	9,687	9,816	15	4,305	4,320	144	13,992	14,136
1951.....	137	10,990	11,127	75	5,375	5,450	212	16,365	16,577
1952.....	1,282	10,556	11,838	3,500	2,340	5,840	4,782	12,896	17,678
1953.....	2,881	8,502	11,383	2,800	735	3,535	5,681	9,237	14,918
1954.....	3,745	7,422	11,167	2,229	2,106	4,335	5,974	9,528	15,502

Source: Official export value figures for United States and Canada.

Mr. FAKLER. The federation believes that the Congress can do much to help encourage the principle of reciprocity in United States trade relations with the many countries and areas included in the United States sugar legislation. The United States, as the world's leading consumer and importer of sugar, and also a market for sugar which has shown an important annual rate of growth, provides a unique basis for helping to implement a sound, two-way reciprocal basis for trade. Continued access to the United States sugar market should in part, at least, be based on the continued access of United States export products to foreign suppliers of sugar interested in the United States market. This is notably true of items that have a trade-agreement status and for which there is a sound economic basis for trade.

There are various ways in which this principle might be included in the proposed amendments to the Sugar Act. Some degree of flexibility or adjustment of the supplemental quota provisions, for example, could be established with appropriate conditions for review within

specified limits. The annual hearings conducted by the United States Department of Agriculture on United States consumption requirements for use in determining supplemental quotas would appear to afford an excellent opportunity to consider also those country situations in which serious trade problems or difficulties may have been experienced by United States export industries.

On the other hand, if the period of applicability of the newly established quotas is a limited one—and as I indicated in my statement, we have understood that that period might be a period of 3 years—and if the current adjustment provisions do not appear feasible on an annual basis, the act of the legislative record regarding sugar quotas could reaffirm and clearly establish the principle of reciprocity as one of the factors to be taken into account in determining import quotas for access to the United States market in future legislation.

I am not sure that I understood the testimony this morning, Mr. Chairman, but I heard several references to the year 1962.

Now, if that contemplates the period of these quotas being in effect for a 7-year period—

Senator BENNETT. A 6-year period.

Mr. FAKLER. A 6-year period. Then I would like to return to the emphasis of a possible review of the supplemental quotas on an annual basis in connection with the consideration given by the Department of Agriculture.

Such a provision should be welcomed by those sugar suppliers who are really interested in the United States market and who in turn encourage rather than discourage imports from the United States in trade-agreement items or products for which there is a mutually beneficial basis for trade.

With the expanding output in flour and cake mixes, also breakfast cereal products in recent years, the United States milling industry has become a very important direct user of sugar. In fact, from such data as are available regarding the current utilization of sugar in the United States, it would appear that purchases by the milling, baking, and confection industries, which use flour or other milled products, place them in the top ranking position among the major industrial users of sugar. The milling industry, therefore, stands in a rather unique position as the major processor of United States wheat and exporter of wheat flour; as a direct purchaser and user of sugar; and as a supplier of milled products to bakers and confectioners who purchase and use very large quantities of sugar for their baked products and confections.

The federation recommends that the Congress make appropriate provision for the principle of reciprocity in United States trade relations in developing amendments to and extending the Sugar Act of 1948. With specific reference to Cuba, the federation recognizes the basic importance of sugar for the Cuban economy; we recognize Cuba's record of dependability as a source of supply for the United States industrial users and consumers; we support the maintenance of the basic quota which is the largest single factor in the United States market, and also the maintenance of as favorable a percentage share of any increased annual consumption quotas as may be possible in this new legislation.

The federation does this with a spirit of good will and in the hope that the Cuban Government in turn will reexamine its policy of

restricting flour imports and not authorize the construction of another local mill which would further impair the flour export trade from the United States and possibly lead to subsequent action regarding Cuban sugar.

Senator SMATHERS. All right, sir. Thank you very much.

Mr. FAKLER. Thank you, Mr. Chairman.

Senator CARLSON. Mr. Chairman, may I ask a question?

Senator SMATHERS. Senator Carlson.

Senator CARLSON. Mr. Fakler, I believe you stated a mill was constructed in Havana, Cuba, in 1952.

Mr. FALKER. It started operation in the latter half of 1952; that is correct.

Senator CARLSON. Checking the table that you submitted, I notice that in the year 1952-53, we exported flour from the United States to Cuba on the basis of 5,051,000 bushels of wheat. In the year 1953-54, the amount exported of wheat in the form of flour was 3,143,000 bushels, and in the year 1954-55, 3,819,000 bushels. Do you base that reduction of flour shipments on the construction of this mill?

Mr. FAKLER. Yes, with the possible exception of 1952-53. We could not allocate entirely to that construction any reduction that might have occurred. As a matter of fact, you will note that for that crop year, it was slightly higher than for the previous crop year. The mill did not start until the latter part of the year, and therefore, the full impact of the reduction is felt in 1953-54 and 1954-55.

Senator CARLSON. May I ask, then, if it is your contention and your thought that if another mill is constructed in Santiago, Cuba, which, as we understand is being presently considered, that it might further reduce our flour exports from this country to Cuba?

Mr. FAKLER. It cannot help but do so, Senator, particularly if the concessions which are granted are similar to those which have been granted to the present mill, which assures the mill, in the first place, of a guaranty of 40 percent of Cuba's import quota under the International Wheat Agreement in the form of wheat.

The second mill would likely get the same kind of quota in the form of wheat, and that would unquestionably result in reduction in the import of United States wheat flour.

Senator CARLSON. Would it not also be possible for Cuba to secure wheat from other countries, in addition to what they receive through the International Wheat Agreement at the present time, and further reduce our exports of wheat?

Mr. FAKLER. Yes. I think the United States would not even benefit totally, so far as wheat is concerned. The table which you have before you shows that since the construction of the mill, there have been substantial exports of wheat from Canada, which in previous years, has not been the case at all.

Senator CARLSON. If I understand your statement correctly, you are not concerned about the sugar quotas to Cuba; you were hoping sincerely that Cuba would give some consideration to the basis of concessions on a reciprocity basis to wheat flour and other farm products?

Mr. FAKLER. That is correct, Senator; the maintenance of the historic principle of reciprocity between the 2 countries on these 2 very principal major commodities, sugar and wheat flour.

Senator CARLSON. That is all, Mr. Chairman.

Senator SMATHERS. Do you think that if this legislation were passed and Cuba was not given what she asked for, that Cuba would then be justified in going ahead with this flour mill?

Mr. FAKLER. I am not sure that I am in a position to speak for Cuba on that point, Senator. I will make this comment. I could see no advantage to Cuba if she did that.

Senator SMATHERS. But as I read your statement, you ask that she get as favorable a percentage share of any increased annual consumption quotas as may be possible in this legislation, recognizing that this business of trade is a two-way street?

Mr. FAKLER. That is correct.

Senator SMATHERS. Do you have any questions?

Senator BENNETT. Just the comment that apparently the officials in Cuba made the 1952 decision to put in a flour mill without any consideration of the sugar situation, because there was no sugar bill up; Cuba was enjoying the highest and most favorable quota arrangements with the United States that it has ever enjoyed, and that did not stop them from going ahead and putting in a flour mill.

Senator CARLSON. If I may ask Mr. Fakler on that point, if it is not a fact that the milling industry is not a very profitable industry in Cuba, and the only way they can put them in there is through concessions of import duties and tax amortization or other provisions to help them get these mills?

Mr. FAKLER. That is right. And they get their raw material, wheat, free of duty, while flour pays the duty to go in.

Senator SMATHERS. All right, sir. Thank you very much.

Mr. FAKLER. Thank you, Mr. Chairman, and members of the committee.

Senator SMATHERS. Next we have Mr. John O'Donnell, the representative for the Philippine Sugar Association.

Mr. O'Donnell, you may proceed, sir.

#### STATEMENT OF JOHN A. O'DONNELL, COUNSEL, PHILIPPINE SUGAR ASSOCIATION

Mr. O'DONNELL. Mr. Chairman, and members of the committee, I have attached to the top of my statement a picture of a Philippine sugar central, specifically, the Hawaiian Philippines mill at Negros Occidental. The picture depicts that mill as it was in 1945, at the cessation of hostilities in the Philippines and the picture of that mill as it is today.

I believe it shows more clearly than words could possibly do, the total damage that was done to the Philippine sugar industry in World War II.

My name is John A. O'Donnell. I am a lawyer with offices at 1025 Connecticut Avenue NW., Washington, D. C.

On behalf of the Philippine Sugar Association and myself, I thank you for the privilege of appearing here today to present some of the views of the Philippine sugar industry on the proposed revision of the Sugar Act of 1948, and more specifically H. R. 7030 now pending before your committee.

## PHILIPPINES SINGLED OUT FOR EXCLUSION FROM BENEFITS OF INCREASED QUOTAS

We plead most earnestly that the injustice in the bill pending consideration by this committee that singles out the Philippines among all suppliers of sugar to the United States for exclusion from the benefits of any increase of quotas due to increased consumption be removed.

It is inconceivable to us that the Philippines who, among the suppliers, probably needs it the most because she has not yet entirely recovered from her war-ravaged economy—the result of her loyalty to our cause in the last war—should be singled out for such discrimination. Her economy is still plagued by trade deficits, unemployment, and inflation. Her dollar reserves are gradually being depleted. This country that before the war had always had a favorable trade balance with us and with the world has piled up a tremendous trade deficit. During the 8 years before Pearl Harbor, she had a favorable trade balance with us in the amount of \$257 million.

During the 8 years after Pearl Harbor, she piled up a trade deficit of \$1,250 million. The one Philippine industry that has fully recovered is the sugar industry and therefore it is the only one that is in a position immediately to contribute to the solution of this problem of trade deficits and unemployment that is plaguing the country. This industry is also the chief dollar earner for the Philippines.

## WAR DAMAGE COMPENSATION REPRESENTED VERY SMALL FRACTION OF WAR LOSSES

The war damage payments under the Rehabilitation Act represented a generous gesture, for which the recipients of the awards should be grateful. However, we must face realistically the fact that the total amount of such payments went only a small distance toward compensating the victims of the war for their actual losses.

I am reluctant to inject a personal note, but I feel this will be helpful to our inquiry. I was a Commissioner of the Philippine War Damage Commission for almost 5 years, (1946–51). As such, I became familiar at first hand with the history, nature, customs, and economy of the Philippines. During my tenure the Commission disbursed more than \$500 million in the payment of more than 1,200,000 public and private claims based on war losses.

At the end of the war, the Philippine Government had prepared by a competent United States firm of industrial engineers, a comprehensive survey in connection with the potential claims for reparations from Japan. This firm's estimate of damages placed them at \$1,155 million—\$935 million representing private property and \$230 million public property damage. These estimates were based on prewar values and not on replacement costs which, in 1947, at the time of the survey, were 3 or 4 times greater.

The Congress passed the Philippine Rehabilitation Act of 1946 which authorized \$400 million for the payment of private property claims and \$120 million for the restoration of public property and services. The law directed that the amount of each private claim in excess of \$500 be arbitrarily reduced by 25 percent. The amount of money available to the Commission after the full payment of claims

approved in the amount of \$500 each, as provided by law, was pro-rated among the remaining claims. The final distribution gave these claimants a total of 52½ percent of the amount approved on their claims.

#### SUGAR CENTRALS RECEIVED APPROXIMATELY 8 PERCENT OF ACTUAL LOSS

Claims filed by the Philippine sugar centrals, 37 in number, amounted to approximately \$50 million on a prewar valuation basis. On these claims, the Commission paid \$13,433,000. This amount is not much more than 25 percent of the loss claimed based on prewar values as required by law. On the basis of postwar reproduction costs, the amount of reimbursement would not be more than 7 or 8 percent of the physical loss sustained by the industry. As for the other claimants in general, in its final report, page 15, the Philippine War Damage Commission said:

When the high postwar costs, substantial disallowances and partial payments on approved claims are considered, therefore, claimants probably received no more than 20 percent of today's costs of reproduction of their homes, farms, and businesses.

The Philippine sugar mills were primary targets for the Japanese, American, and guerrilla forces. When the Japanese forces invaded the country, they lost no time in dispatching flying battalions to industrial sites, especially the sugar mills. They wanted them for distilling alcohol for the Japanese war machine and their machine shops were utilized by the Japanese, where practical, to repair their engines and other mechanical equipment.

#### SUGAR INDUSTRY REQUIRED 13 YEARS TO RECOVER AFTER TOTAL WAR DESTRUCTION

Because of the almost complete destruction of the sugar mills and the limited compensation they received for their losses, as well as because of the loss of planters' equipment and work animals, it took the Philippines 13 years to completely rehabilitate their sugar industry and it was only the year before last that they were able to fill their quota in this country and have a surplus besides.

During the 13 years after Pearl Harbor, they were unable to market in the United States some 8 million tons of sugar of approximately \$1 billion in value. This quantity of sugar was filled by other foreign suppliers and the United States collected thereon import taxes of approximately \$120 million.

It is inconceivable to us that this country that suffered the most in lives and property during the last war because of their loyalty to our cause and who needs it the most because she is still licking her wounds, as it were, should thus be the only supplier to be excluded from any participation in increased quotas due to increased consumption in this country.

We want to emphasize that we are not asking for anything at the expense of the domestic producers. We realize that you have a paramount interest in the welfare of the domestic producers. We are not even asking for anything from the basic quotas of foreign suppliers. We are only asking for a fair share of the increases in quotas due to increased consumption in the same manner that all other foreign suppliers are provided for in this bill.



## THE PHILIPPINES, THE SHOWCASE OF DEMOCRACY IN ASIA

The Philippines is the one dependable ally and friend that we have in that part of the world where one-half of humanity lives and where communism and neutralism are making such progress. In fact, the Philippines is probably the only country in that part of the world where the fight against communism is succeeding because of the joint efforts of their gallant people and our own.

This we have been able to do principally by showing the people of the Philippines and the rest of Asia that the aspirations of people to raise their standards of living can be better attained under the democratic way of life than under totalitarianism. Just at a time when, according to the Secretary of State in his press conference last week, the Communists have shifted their strategy in the cold war to an economic contest in which, in the words of the Secretary:

Defeat could be as disastrous as defeat in an armament race.

We just cannot afford to tell the people of the Philippines and their neighbors who are so closely watching how the free world treats its tried allies and friends, that not only are we unable to help her increase her trade, that she might in some measure recover from the losses she suffered, and help her in rehabilitating her war-ravaged economy, but that we will even deprive her of her traditional share in the sugar market in this country.

Under the Jones-Costigan Act of 1934, the Philippines was allotted 15.41 percent of the sugar consumption in this country. While they were flat on their backs immediately after the war, the Philippine Trade Act of 1946 was approved converting this duty-free quota into an absolute quota. The imposition of this absolute quota was strenuously objected to by the State Department in these words:

Since the imposition of absolute quotas is contrary to the commercial policy of this Government, the Department recommends that the bill be amended to permit imports in excess of quotas, provided that full United States duty is paid on imports over and above the quotas (statement of L. C. Stinebower at hearing on H. R. 4185, November 15, 1946).

## PHILIPPINE HOPES RAISED BY UNITED STATES TRADE AGREEMENT OF 1955 MAY TURN TO DISILLUSIONMENT

When the Philippine Trade Agreement came up, before this committee, in the 1st session of the 84th Congress, this anomaly was corrected by the insertion of a proviso in the Philippine Trade Agreement Revision Act of 1955 where in article II, paragraph I, it is stated, and I quote:

The establishment herein of the limitations on the amounts of Philippine raw and refined sugar that may be entered, or withdrawn from warehouses, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

If, after thus having raised the hopes of the Filipinos that their principal industry will again have a chance for expansion in the United States market, we should now deny them a share in increased quotas due to increased consumption while giving everyone else a share, their disillusionment would be great indeed. Her share at present stands at approximately 11.6 percent of United States sugar consumption. This bill would place the Philippine sugar industry in a strait-jacket as far as this market is concerned, for the next 6 years while all the other suppliers increase their share.

THE PHILIPPINES MADE GREATEST SACRIFICE AMONG ALL SUPPLIERS TO  
ESTABLISH SUGAR QUOTA SYSTEM IN 1934

Incidentally, it should be made of record that the Philippines made the greatest sacrifice of all suppliers to establish the sugar-quota system in 1934 under the Jones-Costigan Act, as the following figures will show.

Without reading them in detail, Mr. Chairman, I would like to have them made a part of the record.

Senator SMATHERS. Without objection.

(The figures referred to are as follows:)

*Sugar production in the United States and principal areas supplying United States with sugar before and after quota system*<sup>1</sup>

	Production 1933	Production 1934	Increase or decrease	Percent
	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	
United States beet.....	1, 757, 000	1, 241, 000	-517, 000	-29
United States cane.....	250, 000	267, 000	+17, 000	+7
Puerto Rico.....	1, 133, 822	773, 021	-330, 000	-30
Hawaii.....	1, 086, 654	986, 849	-99, 805	-9
Philippines.....	1, 652, 593	754, 721	-897, 872	-54
Cuba.....	2, 583, 202	2, 882, 656	+299, 454	+12

<sup>1</sup> Sugar Manual, Hawaiian Sugar Planters' Association, 1954.

Mr. O'DONNELL. I would just like to point out that the United States beet got a minus 29 percent; the United States cane got a plus 7 percent; Puerto Rico got a minus 30 percent; and the Philippines got a minus 54 percent; Cuba got a plus 12 percent.

#### THE ECONOMIC CONTEST IN ASIA

If we may revert to the statement of the Secretary of State at his press conference last week, he stated:

The way to counteract Soviet effort is not by outbidding in sheer amount of economic aid but by making the newly independent nations of Asia feel that their needs can best be satisfied if they become and remain part of the free world.

On April 11, 1955, the President of the United States in a message to Congress stressed the need for intensifying our cooperation with the free nations of southeast Asia in their efforts to achieve economic development and a rising standard of living. I quote from his message:

The motivation behind this cooperation is twofold: Our fixed belief in the worth and dignity of the human individual whatever his race or flag may be, and our dedication to the principle that the fruits of national growth must be widely shared in every society.

As a people we insist that the dignity of the individual and his manifold rights require for their preservation a constantly expanding economic base. We are convinced that our continued economic, cultural, and spritual progress are furthered by similar progress everywhere.

#### THE PHILIPPINES, FRIEND, ALLY, AND IMPORTANT MARKET FOR AMERICAN PRODUCTS

Our ties with these people are close indeed. They have guaranteed our nationals the same rights in the exploitation of commerce and industry as their own nations. We have valuable military, naval,

and aerial bases there. They have stood by us in the last war, in Korea and in Bandung. The Philippines is also the ninth best market for our products, and she is the biggest buyer for a large number of American products including textile and fabrics of cotton and rayon, cotton thread and yarn, dairy products, coffee, newsprint and paper, ready-mixed paint, fertilizers, canned fish, and dozens of other products.

In 1953 the Philippines bought \$300 million worth from the United States out of a total importation to that country of \$380 million, which shows that roughly 70 percent of all Philippine imports comes from the United States. And based on a rough estimate on Philippine imports, agricultural products account for 50 percent of which dairy products is No. 1; wheat, tobacco, coffee, fish products, and cotton follow in that order.

Of course, the Philippines are buying more than we are selling them, and every dollar paid for sugar returns to us plus. In connection with —

Senator BARKLEY. You mean she is buying more than we are selling them; do you mean that?

Mr. O'Donnell. Sir?

Senator BARKLEY. You seem to say that the Philippines are buying more than we are selling them.

Mr. O'DONNELL. That is right.

Senator BARKLEY. They are buying more in the world than we are selling, but they are not buying any more from us than we are selling them.

Mr. O'DONNELL. No, I think that the figures will show that the Philippines are buying more from us than we are selling to them.

Senator BARKLEY. I cannot understand that.

Senator KERR. You mean that they are buying more from us than we are buying from them?

Mr. O'DONNELL. That is right. I beg your pardon. [Laughter.]

Senator BARKLEY. That sounds better.

Senator SMATHERS. All right, you go right ahead.

Mr. O'DONNELL. She is also a big buyer of wheat flour, petroleum products, galvanized steel sheets, rubber and manufactured items. Another foreign supplier of sugar to this country with 200 percent more quota than the Philippines purchases only a little over 20 percent more of American products.

Let us not give them just cause for complaint. Let us help them rehabilitate their war-ravaged economy so that they may be able to establish a better standard of living for their people and play their part in the global fight against communism not only as a trusted friend and ally but as the showcase of democracy in Asia.

And in connection with communism, Mr. Chairman, I am sure that all of you have seen this recent article in the Washington Post under date of January 16, 1956, wherein it is headed, "Philippine Red Plot Revealed," and which goes on to say:

The Philippine Army said today it has uncovered an "elaborate and vicious" Communist plot to cripple the national economy by infiltrating Philippine labor and farm organizations.

Military officials said that the plot was brought to light in documents taken from captured couriers of the dissident Hukbalahap "army." They said the documents showed that Communist leaders planned to "redouble" labor agitation.

This shows, Mr. Chairman, and members of the committee, that the fight in the Philippines in respect to communism is still going on, but fortunately, we have a friendly government there under the dynamic leadership of President Magsaysay, who is on the alert and doing everything possible, as that article shows, to prevent this Communist invasion.

I plead with you, gentlemen not to commit this act of discrimination that is so apparent that it is bound to have its impact on the thinking of the Filipinos and all the peoples of Asia.

Yesterday, Mr. Kemp, in his very able presentation on behalf of domestic cane and beet producers, pointed up the fact that there was an oversupply of sugar in the world, and that even under this House-approved legislation, H. R. 7030, "nobody got everything that he wanted."

I am sure that it was inadvertent on the part of Mr. Kemp when he omitted to state that all the suppliers, both foreign and domestic, were given a share of the increased quota brought about by the increased consumption in the United States, except the Republic of the Philippines.

It was also testified before you yesterday by the Assistant Secretary of Agriculture, Mr. Morse, that insofar as the foreign supplies were concerned, the Department of Agriculture had followed a recommendation of the Department of State in this regard. If you will examine the statement of Mr. Holland, the Assistant Secretary of State for Latin America, you will not find any recommendation or reference to the Philippines with respect to our participation in any part of the 135,000 tons of sugar brought about yearly by the increase in our population.

Therefore, it is apparent that if the Philippines is to be accorded any recognition under this proposed legislation, it will have to be done by the Congress, who has always had the interest of the Philippines at heart, and has been most friendly to it.

Consequently, this hearing means much more to us than probably the other sugar interests, since the executive branch of the administration at this hearing has been silent insofar as Philippine participation is concerned.

As a matter of fact, when we did not even receive honorable mention in the Assistant Secretary's statement, we recognized from the start that we were "out" insofar as this program was concerned.

Senator SMATHERS. Thank you, Mr. O'Donnell.

Senator BENNETT. Mr. Chairman, I would just like to ask Mr. O'Donnell if he or representatives of the Philippine Government have discussed that with the Department of State.

Mr. O'DONNELL. Senator Bennett, the representatives of the Philippine Government, through their Embassy here, have brought the views of the Philippines to the Department of State insofar as the sugar legislation is concerned.

Senator FLANDERS. Mr. Chairman, I have evidence of that, in that General Romulo sent me a copy of his representations to the State Department with regard to this matter, and if I may, I would like to insert it in the record at this point.

Senator SMATHERS. Without objection it will be included in the record.

(The material above referred to is as follows:)

EMBASSY OF THE PHILIPPINES,  
Washington, D. C., January 12, 1956.

His Excellency JOHN FOSTER DULLES,  
Secretary of State,  
Washington, D. C.

EXCELLENCY: I have the honor to refer to the bill, H. R. 7030, to amend and extend the Sugar Act of 1948, and to Your Excellency's note of August 15, 1955, in reply to the Embassy's note of April 26, 1955.

The bill was passed by the House of Representatives at the 1st session of the 84th Congress, but was not acted upon by the Senate. Among other things, H. R. 7030 provides, in section 6 thereof, that section 202 (a) of the Sugar Act of 1948 be amended so that any increases in the United States consumption in excess of 8,350,000 short tons, raw value, be apportioned as follows: 50 percent thereof to domestic areas (Continental beet, Mainland cane, Hawaii, Puerto Rico and the Virgin Islands); and the other 50 percent, to foreign countries (Cuba and other foreign suppliers except the Philippines). The Philippines is excluded from participating in any such increases in the United States sugar consumption and its sugar quota remains absolutely fixed at 977,000 short tons, raw value.

In Your Excellency's note referred to, you stated that "In its report to the Congress the Department of State did not recommend that the Philippine sugar industry receive at this time a share of future increases in sugar consumption in the United States," and "has indicated that consideration should be given to allowing the Philippines to share in increased consumption when sugar legislation is next amended and after sugar from the Philippines begins to pay a tariff."

In support of its recommendation the Department of State advanced the following arguments:

1. Since the proposed legislation would enable the domestic producers to share in future increases in consumption, the remaining balance thereof available to all foreign suppliers would be correspondingly reduced.

2. It was necessary to improve the position of the so-called full duty countries by giving them greater share of the future increase in consumption available to foreign suppliers.

3. In view of Nos. 1 and 2 above any further reduction was not possible under present circumstances because of overwhelming importance of sugar to the Cuban economy.

4. That the Philippines is guaranteed a market for 952,000 tons for 18 years, an enviable position which no other country enjoys, and that Philippine sugar is unique in that it pays no duty at the present time and will experience only gradual imposition of the lower Cuban rate over the extended period of 18 years.

I will now be permitted to state the position of my Government on each of these arguments:

1. This argument apparently is predicated on the proposition that, by allowing domestic areas to share in future increases in consumption, no other area, in this case the Philippines, should be permitted to share in such increase because to do so would further reduce the amount available to other foreign suppliers, i. e., Cuba and full-duty countries. Such a proposition, if accepted, would violate the principle of proportional allotment which has been the basis of the quota system as inaugurated in 1934.

Section 4 of Public Law 213, 73d Congress, known as the Jones-Costigan Act, provides for proportionate allotments to offshore areas based on "average quantities therefrom brought into continental United States for consumption in the years 1925-32, inclusive \* \* \*". The Sugar Act of 1937 continued the principle of proportional participation and provided for a Philippine share of 15.41 percent of the United States consumption.

Furthermore, in the view of the Department of State itself, the imposition of an absolute quota is "contrary to the commercial policy of the United States Government." Thus, at the hearing on the Philippine trade bill in 1945, the representatives of the Department of State opposed the imposition of absolute quotas in these words:

"Since imposition of absolute quotas is contrary to the commercial policy of this Government, the Department recommends that the bill be amended to permit imports in excess of quotas, provided that full United States duty is paid on imports over and above the quotas" (statement of L. C. Stinebower, at hearing on H. R. 4184, November 15, 1945).

The revised Philippine-American Trade Agreement signed in Washington on September 6, 1955, permits an increase in the absolute sugar quota of the Philip-

piners at the discretion of Congress. Article II, paragraph 1, of the agreement provides:

"The establishment herein of the limitations on the amounts of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future."

While it is true that the participation of the domestic areas and the Philippines in increases in future consumption will reduce the percentage shares of Cuba and other foreign countries of such increases when compared to their previous allotments of such increases, it is to be noted that while domestic areas had fixed allotments corresponding to their productive capacities, the Philippines not only had an absolute quota but its production was, until last year, less than its quota to the United States. With the increased production in domestic areas and the rehabilitation of the Philippine sugar industry, it would seem logical and equitable to reestablish the principle of proportional sharing by all areas of any improvements in sugar consumption in the United States. Such an arrangement will not prejudice any party, since each area will have its basic quota which will be increased proportionately as consumption of sugar in the United States increases in the future over and above 8,350,000 short tons, raw value.

2. The desire of the Department to improve the position of the so-called full duty countries is based obviously on the principle of proportional allotment which it is now proposed to apply more liberally in respect to these countries by giving them a larger share of the increases in consumption. With all deference, I must state that it is difficult to understand how this principle could be used as an argument for excluding the Philippines from among the suppliers who will thus benefit proportionately from a greater sugar demand in the United States.

3. With respect to the importance of sugar to the economy of Cuba which Your Excellency considers as one of the reasons why the Department did not recommend for the Philippines a share of the future increases in sugar consumption in the United States, I am bound to impress upon Your Excellency the fact that any share assigned to the Philippines will not affect the quantity which Cuba is currently supplying in the United States.

A reference to the record when the quota system was inaugurated in 1944 will show that the Philippines made the greatest sacrifice to make this system possible. For instance, it had to reduce its production from 1,652,593 short tons in 1933-34 crop to 754,271 short tons in the 1934-35 crop, or a cut of more than 50 percent. As may be seen from the following figures, the Philippines suffered the most in the interest of the quota system in the United States.

*Sugar production in the United States and principal areas supplying United States with sugar before and after quota system <sup>1</sup>*

Area	Production, 1933, short tons	Production, 1934, short tons	Increase or decrease short tons	Percent
United States:				
Beet.....	1,757,000	1,241,000	-516,000	-29
Cane.....	250,000	267,000	+17,000	+7
Puerto Rico.....	1,103,822	773,021	-330,000	-30
Hawaii.....	1,086,654	986,849	-99,805	-9
Philippines.....	1,652,593	754,721	-897,872	-54
Cuba.....	2,583,202	2,882,656	+299,454	+12

<sup>1</sup> Sugar Manual, Hawaiian Sugar Planters' Association, 1954.

Furthermore, the record of the past 20 years establishes the fact that none of the areas experienced a reduction in its allotment except the Philippines, which actually suffered a cut of 3 percent in its quota, that is, from 1,005,602 tons in 1934 to 977,000 tons in 1955. The following figures represent the respective final quotas of the various areas in 1934 as compared to their final quotas in 1955:

*Final adjusted sugar quotas, 1934 compared to 1955*<sup>1</sup>

[Short tons, raw value]

Areas	Final adjusted quotas		Increase or decrease	Percent
	1934	1955		
<b>Domestic areas:</b>				
United States beet.....	1,556,166	1,800,000	+243,834	+16
United States cane.....	261,034	500,000	+238,966	+92
Hawaii.....	948,264	1,052,000	+103,736	+11
Puerto Rico.....	807,312	1,080,000	+272,688	+34
Virgin Islands.....	5,304	12,000	+6,696	+126
<b>Total.....</b>	<b>3,578,080</b>	<b>4,444,000</b>		
<b>Foreign areas:</b>				
Philippines.....	1,005,602	977,000	-28,602	-3
Cuba.....	1,866,482	2,859,840	+993,358	+54
Full-duty countries.....	25,836	119,160	+93,240	+361
<b>Total.....</b>	<b>2,897,920</b>	<b>3,956,000</b>		
<b>Grand total.....</b>	<b>6,476,000</b>	<b>8,400,000</b>		

<sup>1</sup> USDA reports.

As Your Excellency will recall, the Philippine sugar industry emerged from World War II completely paralyzed with most of its factories destroyed and its farms laid waste. The recovery and rehabilitation of the industry was handicapped by the universal shortage of machinery and equipment. Plantations had to be reconditioned to resume production, but owing to the lack of cane seeds, work animals, agricultural implements and supplies, it was possible to increase the area under cultivation only gradually. Consequently, despite the efforts and sacrifices of both planters and mill owners and the generous assistance of both the United States and Philippine Governments, it took the industry 8 years to recover completely its prewar position. In the 13-year period, 1941-53, the Philippines could ship to the United States no more than 4,433,501 short tons of its total quota of 12,376,000 short tons, thus relinquishing a total of 7,952,499 short tons.

That deficit, totaling nearly 8 million short tons and valued at approximately a billion dollars, was filled from foreign sources which thus benefited by the failure of the Philippines as a result of the war. The United States Government collected approximately \$100 million in customs duties on the Philippine deficit which Cuba and other foreign countries supplied. It would seem only fair, therefore, that after so many difficulties, the Philippine sugar industry should be allowed to share with these countries any increase in the United States consumption.

4. Finally, in further support of its recommendation, the Department points out that "not only do the Philippines enjoy a guaranteed market for 952,000 tons, but such quota is protected by legislation for an additional 18 years," adding that "no other foreign country is in this enviable position." The unique position in which the Philippines thus finds itself in the United States is, however, reciprocated by the equally unique position the United States enjoys in the Philippines. For instance, no foreign country except the United States enjoys national rights in the Philippines in respect of the development of the country's natural resources, business enterprises, and the operation of public utilities.

Again, on a reciprocal basis, the products of the United States are accorded preferential duties in the Philippine market. As a matter of fact, until our war-devastated economy made it necessary for us to limit importations, American products were in the unique position of being entitled to enter into the Philippines without limitations, whereas our principal products—sugar, coconut oil, tobacco, pearl buttons, and cordage—were under quota restrictions in the American market. This preferred position of American products will undoubtedly be restored as soon as the economy of the Philippines returns to normal condition.

The special relationship between our two countries has been, as Your Excellency is well aware, the logical result of fifty-odd years of cooperation and collaboration in peace as in war.

The State Department, in its observation on Philippine progress in 1954, stated the legitimate interest of the United States in Philippine progress in the following vein:

"We in America have a human interest in the fate of the Philippines, for a half century an American protege and in the darkest days of World War II our staunch ally. But self-interest no less than international friendship demands our deep concern for the welfare of the Philippines, for the 1,100-mile-long archipelago close to the southeastern rim of Asia is of strategic importance to us and to all free nations. The Philippines forms the southern link in a natural line of defense running northward through Japan and the Kuriles. In recognition of their need of each other, the United States and the Philippines signed a treaty of mutual defense in August 1951.

"Not only vital to our defenses in the Pacific, the Philippines is also *prima facie* evidence of our democratic integrity. In its independence, attained in accordance with promises made by the United States Government, the Philippines is proof to the world that the democratic principle is valid and that the United States stands by its promises. Other peoples, especially in the Far East, have kept a close eye on developments in the Philippines, weighing carefully the fact and the results of Philippine independence. With good reason, the Philippines has been called America's show window in the Orient" (Department of State Publication 5508, Far Eastern Series 66, August 1954).

The sugar industry has been a main pillar of Philippine economy. Upon it a large portion of the population depend for their livelihood, and the Philippine Government for its revenue. Our sugar exports to the United States provide much of the dollar exchange with which we pay our imports of American products. It is significant to note in this connection that, in the 8-year period before the war, 1934-41, the Philippines had a total favorable trade balance with the United States of \$257 million (imports, \$621 million; exports, \$878 million); in the 8-year period after the war, 1946-53, the Philippines had a total negative trade balance with the United States of \$1,268 million (imports, \$2,861 million; exports, \$1,593 million).

At a time when the dynamic leadership of President Magsaysay is lending such great impetus to a program of development by which the Filipinos hope to stop the inroads of communism, I need hardly emphasize to Your Excellency the importance of maintaining and strengthening the Philippine sugar industry which, upon its record of complete recovery from the vicissitudes of the Second World War, holds the best promise of providing jobs for the masses and improving the trade balances of the Philippines. In fact, against all the difficulties which stem from the provisions of the 1946 executive agreement, increased foreign rates and high labor costs due to the enforcement of the minimum-wage law, the sugar industry is and continues to be a mainstay of the national economy of the Philippines.

According to the State Department, it has indicated to the Congress that "consideration should be given to allowing the Philippines to share in increased consumption when sugar legislation is next amended and after sugar from the Philippines begins to pay a tariff." This, in effect, prolongs the imposition of the absolute quota for the next 5 years, notwithstanding the fact that the Department, as already stated, vigorously opposed it 8 years ago as "contrary to the commercial policy" of the United States Government. The second condition for withholding its recommendation for Philippine participation "after sugar from the Philippines begins to pay a tariff" has already been met because Philippine sugar became subject to 5 percent of the United States duty on January 1, 1956.

In the light of the foregoing facts and considerations, I trust that Your Excellency will find it possible to reconsider your position with respect to the Philippine pro rata participation in any increases in sugar consumption in the United States. I would be most grateful to Your Excellency if the views of my Government could be brought to the attention of the respective committees of Congress for their consideration when the pending legislation comes up before them.

Accept, Excellency, the renewed assurances of my distinguished consideration.

CARLOS P. ROMULO.

(See also letter p. 393.)

Senator FLANDERS. I might also say that I am continuously not surprised—I am no longer surprised—but continuously finding that a piece of legislation that seems on the face of it to be fairly well worked out and complete and satisfactory, turns up in hearings to have a



number of unsettled questions in it. This seems to me to be one of those cases.

There is one point, sir, in your testimony which perhaps a very slight exception might be taken to. I say "slight" because it is slight in tonnage. But when you say on your first page after the subhead, "Philippines Singled Out," that it singles out the Philippines among all suppliers of sugar to the United States for exclusion from the benefits of any increase of quotas due to increased consumption, I am told, and I imagine the representative of the Formosa sugar producers will want to have a small corner of this tent under which you are classing those who have had no increase in their quotas. I believe Formosa also had had no increase. But, of course, it is a very small amount.

Now, Mr. Chairman, I want to conclude my remarks by stating that it seems clear to me that our moral obligations to the Philippines are as great as they are to Cuba, and that we may have political considerations with regard to Formosa which have not been considered.

Mr. O'DONNELL. I am sorry, Senator Flanders. I did not realize that at the time I wrote that.

Senator SMATHERS. Are there any other questions?

Senator Barkley?

Senator BARKLEY. I believe you may have covered this in your statement. But it is my understanding that you are asking for a readjustment in the percentages of the so-called offshore producers of sugar, not to interfere with the domestic proportion.

Mr. O'DONNELL. That is right, Senator Barkley. We are asking for a participation in the increased consumption, as has been granted to the other suppliers.

Senator BARKLEY. From whom would that be taken among the others?

Mr. O'DONNELL. Well, looking at it realistically, it would be taken from the 27 percent that has been allotted to Cuba.

Senator BARKLEY. They are complaining because they have been cut down in this bill considerably already.

Mr. O'DONNELL. Well, I believe they were very ably represented, Senator Barkley, and we in the Philippines just do not feel that we should be cut off without any recognition whatsoever. We feel that we are entitled to participate.

Senator BARKLEY. I would like to ask you about another matter that is only indirectly involved here in sugar. I have traditionally been a friend of the Philippines. I served in the House of Representatives 40 years ago with Manuel Quezon, who was the Philippine Commissioner to the United States and one of the ablest men with whom I ever served. I was invited to be his guest when he was inaugurated as President of the Philippine Commonwealth.

I admire General Romulo, and I am a great admirer of the present President, Mr. Magsaysay, who is a dynamic man.

I have had some complaints from my own State and from other States in regard to the action of the Philippine Government in what seems to be a discrimination against our tobacco. We produce tobacco in the States, but no sugar. We have been seeking a wider market in the Philippines for our type of tobacco, and promises have been made, and I think that General Romulo has made an effort

to be very helpful in that matter, but nothing happens. And these election promises are not kept.

Are you in a position to enlighten the committee about that situation?

Mr. O'DONNELL. Yes; I am, Senator Barkley.

Senator BARKLEY. I will be very glad to hear it.

Mr. O'DONNELL. I have before me, Senator, a cable that was sent to General Romulo on January 13, 1956, from the acting Secretary of State of the Republic of the Philippines in which it states:

The Monetary Board yesterday approved required allocation for 8,100,000 pounds leaf tobacco authorized for release from bonded warehouses by the President and Cabinet last Saturday.

Now, if you will bear with me a minute and let me address myself to this subject, I think I can throw some light on it. I do not know whether I can satisfy the tobacco people insofar as the amounts are concerned, but I happened to be in the Philippines from 1946 until 1951, and if you will recall, in 1950, President Truman appointed the Bell Mission, which was headed up by Daniel Bell, now the president of the American Security & Trust Co., and formerly Under Secretary of the Treasury.

That mission was sent to the Philippines to make an economic survey of the Philippines. They were directed to make a complete economic study in order to assist the Philippines in straightening out their whole economy, which because of their tremendous importations necessary for the rehabilitation of all their industries, huge deficits had to be countered and all the other factors that go with it.

As a result of that, the Bell mission made certain recommendations with respect to tobacco. It will only take me a minute, and I would like to read that section to you, table 8, Tobacco.

\* \* \* the Philippines have a natural soil and climatic advantages and to attempt to find types of cigarette tobaccos which can be used in the manufacture of better quality cigarettes than native tobacco. Spain has always been the principal export market for Philippine leaf tobacco, and Spain and the Far East countries appear to be the most likely areas where the Philippines might expand their export trade in the future. Several areas in the Philippines are suitable for growing tobacco, and efforts should be concentrated on developing types and varieties that can compete successfully in the world markets and that will provide a satisfactory leaf for domestic cigarette production.

Now, implementing this Bell report, Senator Barkley, as I understand it, we had the Marshall plan—it became the MSA and now is the ICA—and in which, in order to conserve the Philippine dollars, in a meeting with representatives of the Philippine Government, they said, "Gentlemen, there are certain nonessential items, that you are importing in great quantity, and in order to conserve your dollars, you will have to cut back on the importation of them."

And one of these nonessential items happened to be tobacco, so that from the standpoint of our Government, Mr. Barkley—

Senator BARKLEY. When you say "our Government" you mean the United States Government?

Mr. O'DONNELL. The United States Government. The Philippines have been petitioned and admonished to cut back on these so-called nonessential items.

Now, in addition to that, the Bell Mission report, the Bell economic report, set up certain requirements that the Philippine Government had to meet. They had to set up an import control system. They

had to set up exchange controls. They had to pass a minimum-wage law, increase tax collections and they were required to do many other things that just do not occur to me at the moment, all of which is part of this report, and which the Philippines did.

Now, illustrative of what I am saying, the position of the United States Government is best demonstrated by quoting from a report of the hearings before the Committee on Ways and Means of the House of Representatives on May 16, 1955, when the Philippine Trade Agreement Revision Act of 1955 was considered (p. 50). This is very short:

This is Mr. Sebald talking, the Assistant Secretary of State for the Far East:

Mr. SEBALD. One of the principal reasons for the import bans was to save foreign exchange. There are a great many unnecessary items which the Philippine Government considered unnecessary importations which were being made. They therefore put a ban on such imports, because it was exhausting their foreign exchange.

Congressman JENKINS. We have had fine relations with the Philippines. These matters that you have referred to were not anything that would cause any rift between the two countries.

Mr. SEBALD. That is correct. It was a matter of necessity for the Philippine Government in order for it to keep its head above water.

Mr. JENKINS. In some of these cases of bans imposed by the Philippine Government, it looks as if they were going pretty far.

Mr. SEBALD. They were nondiscriminatory in the sense that it was the article that was banned, the importation of the article that was banned, rather than because it happened to be an American article.

Mr. JENKINS. Anyhow the agency that you represent was satisfied with what was going on?

Mr. SEBALD. Yes, sir; I think that it was necessary.

So you see, Senator Barkley, the Philippines, in my judgment—incidentally I might say that I am not authorized to speak for the Philippine Government on this matter, but I am informed on it as to the background of it, and what is now transpiring—the Philippines was caught in this economic squeeze play, so to speak, where the ICA and MSA on one hand are admonishing them to cut back on the so-called nonessentials in order to conserve their dollar reserves and increase their local production for the same reason, and in so doing they offend interests in the United States because they cut back on the import of products that American Congressmen and Senators representing the American people are interested in.

Now, I may say this to you, sir, that I happen to know that in the admission to the country of this 8 million pounds of bright Virginia burley flue tobacco, which has just been admitted, it was done by the President of the Philippines under an escape clause in that law which ties it in with their own production, whereby, if their own production does not come up to a certain point, they can make up the deficit in tobacco from the United States of America. And I know that the President did this at a considerable political risk to himself and party.

I think that we all understand that the Philippines is a democracy just like the Government of the United States. It is a democratic form of government. The powers of the tobacco interests over there might be likened to the 22 beet States in the United States insofar as the island of Luzon is concerned. And they are very strong. They have a very strong lobby and they passed this law cutting back tobacco import.

But I do not think the Philippines has taken it idly, and I think that this cable here demonstrates clearly that within the framework of the Government the President of the Republic is trying to do something about the tobacco situation.

Senator BARKLEY. You may recall House Ways and Means Committee offered and agreed to an amendment to this bill based upon that situation, which was later withdrawn, as I understand it, on the promise of the Philippine Government and those representing it that they would do something about this situation.

Now, do you think this cablegram, or this action, is a compliance with that understanding?

Mr. O'DONNELL. Well, Senator Barkley, I am not trying to be evasive—

Senator BARKLEY. No; I understand.

Mr. O'DONNELL. I am not authorized to speak for the Republic of the Philippines. It would appear to me that this definitely represents an earnest effort of the President of the Republic of the Philippines to work a way out of this situation.

Senator BARKLEY. What is the date of that telegram?

Mr. O'DONNELL. January 13.

Senator BARKLEY. That is last Friday.

Mr. O'DONNELL. That is right.

Senator BARKLEY. And when was this to take effect?

Mr. O'DONNELL. Immediately.

Senator BARKLEY. Immediately.

Mr. O'DONNELL. (reading):

Monetary Board yesterday approved required allocation—

that is, the Monetary Board is, you know—we have the Central Bank of the Philippines under which you must make an application for all conversion of pesos into dollars—that was another recommendation of the Bell report—

Monetary Board yesterday approved required allocation for 8,100,000 pounds leaf tobacco authorized for release from bonded warehouses by the President and Cabinet last Saturday.

It is signed by the Assistant Secretary of State of the Republic of the Philippines. In dollars, that tobacco is around 60 cents a pound and it amounts to roughly \$4,600,000

Senator BARKLEY. Do you know how that amount of 8,100,000 compares with the amount that the American producers had been seeking to sell to the Philippines?

Mr. O'DONNELL. It is my understanding, Senator Barkley, that the amount they were seeking was 15 million pounds. So this is a little over half.

Senator BARKLEY. That is all, Mr. Chairman.

Senator CARLSON. Mr. Chairman.

Senator SMATHERS. The Senator from Kansas.

Senator CARLSON. Mr. O'Donnell, you have been a bearer of good tidings to the distinguished Senator from Kentucky, Mr. Barkley. Now, I wonder if you could bring any such good tidings to the wheat-growers and the flour millers of this Nation, whom I have been a little concerned with.

Mr. O'DONNELL. Well, I certainly can, so far as the flour millers are concerned, Senator.

I have before me here a recent publication of Dr. Urban A. Zafra, a noted Philippine economist, entitled "The Philippine Economic Handbook," and on page 91, under the heading, "Grains and Preparations" it is stated:

Under this item of imports, the most important is wheat flour, although in some years rice, particularly in years of shortages in this staple food, provided the principal import depending upon the size of the requirements.

So wheat flour—I believe I have the figures here—in 1952 and possibly 1953, the imports for that 2-year period on wheat flour amounted to 60 million pesos or \$30 million, so that the Philippines is a very heavy purchaser of American wheat flour; is that what you were referring to?

Senator CARLSON. Mr. O'Donnell, the Philippines is a very important market for our wheat flour, and we appreciate it very much. We just hope to continue.

It was my privilege to serve on the Ways and Means Committee over on the House side some years back and I well remember the appearances and representations from your country in regard to the writing of some of these indemnity payments, and Congressman Bell's splendid work over there.

Mr. O'DONNELL. That is right.

Senator CARLSON. So I am somewhat familiar with it.

The only thing I want to call your attention to is that we appreciate the fine dealings we have had with the Philippines with flour and wheat and we hope they continue.

Mr. O'DONNELL. If I may say so, Senator Barkley, the Philippines was the No. 1 market for American tobacco before the war, and when the Philippines get their economy in such a state where her trade is in balance, I am sure it will be the No. 1 market again. But the Philippines is going through this transition period of just not enough cash in the till. That just sums it up, and they have to cut somewhere along the line.

I do not know how many of you Members of the Senate have been to the Philippines, but I heard the representative here this morning of a large foreign supplier of sugar talk about the friendliness of his people for the United States. I would like to say something in that regard for the Philippines.

First of all, Senator Barkley, I know that the Filipino houseboy and the farm laborer, by and large, would pay more for a pack of American cigarettes, which incidentally they are importing in a considerable volume. American cigarettes in the Philippines sell for a peso a package—that is 50 cents—whereas he could get the same number of cigarettes manufactured from local tobacco for 20 centavos or 10 cents.

I know for a fact that the popularity of American cigarettes and American tobacco will never be lost in the Philippines. It just cannot be. And as far as American products are concerned, every Senator at this table represents in his district some American business that sells things to the Philippines. If you go to the Philippines, while it is 10,000 miles from here, you see all the American products: International Harvester, Ford Motors, General Motors, and all of them, and so far as the Philippines is concerned, there is a great general feeling of good will and understanding between our people.

Senator BARKLEY. I appreciate that, and I recognize it, and we want to foster it. But of course it is not a one-way street. It has to work both ways.

Mr. O'DONNELL. That is right.

Senator SMATHERS. Thank you very much, Mr. O'Donnell, for that fine statement.

Mr. O'DONNELL. Thank you.

Senator SMATHERS. I want to call on Dr. Fernós-Isern, the Resident Commissioner of Puerto Rico, who was here this morning, but I should say he did not have a chance to testify.

Mr. Fernós-Isern, it is nice to see you again. We are glad to have you over.

Mr. FERNÓS-ISERN. Thank you.

#### STATEMENT OF HON. A. FERNÓS-ISERN, RESIDENT COMMISSIONER FROM PUERTO RICO

Mr. FERNÓS-ISERN. Mr. Chairman, I am grateful for the opportunity to appear before the Senate Finance Committee to express my views on legislation to amend and extend the Sugar Act. I thank the committee for its courtesy.

Senator SMATHERS. I would like to have everybody in order so that we can hear Mr. Fernós-Isern.

Mr. FERNÓS-ISERN. As a member of the House Committee on Agriculture, I attended all sessions of the hearings when H. R. 7030 was before the House, and I certainly appreciate to the fullest, the problem which is before the committee in amending the Sugar Act so that it reflects fairness and consideration of all interests concerned. Having followed sugar legislation for so many years, inasmuch as sugar is basic to Puerto Rico's best interests, I understand full well how complex is the problem at hand and how difficult it is to arrive at any solution which is entirely satisfactory to all concerned. Might I say, then, that in its general terms, I support H. R. 7030. However, I am forced on this occasion to express opposition to a particular aspect of the proposed Senate amendment to that bill.

I must appear in opposition to the proposed amendment to the Sugar Act of 1948 insofar as the amendment deals with the distribution of increased consumption of sugar among the domestic areas. The provision is unfair to Puerto Rico.

The main difference between the House bill and the Senate proposal is the manner of allotting increased consumption. Under the House bill, the increases are shared on a 50-50 basis between foreign areas and domestic areas. Under the Senate amendment, domestic areas would be allotted 55 percent of increased consumption sugar, while foreign producers would get 45 percent.

Therefore, the Senate amendment gives a larger share of increased consumption sugar to all domestic areas taken together, and, naturally, I could not oppose that, but it does not mean that each and every one of the domestic areas are to participate in this larger share. On the contrary, in its departure from the House bill in this sense, the amendment would bring Puerto Rico into participation in domestic increases only after other domestic areas had enjoyed their full share, thus depriving Puerto Rico of equal participation.

The United States Department of Agriculture, according to figures presented to this committee yesterday by Under Secretary of Agriculture True D. Morse, estimates total consumption in 1956 at 8,535,000 tons. From the estimated increased consumption reflected by this projection, in 1956 beet sugar would get an additional 52,000 tons, mainland cane an additional 49,000 tons, and Puerto Rico nothing. It is not until mainland consumption reached 8,650,000 tons, presumably in 1957, that Puerto Rico would even begin to share. Under the House bill, however, Puerto Rico would share 9,805 tons of the increased consumption in 1956, 16,000 additional in 1957.

Under the proposed amendment, Puerto Rico would get no part of the increased consumption in 1956 and only 11,000 in 1957.

I maintain that whatever the formula for participation in increased sugar consumption, whether it be 55 percent for domestic areas or 50 percent, Puerto Rico should be permitted to share in those increases in fair proportion and commencing the very first year.

The other domestic areas are in need of expansion, but Puerto Rico is equally in need of expansion in its sugar quota. At the present time, Puerto Rico has 145,000 tons sitting in warehouses—sugar which it is unable to market because of the quota limitations. This is an official figure of the United States Department of Agriculture's San Juan office. In addition, Puerto Rico has 120,000 tons standing in the fields—sugar which it is unable to harvest under the quota limitations. Production limitations in Puerto Rico are predicated on tonnage and not on acreage as is the case with all other domestic areas.

Those of you who are familiar with Puerto Rico's economy know that sugar is Puerto Rico's mainstay. It is Puerto Rico's greatest industry—dollarwise. It also employs the greatest number of people. When sugar in the fields cannot be harvested, the result is unemployment for many people and underemployment for many more.

This is an added reason why Puerto Rico cannot agree to the proposed amendment wherein Puerto Rico is not allowed to participate on the same basis as the mainland areas.

I hope this provision will be rewritten so that Puerto Rico is permitted to share at the outset.

I am not raising at this instance the question of the limitation on sugar refining under which Puerto Rico finds itself. I reserve this additional objection for the time being. We understand how it would complicate matters to raise this question at the present. But I wish to point out that if the refined sugar limitation is still to continue, as both the House bill and the proposed amendment carry it (with a token modification), so much more the reason not to deny Puerto Rico equal treatment with other domestic areas in what pertains to the overall quota.

Thank you.

Senator BENNETT. Mr. Chairman, may I just make one observation?

Mr. FERNÓS-ISERN. Yes.

Senator BENNETT. Mr. Fernós-Isern, which part of the domestic industry got an additional allotment in 1951?

Mr. FERNÓS-ISERN. Puerto Rico did.

Senator BENNETT. How much?

Mr. FERNÓS-ISERN. 170,000 tons.

Senator BENNETT. 170,000 tons. And you feel it is not fair now that the domestic industry should have the privilege of having the first 165,000 tons?

Mr. FERNÓS-ISERN. Senator, I would say this. From the beginning, when the quotas were first established in 1947, Puerto Rico got a very low quota, and that was a problem that could not be corrected until 1951.

We understood that that was just redress for the past error.

Senator BENNETT. We in the domestic cane and beet industries feel that the opportunity to recover 165,000 tons as the first step in this readjustment of sharing in the future growth of the country is an opportunity to redress a past situation.

Mr. FERNÓS-ISERN. If you will allow me, Senator, I would like to say this, that after that amendment gave Puerto Rico what we thought we should have had from the beginning we were all more or less on the same status, even though Puerto Rico still had a greater problem. But that is what we got and that is what we accepted.

However, the situation with which Puerto Rico has lived all these years has developed in the other areas, and Puerto Rico has absolutely no objection whatsoever—much to the contrary, Puerto Rico earnestly wishes to see the other areas have justice as well, so much so that even though we have much sugar in the warehouses and in the fields, and with reference to participating in the increase now, Puerto Rico should have had much more, it has contented itself with a token increase of 20,000, to begin with, which is a percentage much smaller than, say, the Continental Cane gets. That is precisely the attitude of Puerto Rico. We will limit our aspirations now to the least we can ask for, 20,000. That is all. But when it comes to the time for participating, why come second? Why not at the same time? We should all be starting from the same point.

Senator BENNETT. You came first in 1951. Now the rest of us are coming second.

Mr. FERNÓS-ISERN. I do not want to argue with the Senator, but it is just a matter of how you look at it. If we had had an increase in 1951 on top of what we had before, and what we had before had been a fair share for Puerto Rico, then I would agree with you.

Senator BENNETT. Mr. Fernós-Isern, if you had been sitting through these hearings in the last 2 days, as you undoubtedly sat through the House hearings, you would realize that if everyone's aspirations were satisfied, we would have to double the consumption of American sugar, and that is the problem that we are all wrestling with, as you know.

Mr. FERNÓS-ISERN. I fully realize that, Senator. I do not underestimate the task of the Congress in dealing with this sugar situation.

Senator BENNETT. That is all, Mr. Chairman.

Senator SMATHERS. Are there any other questions? If not, Doctor, we thank you as always for your very fine statement.

Mr. FERNÓS-ISERN. Thank you very much.

Senator SMATHERS. Next we have Mr. Ganson Purcell.

Whom do you represent?

Mr. PURCELL. We represent the exporters and importers of sugar, Messrs. Little and Christman, and a corporation which they control, the Devalin Sugar Corp.

Senator Smathers. Where do they operate from?



Mr. PURCELL. From New York.

Senator SMATHERS. From New York.

Mr. PURCELL. They have had a long history of trading in sugars and other commodities with Central and Latin America. It happens that the Colombian issue was one which exemplifies one problem which we wish to present now, and Nicaragua is concerned with the other.

Senator SMATHERS. Fine. You go right ahead.

#### STATEMENT OF GANSON PURCELL ON BEHALF OF DEVALIN CORP., NEW YORK, N. Y.

Mr. PURCELL. To be brief, I shall not read the full statements given, but shall give you a condensation.

Senator SMATHERS. Fine.

Senator BENNETT. We appreciate that.

Mr. PURCELL. For the record, my name is Ganson Purcell, of the firm of Purcell & Nelson of this city, and I appear here on this subject on behalf of the Devalin Corp. of New York.

We appear to urge strongly that the committee include in the bill which it reports to the Senate a provision which would permit so-called unspecified countries to continue to share in the foreign sugar quotas as they do under existing legislation.

Under the present law, as you know, 5 percent of the quota for the full-duty countries—foreign countries other than Cuba and the Philippine Republic—is available for any country not otherwise given a specific proration or quota. To give you some idea of the figures we are dealing with, under present law with total United States requirements set at 8,350,000 tons for 1956, the total full duty country quota would be one-hundred-and-seventeen-thousand-odd tons. Of this, unspecified countries as a group would be allocated 5,852 tons, with any one country limited to 1,170 tons.

You will see at once that we are concerned with a very small segment of United States sugar requirements, compared to the magnitude of other interests involved here before you. But we believe that a very important principle, quite out of proportion to the amount of sugar involved, is at stake, and that proposals now before the committee would result in unjustified discrimination against the "unspecified countries."

H. R. 7030, as it passed the House, completely eliminated any quota allowance whatever for unspecified countries as a group. This is true of the revised bill as contained in the committee print before this committee, which we understand the administration is now sponsoring.

All countries which have not sent sugar to the United States in 1953 or 1954 receive no quota recognition whatever in this bill. These countries include Brazil, Colombia, Ecuador, and Venezuela, all of which have exported some sugar to this country during the period 1948-55. The schedule showing the quotas and prorations which would result under the proposed bill appears as exhibit I to our statement.

We believe that the 1953-54 yardstick is an arbitrary one and results in grave injustice. We also believe that any approach involving selected base years would be equally arbitrary and unjust if used as the only criterion for an opportunity to share in the quota for foreign countries.

## SPECIFIC PROPOSAL

Our proposal is that all foreign countries not awarded quotas of 3,000 tons or more under the administration bill be assigned an aggregate quota of a flat amount—not a percentage, as at present—with any one country being limited to a specified tonnage as a maximum for any quota year.

Specifically, we advocate the setting aside of 10,000 tons of the foreign full-duty quota for unspecified countries, within which amount any one country could enter a maximum of 2,000 tons in any one year. The text of our proposal is annexed to our statement as exhibit II.

## MERITS OF THE PROPOSAL

Now, as to the merits of the proposal, first as a matter of international policy, we submit that this country should not permanently shut the door to any friendly country which may be in a position, now or in the future, to export sugar to our domestic market. So long as there is to be a basic system of quotas for foreign countries, the privilege of sharing in our markets should not be restricted on the arbitrary basis of actual shipments during a 2-year period. We have no quarrel with a so-called historical approach to quotas, but we strongly urge that the opportunity to establish historical records should not be summarily terminated.

Certain countries have only recently come into the position where they can reasonably expect to have sugar regularly available for export to our country. A notable case in point is Colombia. The table which is attached to our statement as exhibit III shows the marked increase in sugar production in Colombia over the past few years.

Estimates of the Colombian sugar industry indicate a further increase in production in the next 5 years and an average of not less than 50,000 tons in excess of consumption available for export. We submit that countries so situated should not be irrevocably barred from at least a minor participation in the American market.

We would also like to point out that while there were no sugar imports from Colombia in the proposed base years, 1953 and 1954, a small amount of Colombian sugar came in under the unspecified countries quota in 1955, and as a result of a shipment of about 1,200 tons in March of 1955, which is being certified for entry in 1956, Colombia's maximum share of the unspecified countries quota this year will be used up.

Further, another 1,200 tons of Colombian sugar shipped in April of 1955, which belongs to the Devalin Corp. is now in this country under bond awaiting certification. The company will face a serious, and in our view, unwarranted financial hardship if an unspecified countries provision is entirely deleted from existing law, since Colombian sugar will be completely barred in 1957.

In addition to the substantial extra warehousing costs which Devalin has already incurred because the sugar could not be entered in 1956, the sugar would have to be reexported or sold for a nonquota use, either of which would involve heavy financial loss.

There are also further policy reasons for giving recognition to unspecified countries which will have export balances of sugar. Again taking Colombia as an example, it has been a very close trading

partner with the United States with respect to other commodities. As exhibit IV to this statement shows, Colombia obtains the bulk of its imports from the United States, as do many of the other countries, and most of its exports come to this country. And, like other countries, it is in serious need of dollars to meet its foreign exchange requirements.

Why should such countries be denied a further limited opportunity to acquire dollars, not through gifts or loans, but in the natural and healthy course of a mutually beneficial trade? We understand it is administration policy with respect to this legislation to expand and strengthen international trade by every practical means, and to enable Latin American countries to buy more of our products with dollars earned by exports to this country. We heartily agree with this policy. But we ask why its application should be limited to a few countries, to the exclusion of good neighbors such as Brazil and Colombia and other countries which may become sources of sugar.

#### OBJECTIONS TO THE PROPOSAL

Now, on the objection side, what are the objections to the proposal for a modest quota for unspecified countries? First, there is an understandable reluctance on the part of full-duty countries receiving large quotas to undergo any diminution in their guaranteed amounts. This, despite the fact that all such countries will be permitted to bring in substantially larger amounts of sugar than heretofore. But our proposal would result in a net reduction of only about 8,500 tons in the aggregate amount allocable to such countries. Plainly, this means no significant curtailment with respect to any one of the major full-duty countries.

Administrative difficulties have been cited as a reason for eliminating the unspecified-country provision. We understand that certain complexities have arisen in connection with redetermining the total quota available for unspecified countries under the existing 5-percent provision. However, this would be eliminated under our proposal which substitutes for the percentage provision an overall flat quota amount and a flat quantity limitation with respect to any one country.

The first-come, first-served procedure has also been objected to as creating administrative problems. However, we suggest, that any such administrative difficulties are actually not very serious, and are far outweighed by the basic fairness afforded by the unspecified countries provision we propose.

Our proposal for continued recognition of the unspecified countries will not impair or complicate the structure of the proposed legislation. It is essentially no different from the provision which has been in existing law for many years, made more simple and easy to administer by substitution of flat amounts for percentages.

We understand that a further ground of objection is that the unspecified countries provision has in the past benefited importers rather than the countries concerned. This objection seems to us to be completely without merit. That importers may profit from trade in sugar falling under the unspecified countries clause, does not mean that the countries from which sugar comes derive no benefit from and have no interest in the quota. In several countries, producers are without well-developed systems of marketing and distribution

and have been quite satisfied to sell their sugar for export to firms in the export-import trade.

This does not mean that they or their countries have any less of an interest in seeing that the sugar they produce has an opportunity for a moderate share in the American market. If the point needed demonstration it is provided by the protest which we understand Colombia, for one, has already lodged with the Department of State against its proposed exclusion from our market. We expect that similar protests from other countries allowed no quota participation will be heard when they become aware of the impact of the administration's proposal.

#### CONCLUSION

We have tried in this brief statement to lay before the committee the compelling reasons for continuing the unspecified countries provision. We hope that upon due consideration of the matter, the committee will be persuaded to incorporate our proposal in the bill which it reports to the Senate. The committee will thereby serve the interests of fairness and friendly relations with other countries, without injury to domestic interests.

In that connection, I should like to quote to you from Assistant Secretary Holland's statement given here yesterday in which he said:

The proposal of the executive branch protects the existing access of every Latin American sugar-producing country to our market and provides that their sales in this market shall grow in the future right along with our own domestic producers.

I think we have demonstrated that that is not the case. What we are interested in is making Mr. Holland's hope an actuality, one which, incidentally, was supported by the Under Secretary of Agriculture in his statement.

That is all I have, sir. With respect to the others——

Senator SMATHERS. Are there questions, Senator Barkley?

Senator BARKLEY. Is the provision that you seek in either bill?

Mr. PURCELL. No, it is not.

Senator BARKLEY. You seek it as an amendment to whatever bill we report out?

Mr. PURCELL. That is correct, sir.

Senator BARKLEY. All right.

Senator SMATHERS. You do not represent the country of Colombia?

Mr. PURCELL. No, we do not, sir.

Senator SMATHERS. Thank you very much, sir.

Mr. PURCELL. May I turn now to the problem of the direct-consumption sugar which is my other problem?

Senator SMATHERS. All right, sir, we did not know that you had that.

Mr. PURCELL. I am sorry, I guess that was when there was a little too much noise for you to hear me.

Senator SMATHERS. All right, you go right ahead Mr. Purcell. Be just as brief as you can.

**STATEMENT OF GANSON PURCELL ON BEHALF OF LITTLE & CHRISTMAN, NEW YORK, N. Y.**

Mr. PURCELL. I will be equally as brief on this problem, if not more so.

This problem is again one in which Little & Christman has an interest because of their importation of Nicaraguan sugar. We do not protest in this instance the overall quota covering both raw and "direct-consumption" sugar, which Nicaragua would receive under the bill which we understand the administration is supporting. We understand that Nicaragua's quota would work out to approximately 11,000 tons in 1957 and increase to about 18,800 tons in 1962 as set forth in exhibit I to this statement.

The matter which gives us concern has to do with the limitations that are proposed in the legislation on the amount of "direct-consumption" sugar as distinguished from raw sugar, which Nicaragua will be permitted to ship to the United States within its overall quota. Under the so-called administration bill beginning in 1957 and thereafter, the quota for full-duty countries (including Nicaragua) may be filled with direct-consumption sugar only to the extent of 1.36 percent of the total foreign area quota; that is, the quantity by which United States requirements, as determined by the Secretary, exceed the sum of the quotas for domestic areas and the Philippines.

It would further provide that this limitation shall not apply to those full-duty countries whose general quotas are less than 7,000 tons, and finally, it would provide that the direct-consumption sugar quota arrived at by the application of 1.36 percent is to be prorated among the full-duty countries with quotas over 7,000 tons on the basis of their average importations, during the years 1951, 1952, 1953 and 1954.

In effect, this provision would set a ceiling on the importation of direct-consumption sugar which may come from Nicaragua in that it is controlled by the 1.36 percent limitation. The direct-consumption sugar, therefore, which could be included under their quota would average, over the years, about 9,000 to 10,000 tons. You will see by comparing exhibits I and II to our statement, the effective limit on imports from Nicaragua would be less than its general quota by more than 1,000 tons in 1957 and more than 8,000 tons in 1962.

**SPECIFIC PROPOSAL**

Our proposal, therefore, is, first, that the legislation be amended so as to permit Nicaragua's quota to be filled entirely with direct-consumption sugar. Our amendment, as set out in exhibit III, is suggested so as to raise the test tonnage amount from 7,000 to 17,500 thus permitting this one country, Nicaragua, and none other, to qualify under that provision of the section involved which permits its quota to be filled without regard to the 1.36 limitation. That involves, I might say, just to be brief, a total amount of additional direct-consumption sugar over the years of only about 14,000 a year.

## REASONS FOR THE PROPOSAL

We propose this amendment because of the particular circumstances of the Nicaraguan sugar industry. Unlike other full-duty countries, Nicaragua does not produce a raw sugar. The sugar is refined at mills located mainly on the plantations, rather than at refineries separated from the cane-growing areas. The output of these plantation mills is known as a "plantation white" sugar and goes mainly to domestic consumers. They have just not ever set up mills to produce a raw sugar.

It is, therefore, quite necessary for Nicaragua, in order to fill its quota to be able to fill it with this plantation white sugar, which is either refined or partially refined.

Again, Nicaragua's shipments of direct-consumption sugar have been a valuable source of needed dollars in the past and will continue to be. They buy all their equipment for the sugar industry from the United States, including mill machinery, bags, chemicals, and so forth. They have many people on their payrolls, who are Americans who must be paid in dollars. They badly need the dollars alone for the sugar industry, not to mention other purposes.

We do not propose to elaborate on the record of friendly relations between Nicaragua and our country, or the many years in which she has loyally supported our foreign policy. The close trading relationship is well known. It is well to remember also that there is the possibility of overland trade between Nicaragua and the United States, a point which could become highly important at a time of international emergency.

It should be emphasized that a change such as we suggest would not materially increase the total amount of direct-consumption sugar imports, as I have already stated. In 1957, for instance, Nicaragua could bring in only approximately 11,000 tons of direct-consumption sugar. This amount would increase in each subsequent year, as will be seen from exhibit I of our statement.

The second proposed change which we urge is principally for the purpose of clarification. In fact, it is only for that purpose. It would remove an ambiguity in the last sentence of proposed section 207 (h) (2), which is found in section 12 of the bill, I believe. In that section there is the phrase, "The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation," which has produced considerable confusion in the industry. A number of people have interpreted it to mean that there must be deducted from the amount arrived at by applying the 1.36 percent, the aggregate amount of direct-consumption sugar allocable to these countries with general quotas of 7,000 tons or less before allocating the 1.36 percent.

Such an interpretation would reduce greatly the amount of direct-consumption sugar which Nicaragua and other countries could enter within the 1.36 percent limitation roughly by about a half, as can be seen from exhibit II to our statement.

We do understand that this is not the intended meaning of the language in question, and that its proper construction would not require any such deduction. But since the consequences of a contrary reading would be so damaging to Nicaragua as well as to other countries, we would wish to remove doubt as to the proper construction

by substituting the phrase, "The direct-consumption quota determined by application of the 1.36 per centum limitation." That can be more readily seen from the attached proposal which we have set forth in our exhibit III.

I believe that is substantially what I have to say on that subject, Senator. I want to express my appreciation to you and the members of the committee for your permitting us to come here and be heard on these two perhaps minor but extremely important subjects in this bill.

Senator SMATHERS. We are happy to have you, Mr. Purcell, and thank you very much.

Mr. PURCELL. I wonder if I might ask, because of the condensed nature of my oral presentation, if the prepared statements themselves might be included in the record.

Senator SMATHERS. Without objection, we will include them in their entirety.

Mr. PURCELL. Thank you, sir.

(The statements above referred to are as follows:)

#### STATEMENT ON BEHALF OF DEVALIN CORP.

My name is Ganson Purcell, a member of the law firm of Purcell & Nelson, with offices at 910 17th Street N.W., Washington, D. C. I appear on behalf of Devalin Corp., substantially owned and controlled by partners of Little & Christman, 120 Wall Street, New York City, sugar importers and exporters.

My reason for appearing before the committee is to urge strongly that the committee include in the bill which it reports to the Senate a provision which would permit so-called unspecified countries to continue to share in the foreign sugar quota.

As you know, under section 202 (c) of the Sugar Act of 1948, as amended, 5 percent of the quota for the full-duty countries (foreign countries other than Cuba and the Philippine Republic) is available for any country not otherwise given a specific proration or quota. In any quota year, these "unspecified countries" are on a "first come, first served" basis with respect to one another but any one such country is limited to 1 percent of the total full-duty quota. To give some idea of the actual figures, with total United States requirements set at 8.350 million short tons for 1956, the overall quota for full-duty countries is 117,040 tons; of this, unspecified countries as a group are allocated 5,852 tons, with any one country limited to 1,170 tons.

It will be seen at once that we are concerned with a very small segment of United States sugar requirements, compared to the magnitude of other interests involved. But we believe that a very important principle, quite out of proportion to the amount of sugar involved, is at stake and that proposals now before the committee would result in unjustified discrimination against the unspecified countries.

H. R. 7030, as it passed the House of Representatives in the last session, completely eliminated any quota allowance whatever for unspecified countries as a group. The same is true of the revised bill which we understand the administration is now sponsoring before this committee. The administration bill assigns guaranteed quotas to four countries which have previously been in the unspecified countries category—Costa Rica, Formosa, Netherlands and Panama—and whose average entries during 1953 and 1954 were between 1,000 and 2,000 tons. These guaranteed quotas begin at 3,000 tons in 1957 and would increase to over 5,000 tons in 1962. The quotas assigned substantially exceed any past entries that these countries were able to make; indeed, one such country, the Netherlands, is traditionally a net importing country. Five other countries—Belgium, British Guiana, Canada, Hong Kong and the United Kingdom—also previously in the unspecified countries class and some of whom are traditionally net importers, have been assigned guaranteed annual quotas equal to their average entries during 1953 and 1954, ranging from 3 tons for Hong Kong to 631 tons for Canada. All other countries who happen not to have sent sugar to the United States in 1953 or 1954 receive no quota recognition whatever in the administration bill. These include Brazil, Colombia, Ecuador and Venezuela, all of which have exported

some sugar to this country during the period 1948-55. A schedule showing the quotas and prorations which would result under the proposed bill appears as exhibit I to this statement.

We believe that the 1953-54 yardstick is an arbitrary one and results in grave injustice. We further believe that any approach involving a few selected base years would be equally arbitrary and unjust if used as the only criterion for an opportunity to share in the quota for foreign countries.

#### SPECIFIC PROPOSAL

Our proposal is that all foreign countries not awarded quotas of 3,000 tons or more under the administration bill be assigned an aggregate quota of a flat amount (not a percentage, as at present) with any one country being limited to a fixed tonnage as a maximum for any quota year. Specifically, we advocate the setting aside of 10,000 tons of the full-duty countries quota for unspecified countries, within which amount any one country could enter a maximum of 2,000 tons in any quota year. The text of our proposal is annexed to this statement as exhibit II.

#### MERITS OF THE PROPOSAL

Firstly, as a matter of international policy, we submit that this country should not put itself in the position of permanently shutting the door to any friendly country which may be in a position, now or in the future, to export sugar to our domestic market. So long as there is to be a basic system of quotas for foreign countries, the privilege of sharing in our market should not be restricted on the arbitrary basis of actual shipments during a 2-year period.

Some opponents of the unspecified countries provision dignify their stand with the phrase "historical approach," i. e., basing quotas on past performance. We have no quarrel with an approach which is truly historical. Nor do we begrudge the recognition which the administration bill gives to past performance by assigning quotas of 3,000 tons or more to previously unspecified countries whose average shipments have exceeded 1,000 tons in the 2 years selected. In fact, we strongly urge that the opportunity to establish a historical record should not be summarily terminated.

But certain countries have only recently come into a position where they can reasonably expect to have sugar regularly available for export to the United States. A notable case in point is Colombia. The table annexed to this statement as exhibit III shows that sugar production in Colombia has been making marked advances, increasing from 146,000 tons in 1950 to 255,000 tons in 1955, resulting in over 26,000 tons available for export in the latter year. Moreover, estimates of the Colombian sugar industry indicates a further increase in production in the next 5 years and an average of not less than 50,000 tons in excess of consumption available for export. We submit that countries so situated should not be irrevocably barred from at least a minor participation in the American market.

We would also like to point out that, while there were no sugar imports from Colombia in the proposed base years, 1953 and 1954, a small amount of Colombian sugar came in under the unspecified countries quota in 1955, and as a result of a shipment of about 1,200 tons in March of 1955 which is being certified for entry in 1956, Colombia's maximum share of the unspecified countries quota this year will be used up. Further, another 1,200 tons of Columbian sugar shipped in April of 1955 is in this country under bond awaiting certification. This shipment would have filled Colombia's allotment for 1957, assuming continuance of the present unspecified countries provision. Devalin Corp. is the owner of this sugar. It will face a serious and, in our view, unwarranted hardship if an unspecified countries provision is entirely deleted from existing law since, commencing in 1957, Colombian sugar will be completely barred. Hence, in addition to the substantial extra warehousing costs which have already been incurred because the sugar could not be entered in 1956, the sugar would have to be reexported or sold for a nonquota use, either of which would involve heavy financial loss to Devalin Corp.

There are additional obvious reasons for giving some recognition to unspecified countries which will have export balances of sugar. Again taking Colombia as an example, it has been a very close trading partner with the United States with respect to other commodities. As exhibit IV to this statement shows, Colombia obtains the bulk of its imports from the United States and most of its exports come to this country. Colombia, like other countries, is in serious need of dollars to meet its foreign exchange requirements. Available figures show that between the end of 1954 and August of 1955 Colombia suffered a serious depletion in its



gold and foreign exchange reserves, which dropped from \$257 million to 138 million,<sup>1</sup> and indicate an estimated deficit of nearly \$130 million in its overall balance of payments position for the first half of 1955.<sup>2</sup> Why should such countries be denied a further limited opportunity to acquire dollars, not through gifts or loans, but in the natural and healthy course of a mutually beneficial trade?

We understand it is administration policy with respect to this legislation to expand and strengthen inter-American trade by every practical means, and to enable Latin American countries to buy more of our products with dollars earned by exports to this country. We heartily agree with this policy, and ask why its application should be limited to a few countries, to the exclusion of good neighbors such as Brazil and Colombia, and other countries which may become sources of sugar.

#### OBJECTIONS

What are the objections to the proposal for a modest quota for unspecified countries? First, there is an understandable reluctance on the part of full-duty countries receiving large quotas to undergo any diminution in their guaranteed amounts. This, despite the fact that all such countries will be permitted to bring in substantially larger amounts of sugar than heretofore. (See exhibit I.) In fact, however, our proposal would result in a net reduction of only about 8,500 tons in the aggregate amount allocable to such countries, since the countries that shipped less than 1,000 tons in 1953-54 and receive specific quotas under the administration bill would remain in the unspecified class under our proposal. Plainly an aggregate reduction of only 8,500 tons results in no significant curtailment with respect to any one of the major full-duty countries.

Administrative difficulties have been cited as a reason for eliminating the unspecified country provision. For instance, we understand that certain complexities have arisen in connection with redetermining the total quota available for unspecified countries under the 5 percent provision of existing legislation. However, this difficulty would be eliminated under our proposal, which substitutes for the percentage provision an overall flat quota amount and a flat quantity limitation with respect to any one country.

The first-come, first-served procedure has also been objected to as creating administrative problems. But there is no apparent way of eliminating this feature if an equal opportunity to share in a limited quota is to be provided. Further, we suggest that such administrative difficulties are actually not very serious and that they are far outweighed by the basic fairness afforded by the unspecified countries provision we propose. We also note that such a provision would eliminate the administrative burden involved in policing the specific quotas under 1,000 tons assigned under the administration bill on the basis of the 1953-54 experience.

Our proposal for continued recognition of the unspecified countries will not impair or complicate the structure of the proposed legislation. It is essentially no different from the provision which has been in existing law for many years—made more simple and easy to administer by substitution of flat amounts for percentages.

We understand that a further ground of objection is that the unspecified countries provision has in the past really benefited importers rather than the countries concerned. This objection seems to us to be completely without merit. That importers may profit from trade in sugar falling under the unspecified countries clause does not mean that the countries from which such sugar comes derive no benefit from and have no interest in the quota. In several countries (including Costa Rica and Panama, which would receive guaranteed quotas starting at 3,000 tons under the administration bill), producers are without well-developed systems of marketing and distribution and have been quite satisfied to sell their sugar for export to firms in the export-import trade. This does not mean that they or their countries have any less of an interest in seeing that the sugar they produce has an opportunity for a modest share in the American market. If the point needed demonstration, it is provided by the protest which we understand Colombia, for one, has already lodged with the Department of State against its proposed exclusion from our market. We expect that similar protests from other countries allowed no quota participation will be heard when they become aware of the impact of the administration proposal.

<sup>1</sup> International Monetary Fund, International Financial Statistics, vol. IX, No. 1, January 1956, p. 71.

<sup>2</sup> Ibid., p. 219.

## CONCLUSION

We have tried in this brief statement to lay before the committee the compelling reasons for continuing the unspecified countries provision. We hope that upon due consideration of the matter the committee will be persuaded to incorporate our proposal in the bill which it reports to the Senate. The committee will thereby serve the interests of fairness and friendly relations with other countries without injury to domestic sugar interests.

We wish to express our appreciation for this opportunity to be heard.

## EXHIBIT I

*Schedule of sugar quotas and prorations under proposed Senate amendment to H. R. 7030*

[Short tons, raw value]

	1957	1958	1959	1960	1961	1962
Assumed requirements.....	8,670,000	8,805,000	8,940,000	9,075,000	9,210,000	9,345,000
Domestic areas (total).....	4,620,000	4,694,250	4,768,500	4,842,750	9,210,000	4,991,250
Foreign areas (total) <sup>1</sup> .....	3,070,000	3,130,750	3,191,500	3,252,250	3,313,000	3,373,750
Philippines.....	980,000	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,895,360	2,931,810	2,968,260	3,004,710	3,041,160	3,077,610
Full-duty countries.....	174,640	198,940	223,240	247,540	271,840	296,140
Dominican Republic.....	47,432	54,082	60,735	67,388	74,042	80,695
Mexico.....	18,121	20,661	23,203	25,744	28,286	30,828
Nicaragua.....	11,092	12,641	14,197	15,752	17,307	18,862
Peru.....	80,547	91,849	103,148	114,448	125,747	137,047
Haiti.....	4,031	4,602	5,168	5,735	6,301	6,867
Unspecified countries under existing legislation:						
Costa Rica.....	3,000	3,422	3,843	4,264	4,685	5,106
Formosa.....	3,000	3,422	3,843	4,264	4,685	5,106
Netherlands.....	3,000	3,422	3,843	4,264	4,685	5,106
Panama.....	3,000	3,422	3,843	4,264	4,685	5,106
Belgium.....	182	182	182	182	182	182
British Guiana.....	85	85	85	85	85	85
Canada.....	631	631	631	631	631	631
Hong Kong.....	3	3	3	3	3	3
United Kingdom.....	516	516	516	516	516	516
Colombia <sup>2</sup> .....	0	0	0	0	0	0
Denmark <sup>2</sup> .....	0	0	0	0	0	0
Brazil <sup>2</sup> .....	0	0	0	0	0	0
Venezuela <sup>2</sup> .....	0	0	0	0	0	0
Ecuador <sup>2</sup> .....	0	0	0	0	0	0
Germany <sup>2</sup> .....	0	0	0	0	0	0

<sup>1</sup> Excluding Philippines.

<sup>2</sup> Countries which had importations during the period 1948-55 but which had no entries within a quota in the years 1953 and 1954. In addition to these countries, El Salvador, which under existing legislation qualifies as a specified country, would be excluded from the United States market.

## EXHIBIT II

## CHANGE IN PROPOSED SENATE AMENDMENT TO H. R. 7030

Section 7 of the proposed Senate amendment to H. R. 7030, dealing with section 202 (c) of the Sugar Act of 1948, as amended, should be revised as follows:

In the second paragraph of subparagraph (2), strike "first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954," and insert in lieu thereof the following: "first, by assigning to countries not receiving any other proration, an aggregate proration of ten thousand short tons, raw value: *Provided*, that no such country shall enter an amount within such aggregate proration in excess of two thousand short tons, raw value."

In the third paragraph of subparagraph (2), strike "first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954," and insert in lieu thereof: "first, by assigning to countries not receiving any other proration, an aggregate proration of ten thousand short tons, raw value: *Provided*, that no such country shall enter an amount within such aggregate proration in excess of two thousand short tons, raw value."

## EXHIBIT III

Colombian sugar statistics <sup>1</sup>

[Metric tons]

## I. 1945-55, ACTUAL

Year (1)	Production (2)	Imports (3)	Consumption (4)	Exports (5)	Stocks (6)
1945					13,916
1946	76,456	9,314	84,368		15,318
1947	83,242	9,474	90,020		18,014
1948	108,580		107,273		19,321
1949	138,450		115,577	14,117	28,077
1950	146,447		124,278	26,382	23,864
1951	159,134		125,333	44,309	13,356
1952	141,996		145,581	9	9,762
1953	183,342	<sup>2</sup> 10,000	176,683		26,421
1954	222,775		197,300		51,896
1955	255,000		205,000	26,741	75,155
Total	1,515,422	28,788	1,371,413	111,558	272,100

## II. 1956-60, ESTIMATED

1956	267,750		217,300	75,000	50,605
1957	281,100		230,300	50,000	51,205
1958	295,200		244,200	50,000	52,205
1959	310,000		258,800	50,000	53,405
1960	325,500		274,300	50,000	54,805
Total	1,479,550		1,224,900	275,000	262,225

<sup>1</sup> Source: Compania Distribuidora de Azucares, S. A., Bogotá.<sup>2</sup> This importation was not actually used for local consumption, since production proved sufficient.

## United States-Colombia trade statistics

SCHEDULE A: PERCENTAGE OF COLOMBIAN FOREIGN TRADE DEVOTED TO EXPORTS TO AND IMPORTS FROM THE UNITED STATES <sup>1</sup>

	Percent of total exports going to United States	Percent of total imports received from United States
1938	52.7	49.9
1948	83.1	68.7
1949	80.4	75.7
1950	82.4	66.4
1951	78.4	56.7
1952	81.3	66.4

SCHEDULE B: COLOMBIAN COMMODITY EXPORTS TO AND IMPORTS FROM THE UNITED STATES <sup>1</sup>

[Value in millions of dollars]

	Exports	Imports
1952	\$384.0	\$229.5
1953	466.1	282.3
1954	506.4	340.4

<sup>1</sup> Source: Department of Commerce.

## STATEMENT ON BEHALF OF LITTLE &amp; CHRISTMAN

My name is Ganson Purcell, a member of the law firm of Purcell & Nelson with offices at 910 17th Street NW., Washington, D. C. I appear on behalf of Little & Christman, 120 Wall Street, New York City, sugar importers and exporters.

An important part of Little & Christman's activities is devoted to the importation of sugar from Central and South American countries. Among the countries where the firm has purchased substantial quantities of sugar in the past is Nicaragua, and the matter to which we wish to direct the committee's attention relates to the effect of the proposed legislation on Nicaragua's future capacity to ship to the United States market its particular type of sugar, which comes within the definition of "direct-consumption sugar."

Let me say at the outset that we are not protesting the overall quota, covering both raw and direct-consumption sugar, which Nicaragua would receive under the bill which we understand the administration is supporting before the committee. We would, of course, be pleased to see Nicaragua receive a larger quota than that proposed, but recognize the difficulties involved in reaching a fair compromise among the various competing groups as to the amount of sugar each will receive. Therefore, we do not object to the proposed general quota for Nicaragua, which would work out to approximately 11,000 tons in 1957 and gradually increase to about 18,800 tons in 1962 (see exhibit I to this statement). We would, of course, oppose any reduction in Nicaragua's participation below these levels.

The matter which causes us concern has to do with limitations in the proposed legislation on the amount of direct-consumption sugar, as distinguished from raw sugar, which Nicaragua would be permitted to ship to the United States within its overall quota. A definition of "direct-consumption sugar" is contained in the present law and would be continued, with certain changes in the new legislation. For present purposes it will be sufficient to treat direct-consumption sugar in laymen's terms as referring to refined or partially refined sugar.

The limitation to which I refer is contained in section 12 of the administration bill and deals with section 207 (h) of the 1948 act, as amended. Briefly, subparagraph (2) of section 207 (h) would provide that in 1957 and thereafter the quota for full-duty countries (including Nicaragua) may be filled with direct consumption sugar only to the extent of 1.36 percent of the total foreign area quota—that is, the quantity by which United States requirements as determined by the Secretary of Agriculture exceed the sum of the quotas for the domestic areas and the Philippines. It would further provide, however, that this limitation shall not apply to those full-duty countries whose prorations as determined pursuant to section 7 of the bill are less than 7,000 tons. Finally, it would provide that the direct-consumption sugar quota arrived at by the application of the 1.36 percent limitation is to be prorated among full-duty countries with prorations over 7,000 tons, on the basis of their average importations of direct-consumption sugar in the 4 years 1951, 1952, 1953, and 1954.

This provision will, in practical effect, set a ceiling on the amount of Nicaraguan sugar which can be imported that is much lower than the general quota assigned to Nicaragua. This is because the only sugar Nicaragua has available for export falls within the direct-consumption definition. As has been noted, Nicaragua's general quota would be above 7,000 tons, so that it would be subject to the 1.36 percent limitation as to direct-consumption shipments. Application of the 1.36 percent provision results in a direct-consumption allowance to Nicaragua of about 9,000 to 10,000 tons per year. Therefore, as will be seen by comparing exhibits I and II, the effective limit on imports from Nicaragua would be less than its general quota by more than 1,000 tons in 1957, and by 1962 would be less by about 8,000 tons.

## SPECIFIC PROPOSAL

We therefore urge, first, that the proposed legislation be amended so as to permit Nicaragua's quota to be filled with direct-consumption sugar. The specific relief we request is set forth in exhibit III to this statement. The suggested amendment would raise the proration figure that would automatically exempt a country from any limitation on its importations of direct-consumption sugar. Specifically, it would exempt from such limitation countries whose prorations under section 7 of the administration bill are 17,500 short tons or less, instead of those whose prorations are 7,000 tons or less as presently proposed. As will be seen from exhibit I, Nicaragua is the only additional country which would be brought within the exemption from the 1.36 percent limitation by this change.

The second change which we urge below would simply remove an ambiguity in the last sentence of proposed Section 207 (h) (2) dealing with the method by which the 1.36 percent limitation is computed.

## REASONS FOR PROPOSAL

We seek an amendment liberalizing the exemption from the 1.36 percent limitation because of the particular circumstances of the Nicaragua sugar industry. Unlike other full-duty countries, Nicaragua does not produce a raw sugar for export. The sugar industry in Nicaragua produces primarily with a view to supplying the requirements of the domestic market in Nicaragua. The sugar is refined at mills for the most part located on the plantations rather than at refineries separated from the cane-growing areas. The output of these plantation mills is known as a "plantation white" sugar. The plantation mills are not set up to produce either a raw sugar or a fully refined sugar.

While Nicaragua's sugar production is concerned mainly with supplying domestic requirements, production has steadily increased, thereby enabling her consistently to fill her United States quota. In fact, for substantial periods, as during 1948 to 1950, the average of Nicaragua's shipments of direct-consumption sugar was the highest of any full-duty country.

Under existing legislation, Nicaragua has normally been able to fill its entire quota with direct-consumption sugar. A part of its quota has been guaranteed for direct-consumption sugar, and the balance it has been able, with considerable difficulty, to bring in under the present first-come, first-served system.

Nicaragua's shipments of direct-consumption sugar have been a valuable source of badly needed dollars. Nicaragua needs to continue to fill all of its quota with direct-consumption sugar in order to help meet its dollar requirements, including those of its sugar industry. Nicaraguan producers purchase substantially all of their mill machinery, equipment, and spare parts, as well as bagging materials and chemicals, in this country. They also have American technicians on their payroll who must be paid in dollars. It is important that Nicaragua, like other countries with dollar shortages, be able to earn its exchange requirements insofar as possible. In this connection, it may be noted that Nicaragua has asked for and received little or nothing in the way of direct loans or grants from this country.

We do not propose in this statement to elaborate on the record of friendly relations between Nicaragua and this country, or the many areas in which she has loyally supported our foreign policy. The close trading relations between the two countries are also common knowledge. (See exhibit IV to this statement.) It is well to remember, too, that there is the possibility of overland communication for trade between Nicaragua and United States, a point which could become highly important in time of international emergency. These factors, in line with the administration policy of fostering inter-American trade, argue strongly for granting to Nicaragua the modest relief requested in this proposal.

It should be emphasized that a change such as we suggest will not materially increase the total amount of direct-consumption sugar which can be brought into the United States each year. As noted, our proposal would affect no country other than Nicaragua. Moreover, we are not asking that Nicaragua be allowed to bring in a full 17,500 tons of direct-consumption sugar each year. The total amount would be limited by its overall quota in any given year. In 1957, for instance, Nicaragua could bring in only approximately 11,000 tons of direct-consumption sugar under our proposal. This amount would increase somewhat in each subsequent year, as will be noted from exhibit I.

Furthermore, it does not seem to us that the small annual increase of direct-consumption sugar which our proposal involves could be seriously said to constitute a significant threat to the domestic refining industry. Finally, the relief requested will have no material adverse effect on other importing countries or on mainland sugar producers.

Our second proposed change is for purposes of clarification only. It would remove an ambiguity in the last sentence of proposed section 207 (h) (2), which now reads:

"The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202 (c) of more than seven thousand short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954."

The phrase "The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation" has produced considerable confusion in the industry as to how the 1.36 percent limitation is to be computed. It has led a number of people to interpret this language to mean that there must be deducted from the amount arrived at by applying the 1.36 percent, the aggregate amount of direct consumption sugar allocable to those countries with prorations of 7,000

tons or less. The effect of such an interpretation would be to reduce the amount of direct-consumption sugar which Nicaragua and other countries could enter each year within the 1.36 percent limitation by roughly one-half, as can be seen from exhibit II.

We understand this is not the intended meaning of the language in question and that its proper construction would not require any deduction from the 1.36 percent quota for direct-consumption sugar allocable to countries with prorations of 7,000 tons or less. Our proposal, by striking the phrase "The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation," and substituting "The direct-consumption quota determined by application of the 1.36 per centum limitation" would dispel any possible doubt as to proper construction.

We wish to express our appreciation for this opportunity to be heard.

### EXHIBIT I

#### *Sugar quotas and prorations under proposed Senate amendment to H. R. 7030*

[Short tons, raw value]

	1957	1958	1959	1960	1961	1962
Assumed requirements.....	8,670,000	8,805,000	8,940,000	9,075,000	9,210,000	9,345,000
Domestic areas.....	4,620,000	4,694,250	4,768,500	4,842,750	4,917,000	4,991,250
Foreign areas <sup>1</sup> .....	3,070,000	3,130,750	3,191,500	3,252,250	3,313,000	3,373,750
Philippines.....	980,000	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,895,360	2,931,810	2,968,260	3,004,710	3,041,160	3,077,610
Full-duty countries.....	174,640	198,940	223,240	247,540	271,840	296,140
Dominican Republic.....	47,432	54,082	60,735	67,388	74,042	80,695
Mexico.....	18,121	20,661	23,203	25,744	28,286	30,828
Nicaragua.....	11,092	12,641	14,197	15,752	17,307	18,862
Peru.....	80,547	91,849	103,148	114,448	125,747	137,047
Haiti.....	4,031	4,602	5,168	5,735	6,301	6,867
Costa Rica.....	3,000	3,422	3,843	4,264	4,685	5,106
Formosa.....	3,000	3,422	3,843	4,264	4,685	5,106
Netherlands.....	3,000	3,422	3,843	4,264	4,685	5,106
Panama.....	3,000	3,422	3,843	4,264	4,685	5,106
Belgium.....	182	182	182	182	182	182
British Guiana.....	85	85	85	85	85	85
Canada.....	631	631	631	631	631	631
Hong Kong.....	3	3	3	3	3	3
United Kingdom.....	516	516	516	516	516	516

<sup>1</sup> Excluding Philippines.

### EXHIBIT II

#### *Proration of direct-consumption*

#### SUGAR QUOTA UNDER PROPOSED SENATE AMENDMENT TO H. R. 7030 (WITH NO DEDUCTION FOR COUNTRIES WITH PRORATIONS OF LESS THAN 7,000 TONS)

	1957	1958	1959	1960	1961	1962
Foreign areas.....	3,070,000	3,130,750	3,191,500	3,252,250	3,313,000	3,373,750
1.36 percent thereof.....	41,752	42,578	43,404	44,231	45,057	45,883
Dominican Republic (19.475 percent).....	8,131	8,292	8,453	8,614	8,775	8,936
Mexico (35.302 percent).....	14,739	15,031	15,322	15,615	15,906	16,198
Nicaragua (23.333 percent).....	9,742	9,935	10,128	10,320	10,513	10,706
Peru (21.890 percent).....	9,140	9,320	9,501	9,682	9,863	10,043

#### SUGAR QUOTA (WITH DEDUCTION FOR COUNTRIES WITH PRORATIONS OF LESS THAN 7,000 TONS)

	1957	1958	1959	1960	1961	1962
1.36 percent.....	41,752	42,578	43,404	44,231	45,057	45,883
Less countries with prorations of 7,000 tons or less.....	17,448	19,707	21,957	24,208	26,458	28,708
Balance.....	24,304	22,871	21,447	20,023	18,599	17,175
Dominican Republic (19.475 percent).....	4,733	4,454	4,177	3,899	3,622	3,345
Mexico (35.302 percent).....	8,580	8,074	7,571	7,069	6,566	6,063
Nicaragua (23.333 percent).....	5,671	5,336	5,004	4,672	4,340	4,007
Peru (21.890 percent).....	5,320	5,006	4,695	4,383	4,071	3,760

## EXHIBIT III

## CHANGE IN PROPOSED SENATE AMENDMENT TO H. R. 7030

Section 12 of proposed Senate amendment dealing with section 207 (h) of the Sugar Act of 1948, as amended, should be revised so that subsection 2 reads as follows:

"(2) For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided*, That such limitation shall not apply to countries receiving prorations under section 202 (c) of seventeen thousand five hundred short tons or less. The direct-consumption quota determined by application of the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202 (c) of more than seventeen thousand five hundred short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954."

## EXHIBIT IV

*Nicaraguan commodity exports to and imports from the United States*<sup>1</sup>

[Value in millions of dollars]

	Exports	Percentage of total exports going to United States	Imports	Percentage of total imports received from United States
1938.....	2.4	40	2.8	56
1951.....	24.7	54	21.6	72
1952.....	26.8	53	28.3	71
1953.....	24.1	45	28.2	65
1954.....	28.2	45	37.9	65

<sup>1</sup> Source: Department of State, Briefing Summary on Nicaragua, December 1955, p. 1.

Senator SMATHERS. Because of a rather emergent situation we are going to call Mr. William Patterson of the Haitian-American Association to testify next.

Is Mr. Patterson here?

Mr. PATTERSON. Thank you, Mr. Chairman.

Senator SMATHERS. Yes, sir, Mr. Patterson.

**STATEMENT OF WILLIAM PATTERSON, HAITIAN AMERICAN ASSOCIATION, INC.**

Senator BENNETT. Mr. Patterson, I understand that you are suffering from a virus. I think the committee would be glad to accept your statement without your having to go through the labor of reading it. If there is just a highlight or two you would like to comment on, we will be happy to save that much time.

Senator SMATHERS. I will be glad to do that, indeed.

Mr. PATTERSON. Thank you kindly. I would like to submit a statement in behalf of Frederick E. Hasler, representing the Haitian American Association, Inc., New York.

Senator SMATHERS. Thank you very much, Mr. Patterson. We will make that a part of the record in its entirety.

(The prepared statement of Mr. Patterson in behalf of Mr. Frederick E. Hasler is as follows:)

STATEMENT BY MR. FREDERICK E. HASLER, REPRESENTING THE HAITIAN  
AMERICAN ASSOCIATION, INC., NEW YORK

The Haitian American Association, of which I am president, requests a substantial increase in the quota assigned to the Republic of Haiti for the shipment of sugar to the United States. This request for an increase in the Haitian quota is based squarely upon the policy of equality, fair play, and identical treatment of each of the 20 other Republics of the Western Hemisphere, as repeatedly proclaimed by the United States at every conference of the Organization of American States, and by high officials of the United States Government on all appropriate occasions. It is unnecessary to stress the importance of the solidarity of the Western Hemisphere, and just and equal treatment of every Republic of the Western Hemisphere must certainly be the basis of such solidarity.

According to a recent newspaper article, quoting a press dispatch from New Orleans, the average per capita cash income of the population of the Republic of Haiti is \$40 a year. Cash is obviously a scarce commodity in Haiti. A great deal of the sugar produced in Haiti is from cane cultivated on small pieces of land by peasant farmers with large families. During the harvesting season just completed, the mill owned by the Haytian American Sugar Co., of which I am chairman, purchased 312,000 tons of cane from approximately 9,000 independent growers, in addition to its administration cane. In no other country in the sugar-producing world are the proceeds of the sugar crop so widely distributed, to the direct and immediate cash benefit of so many who need it so desperately. I might add that this money represents the total cash income for the entire year for these farmers.

Nevertheless, we do not ask for any favor; we do not seek for the Republic of Haiti any advantage or preferential treatment; we merely ask for equal treatment, based upon the principles of equal treatment for rich and poor, fair play and impartial justice, upon which our entire ethical, legal, and moral codes are founded. Haiti is no beggar; the Republic does not seek charity, nor dole, nor indeed any assistance without adequate return. Charity, the dole, favors unearned, and with no quid pro quo, tend to destroy the self-respect of a nation, as they do of an individual.

That the annual quota previously assigned to the Republic of Haiti has been woefully inadequate, as compared with the quotas assigned to the other sugar-producing Republics, in whatever manner computed—whether upon percentage of total sugar consumed in the United States, or imported by the United States, or upon percentage of the total sugar crop of the Republic, or with relation to the population of the Republic—cannot be gainsaid. For instance, the quotas allotted to Haiti during the last 3 years have been as follows:

Year	Basic quota	Adjusted quota
	<i>Short tons</i>	<i>Short tons</i>
1953.....	2, 290	2, 777
1954.....	2, 482	2, 635
1955.....	2, 671	2, 813

It seems unnecessary to add that these quotas have been filled: they could have been filled many times over.

It is my purpose carefully to avoid lengthy columns of figures and elaborate statistical tables as far as possible, but I would like to quote one short sentence from a letter which we recently received from an Assistant Secretary of State:

“We too are mindful that economic considerations are the firmest of foundations for lasting friendships among nations.”

The relative importance of the Republic of Haiti as a customer of the United States is clearly shown by the following figures for the 6 fiscal years ending September 30, 1952.

The fiscal year of the Republic runs from October 1 of each calendar year to September 30 of the next. The figures are expressed in United States dollars.



Fiscal year	Haitian im-ports from the United States	Haitian ex-ports to the United States	Balance in favor of the United States
1946-47.....	\$23,920,000	\$18,780,000	\$5,140,000
1947-48.....	26,300,000	18,480,000	7,820,000
1948-49.....	24,080,000	18,320,000	5,760,000
1949-50.....	27,580,000	21,480,000	6,100,000
1950-51.....	32,040,000	28,900,000	3,140,000
1951-52.....	35,200,000	30,720,000	4,480,000
Annual average for 6-year period.....	28,186,666	22,780,000	5,406,666

The following figures, and the respective percentages of total Haitian imports and exports represented by their trade with the United States for the fiscal year 1951-52, may be regarded as representative and are certainly significant:

1951-52:	
Total Haitian imports.....	\$50,695,352
Imports from the United States.....	\$35,200,000
Percent from the United States.....	69.44
1951-52:	
Total Haitian exports.....	\$52,924,545
Exports to the United States.....	\$30,720,000
Percent to the United States.....	58.05

In view of these figures, it is not reasonable to request an enlargement of the avenue for sales of Haitian products to the United States? Of Haiti's total imports, approximately 70 percent are from the United States. Of its total exports, the United States buys only about 58 percent. As a step toward the mere balancing of the scales of justice, an increase in the quota for shipments of Haitian sugar to the United States would seem to be an appropriate, albeit tardy, recognition of the facts and figures.

Our manufacturers have made and are making a great deal of money by selling their products to the peoples of the other republics of this hemisphere, thus helping to maintain in this country the highest average scale of living ever attained in the history of mankind; it is obvious that they cannot continue to do so, indefinitely, unless we give or lend dollars to these peoples, or preferably, unless we purchase their staple products from them, at prices adequate to enable them to continue their purchases from us. All of our major manufacturers, who normally export any considerable percentage of their production, are painfully aware of the inroads which have been made upon their export markets by the European countries. One defense against these inroads, a strong defense and a logical one, is to increase our purchases from the other republics of the Western Hemisphere with dollars, in order that they may at least continue their present volume of purchases from our manufacturers—and by manufacturers I include all employees to whom permanence of their jobs means everything.

I realize, gentlemen, with what a difficult problem you are faced; at the same time, it is my earnest hope that some way may be found whereby the present annual quota allotted to the Republic of Haiti may be increased to a more equitable tonnage.

Senator SMATHERS. Now, the next witness we have listed is Mr. Monroe Karasik of the Dominican Republic Sugar Producers.

Mr. Karasik.

**STATEMENT OF MONROE KARASIK, COUNSEL, SOUTH PUERTO RICO SUGAR CO., DOMINICAN CHAMBER OF COMMERCE, INC., COMISION DE DEFENSA DEL AZUCAR Y FOMENTO DE LA CANA, DOMINICAN REPUBLIC**

Mr. KARASIK. Mr. Chairman, distinguished members of the committee, my name is Monroe Karasik. I am a partner in the firm of Surrey, Karasik, Gould & Efron, of this city. My firm represents the Dominican Chamber of Commerce, Inc., a New York Corp., and the Comision de Defensa del Azucar y Fomento de la Cana, sometimes called the Sugar Commission, an organization of the Dominican Republic.

My firm is registered with the Department of Justice under the Foreign Agents Registration Act, as amended.

We also represent an American company which is one of the largest producers of sugar in the Dominican Republic, the South Puerto Rico Sugar Co., the president of which, Mr. G. Douglass Debevoise, will appear before this committee later this afternoon.

I am appearing here today on behalf of these organizations I have mentioned.

With your permission, I should like to submit to the committee the booklet *A Few Words to an American Legislator from One Member of the American Family of Nations*, for inclusion in the record of these hearings.

(The booklet referred to follows:)

**A FEW WORDS TO AN AMERICAN LEGISLATOR FROM ONE MEMBER OF THE AMERICAN FAMILY OF NATIONS—THE DOMINICAN REPUBLIC**

WASHINGTON, D. C., JANUARY 1956

This material is filed with the Department of Justice, where the statement of the firm of Surrey, Karasik, Gould & Efron, attorneys at Law, Woodward Building, Washington, D. C., as the agent of the Comision de Defensa del Azucar y Fomento de la Cana, Ciudad Trujillo, Dominican Republic, as required by the Foreign Agents Registration Act of 1938, is available for public inspection. Registration and/or filing this material does not indicate approval or disapproval of this material by the United States Government.

This booklet is about the very important struggle to fill the American sugar bowl. Everyone wants to put more into the bowl. Sometimes the effort to obtain a larger share in filling that bowl involves attacks on others.

The Dominican Republic now contributes but thirty-five one-hundredths of 1 percent to the bowl. It will show herein its economic and historical grounds for its right to contribute more. In so doing, only the positive case for the Dominican Republic will be advanced—not an attack against any other supplier.

Each year, because of the United States population growth, the sugar bowl gets bigger, but sugar production—both natural low-cost cane and high-cost beet—grows faster, so still everyone cannot pour into the bowl as much as he'd like to.

Why do the American farmers, producers of relatively high cost sugar, want to grow more? The answer is a perfectly normal, expectable one—the general price trend in the United States of sugar has been getting higher over the years.

In these times of generally declining United States farm prices and constantly accumulating United States farm surpluses, production of a readily marketable commodity having a stable and relatively high price is a normal and expectable objective for the American farmer to have.

Thus, when the United States farmer looks at the agricultural situation in terms of the objective standard of parity, it is clear why the growing of sugar represents a good choice for him.

No one can blame the American farmer for wanting to put more of his sugar in the bowl. Nor, we are certain, can the American farmer blame the offshore

producer of sugar for wanting to market sugar in the United States. That is why there is legislation—to balance all desires.

The foreign sugar producers want to put more into the bowl. Some, like Cuba and the Dominican Republic, seek to do so because they are first and foremost sugar economies. Living by sugar, more sugar sales mean more prosperity, more spending in the United States. But all sugar exporters, actual and potential, want to sell more to the United States. Why? Because the American price is higher than the free world market price.

The natural home of sugarcane—high-grade, low-cost sugarcane—is in the American backyard—the Caribbean Islands, the fruits of which the United States has long taken but in disproportionate and inequitable shares. Take 1954 as an example.

The Dominican Republic sells the smallest proportion of its exported sugar to the United States (at higher prices) and the largest proportion of the total at whatever price the world market will bring.

Among foreign producers, the Dominican Republic ranks next to Cuba and the Philippines as an exporter of sugar. Although the Dominican quota under the present Sugar Act is 1 percent of Cuba's, its total world exports of sugar in 1954 were 12.2 percent of Cuba's.

The Dominican Republic outranks all other full duty countries as a total sugar exporter, but it must be borne in mind that only a very little bit of its sugar goes to the United States.

The Dominican Republic is, however, a dependable and easily accessible source of sugar to the United States and as such of the greatest importance in time of an emergency. In World War II, by agreement with the United States and its allies, all of its sugar exports—equaling 94 percent of its sugar production—went to the United Kingdom at low prices, often not enough to cover the out-of-pocket costs of its production. There is no doubt that if another emergency were to come, the Dominican Republic, as in World Wars I and II, would again be a loyal and cooperative ally—seeking only to contribute and not to gain—from such cooperation.

Season Average Price  
Received by Farmers  
\$ per ton

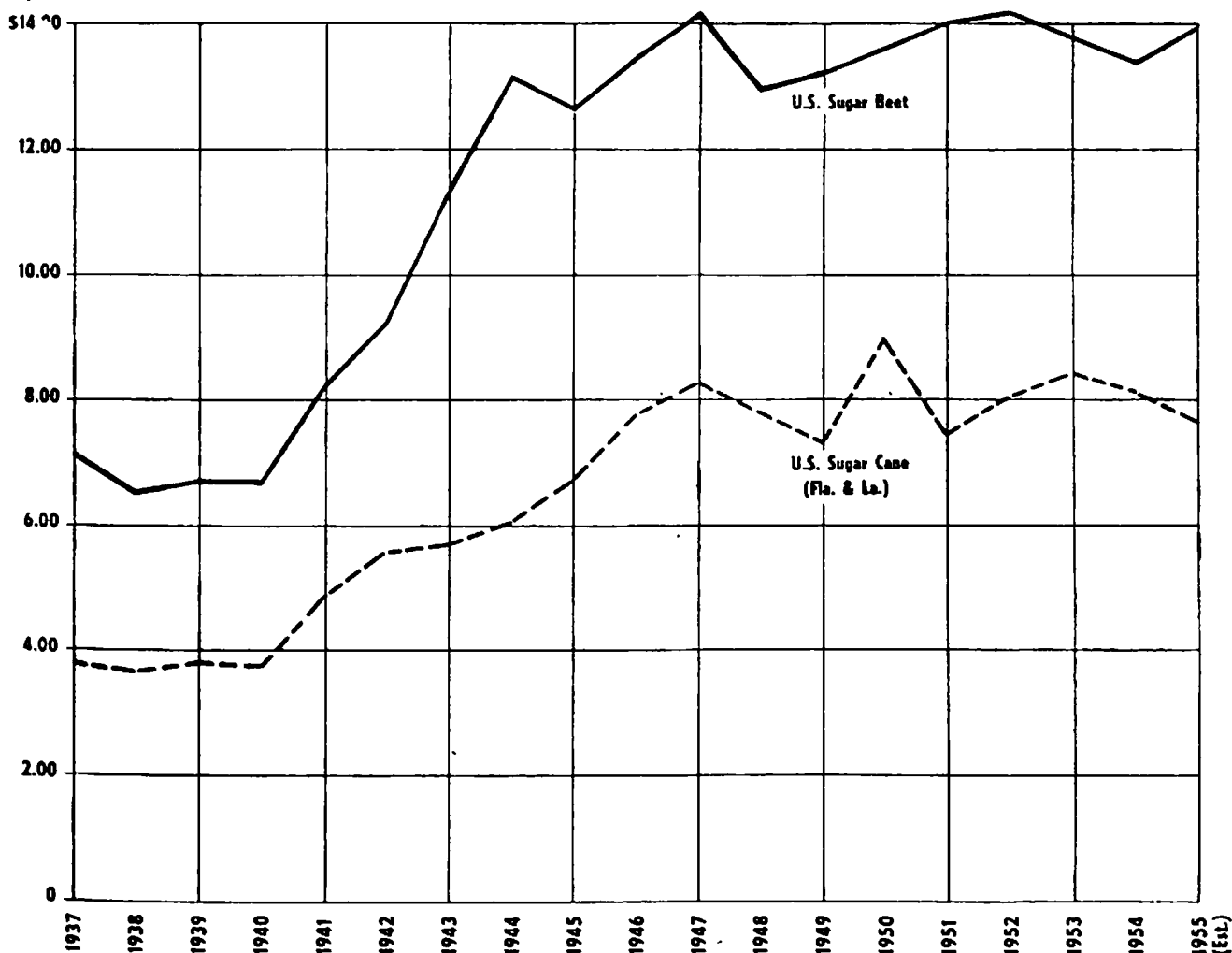


FIGURE 1

SOURCE: USDA Sugar Report No. 42

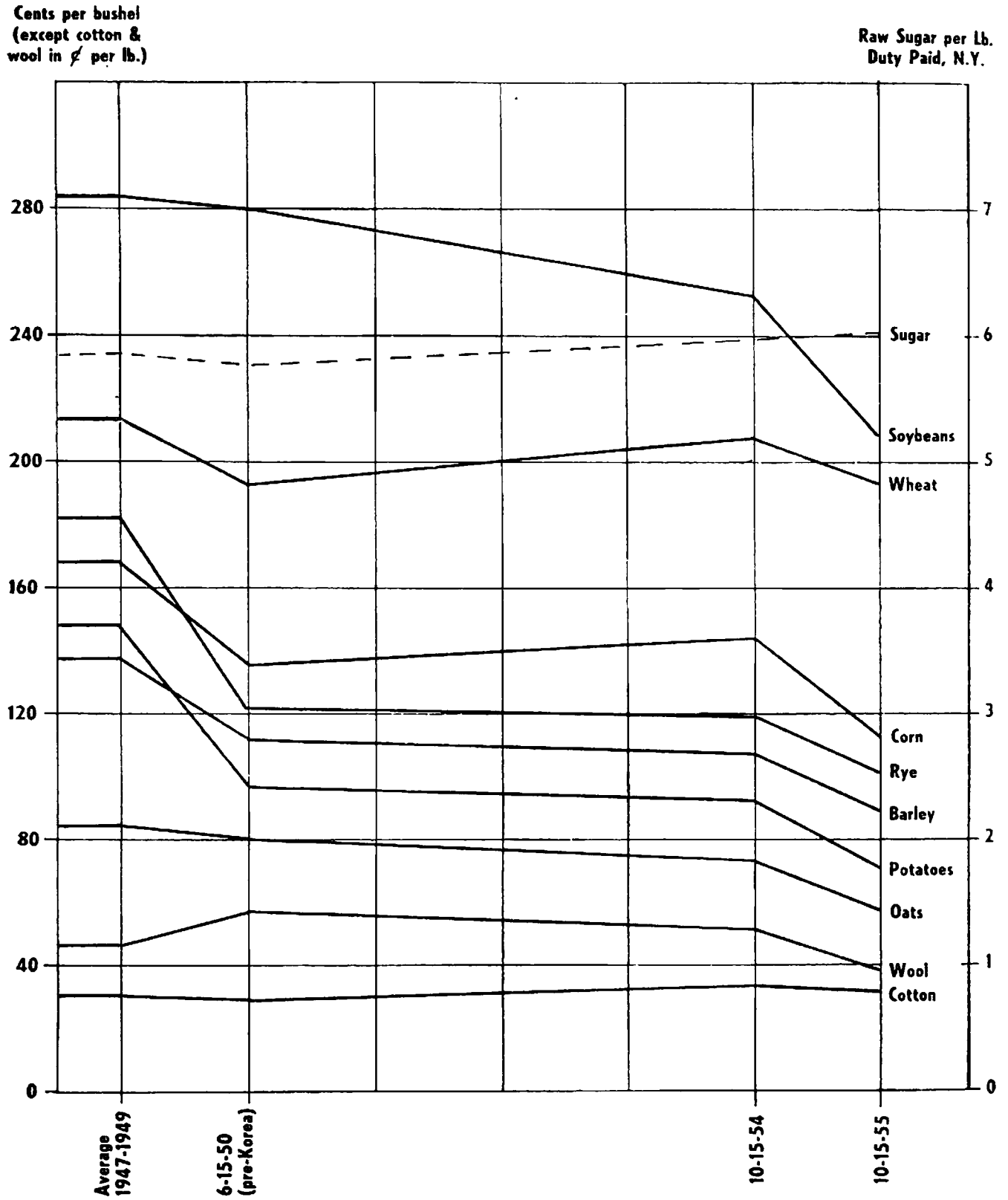


FIGURE 2

(NOTE: This graph is merely illustrative of trends. It does not, therefore, show intermediate price variations.)

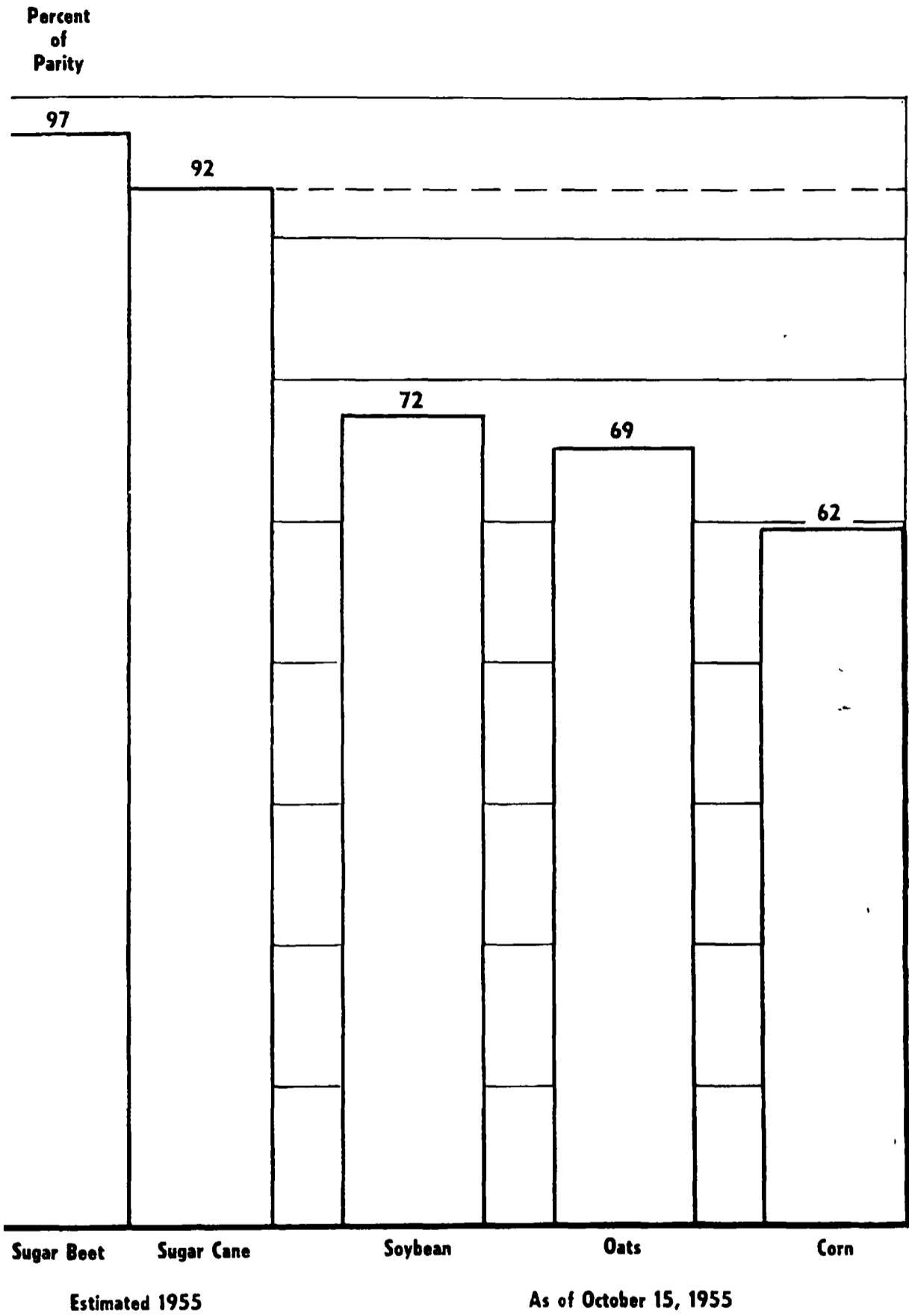


FIGURE 3

SOURCE: USDA Data compiled by Commodity Research Bureau

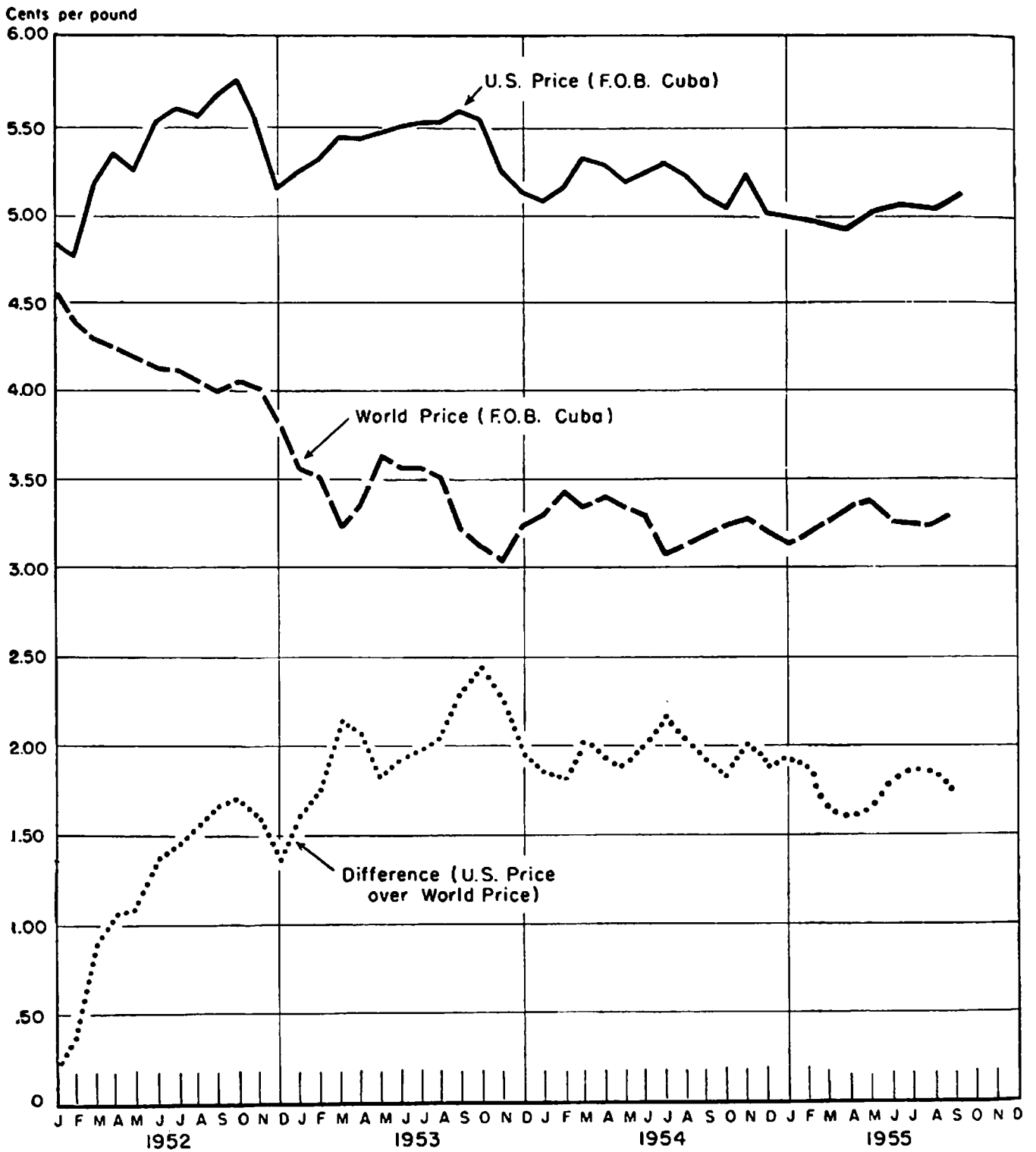


FIGURE 4

SOURCE: USDA Journal of Commerce

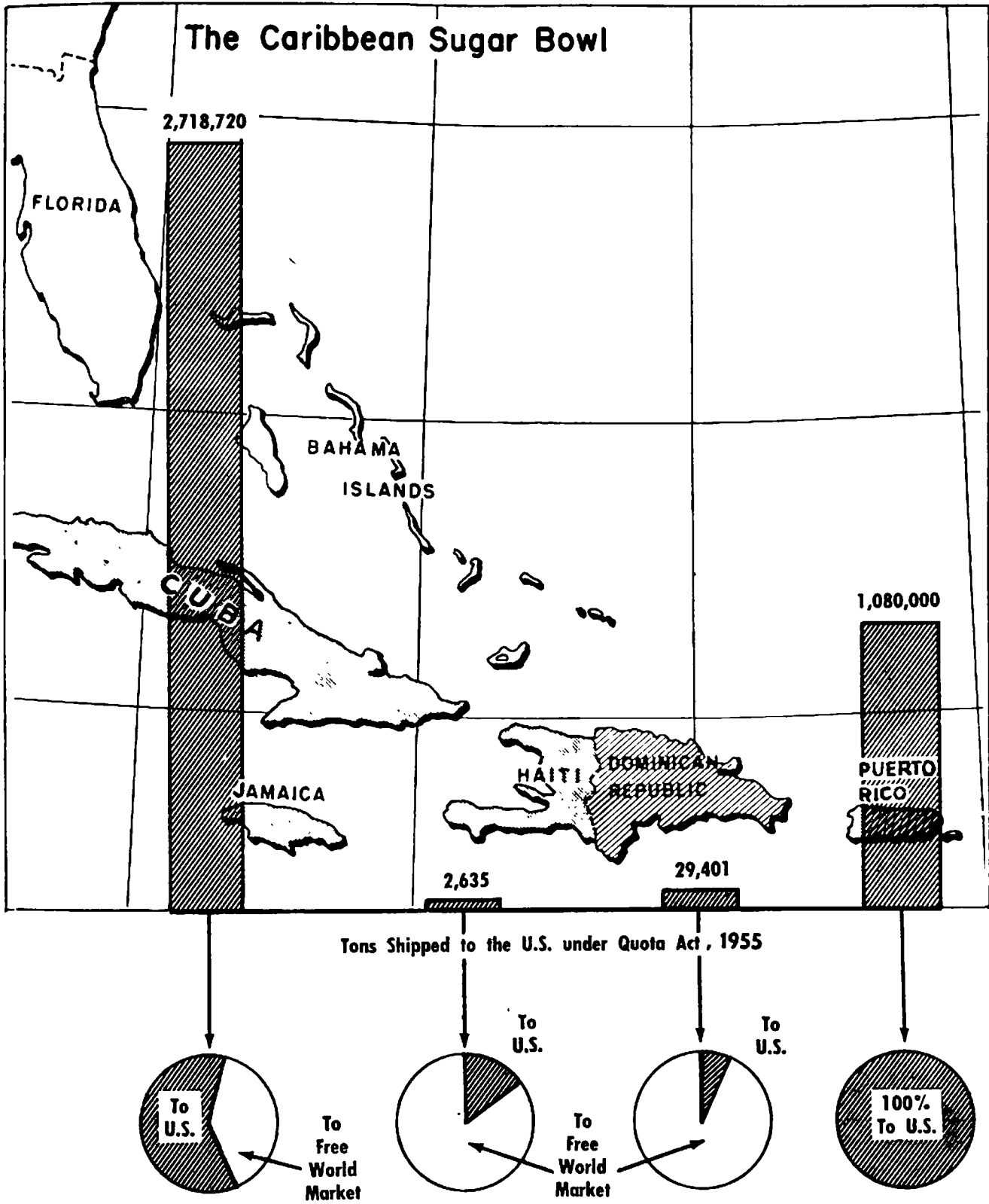


FIGURE 5

000 Short (1954 exports)  
Tons

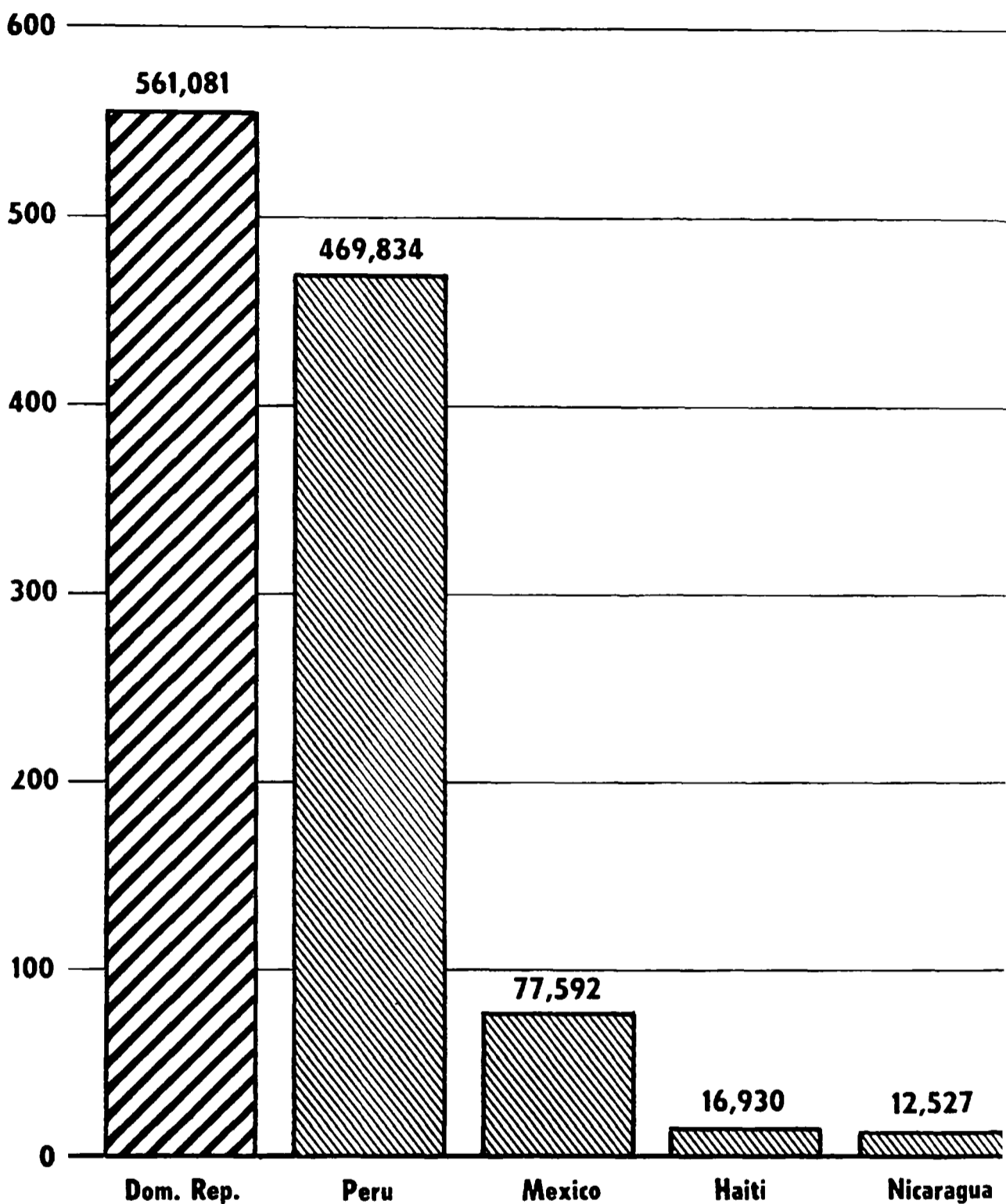


FIGURE 6

SOURCE: USDA Foreign  
Agriculture Circular No. FS-4-55



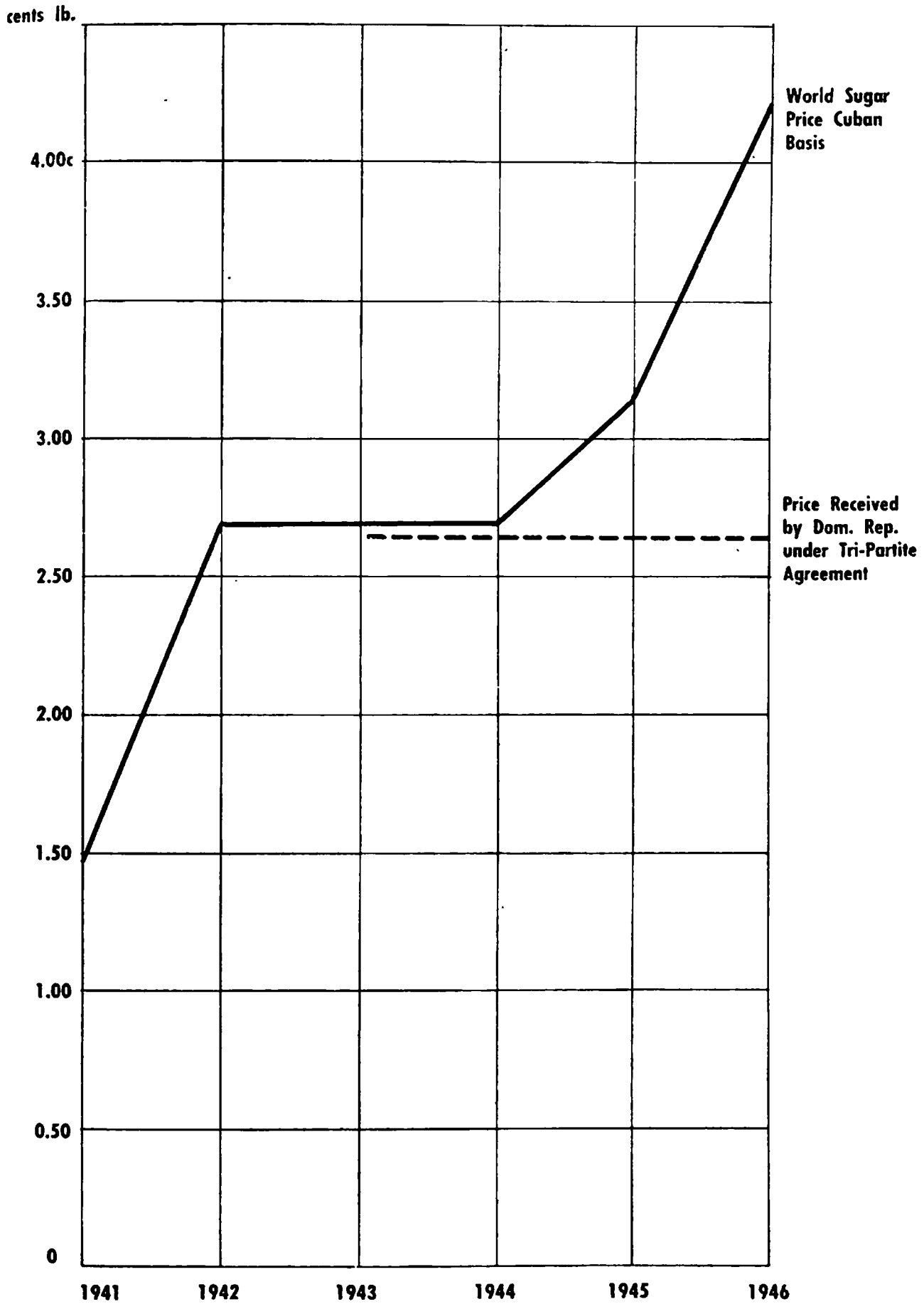


FIGURE 7

SOURCE: *World Price USDA Sugar Statistics Vol. 1*

DESPITE THE SMALL VOLUME OF SUGAR SALES TO THE UNITED STATES, THE DOMINICAN REPUBLIC BUYS ALMOST ALL OF ITS IMPORTS FROM THE UNITED STATES

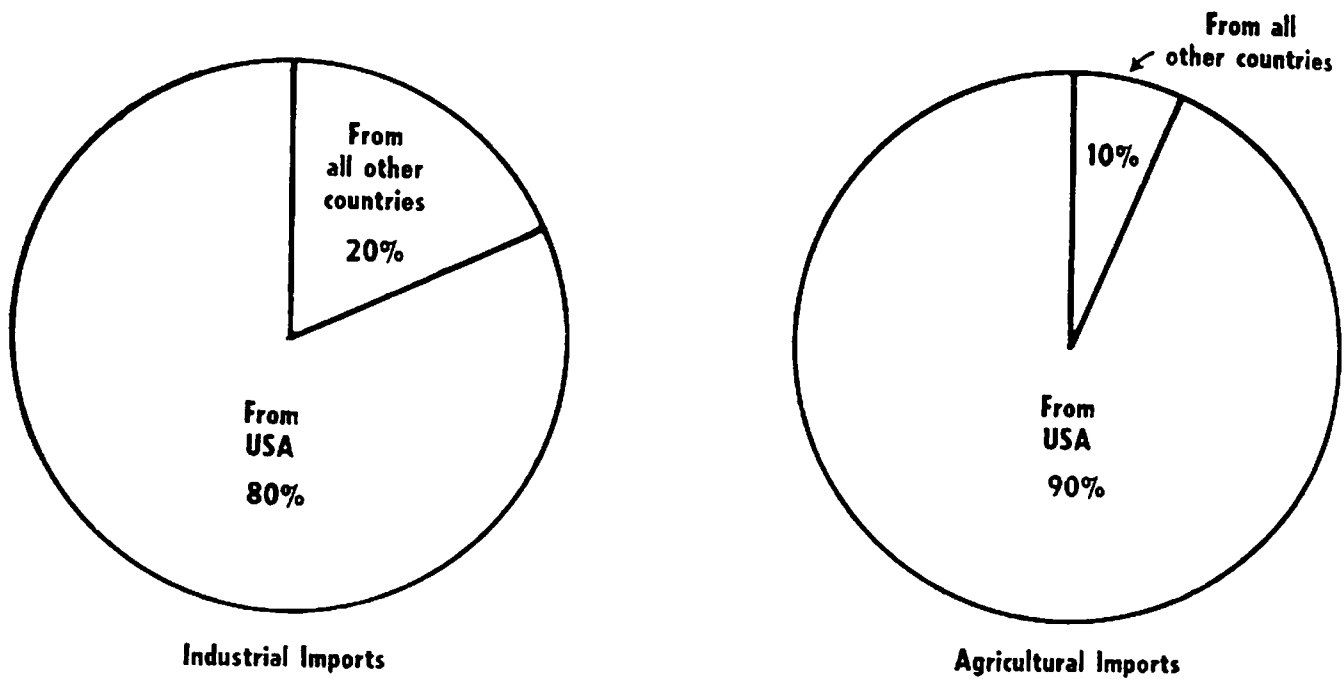


FIGURE 8

The natural market of Dominican sugar is the United States, from which it buys most of its agricultural and industrial requirements—and this despite the fact that it is forced to sell almost all of its sugar to other countries—at low prices.

In 1954 the Dominican Republic exported enough sugar all over the world—but at low prices—to meet the total sugar needs of 18 States and the District of Columbia.

But the Dominican Republic's United States quota (which is sugar sold at higher prices) was not enough to feed even Rhode Island. And over 65 percent of the total assets owned by the sugar industry in the Dominican Republic is owned by American corporations—by American stockholders.

And, of course, a country which sells a large proportion of its sugar production to the United States at high prices is in a good competitive position to undersell its competitors in the world market and still earn a good profit on its total sales.

That competition hurts the Dominican Republic which sells practically all its sugar in the world market. And the world market for sugar is a shrinking market. Sugar which must be sold in the world market is aptly termed "sugar without a home." This means that 94.3 percent of Dominican sugar is without a home—but to the credit of the Dominican Republic it has not sought that home in the Soviet Union or its satellites. The only solution for the Dominican Republic is to receive a larger share of the United States market.

The Dominican Republic is doing all it can to reduce its dependency on sugar. But at this stage of its heroic efforts diversification cannot be continued without additional dollars—dollars which can really only be earned by increased sales of sugar to the United States.

With regard to the matter of allocating quotas between domestic and foreign producers, the Dominican Republic presumes no right to take a position. Its major concern is the division of the foreign nations' total quota among all the eligible suppliers.

One point must be remembered. Sugar purchases from foreign producers are not contrary to the interest of American farmers. Countries that sell more sugar can buy more commodities in the United States, including farm products. More exports mean more imports. The trade benefit to United States producers and exporters is principally determined by the total sugar quota allotted to all foreign producers, and not by the specific quotas of each foreign producer. All the countries earning dollars from sugar spend the dollars in the United States.

In recent years the Dominican Republic has increased its imports more rapidly than its exports, while still trying hard, consistent with good business practice, to maintain a reasonable balance of trade.

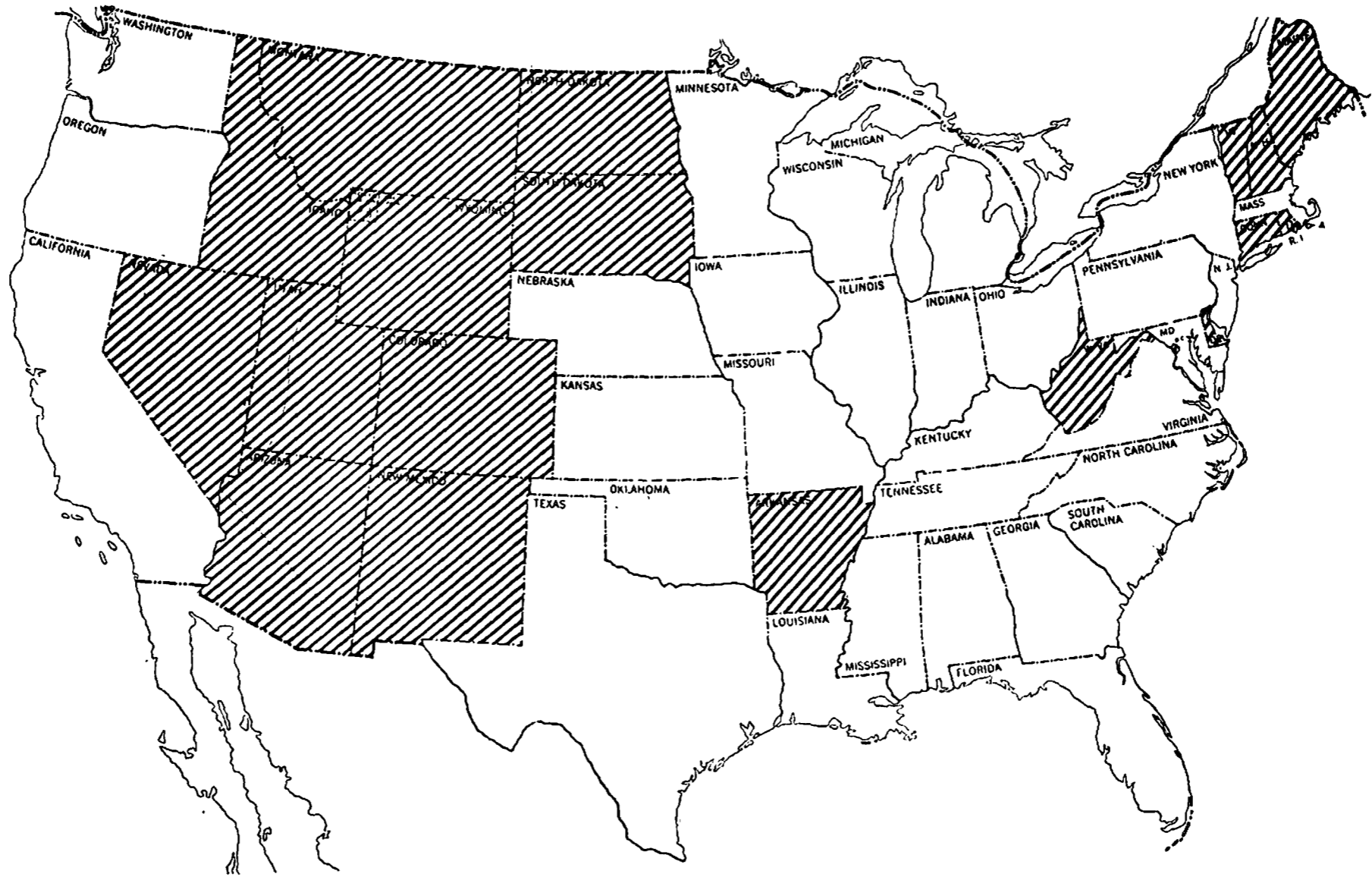


FIGURE 9

The Dominican Republic buys most of its imports from its good neighbor, the United States of America. To increase its imports, it must increase its exports, as must other nations. But it differs from other nations in that it is, essentially, a sugar economy. Although its diversification program has been rapid and reasonably successful, it must look to sugar as the prime source of income for some years to come, as the prime source of buying United States exports.

What does the Dominican Republic want? Recognizing that full justice among quotas cannot be attained overnight, it looks forward to an equitable quota by at least the expiration of the new Sugar Act. At such time, say 1960, the Dominican quota ought to approximate at least 10 percent of Cuba's United States quota. A Dominican quota of 200,000 tons at a time when the total United States requirements are 9,075,000 tons (in about 1960) would give the Dominicans but 2.2 percent participation in the United States sugar market.

Under H. R. 7030, should it become law, the Dominican Republic would be permitted to send into the United States, in 1960, only about 5 percent of what Cuba's quota would then be. Insofar as the Dominican Republic's aspirations are concerned, there could be more satisfactory legislation. But H. R. 7030 does take a step toward rectifying historical inequities. It still leaves the Dominican Republic as a minor contributor to the United States sugar bowl. The Dominicans will still have to look to the world sugar market for the income for them to buy Uncle Sam's merchandise.

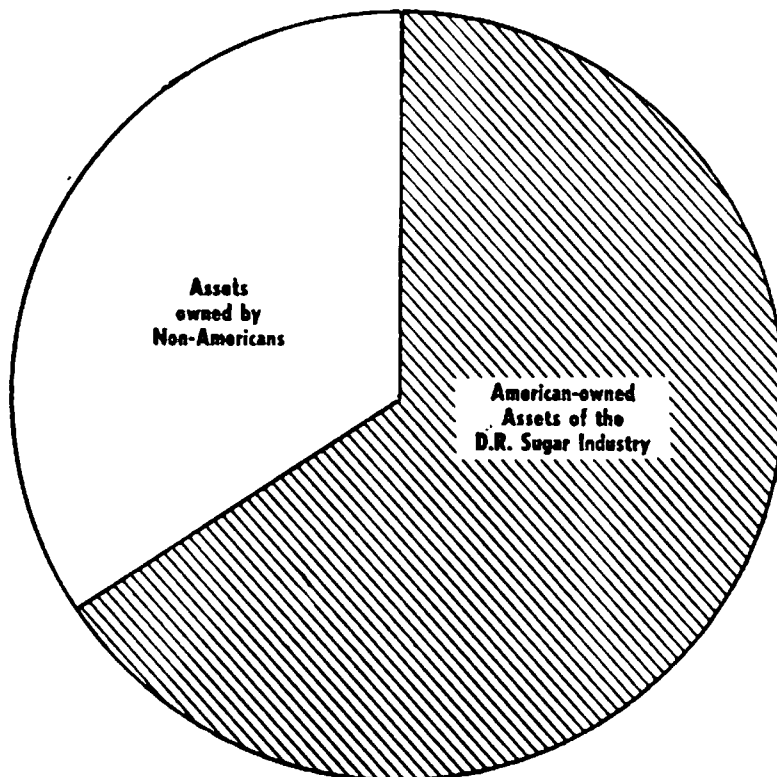


FIGURE 10

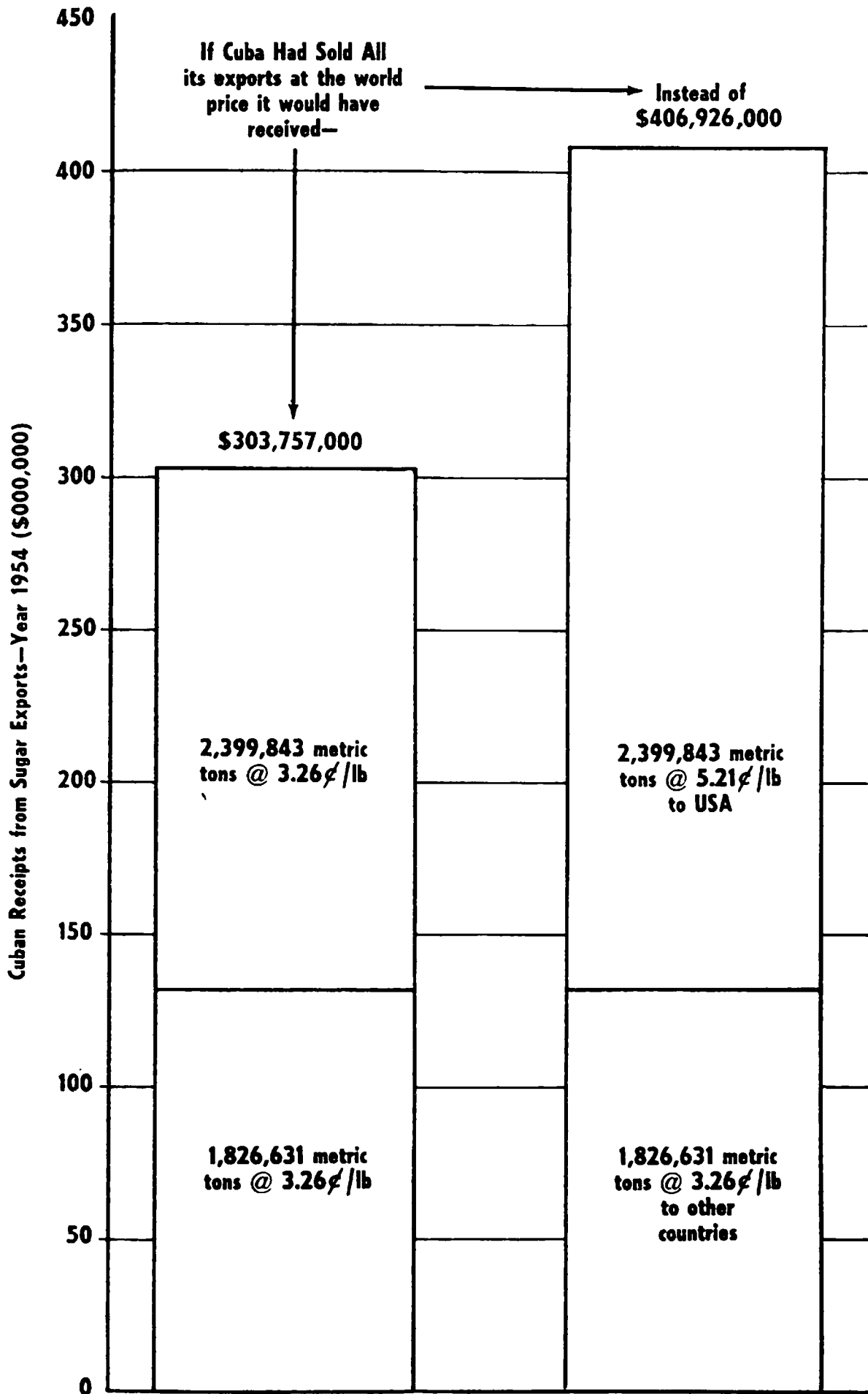


FIGURE 11

SOURCE—Exports: *Statistical Bulletin of the International Sugar Council*  
 Prices (fas Cuba)—USDA Sugar Statistics.

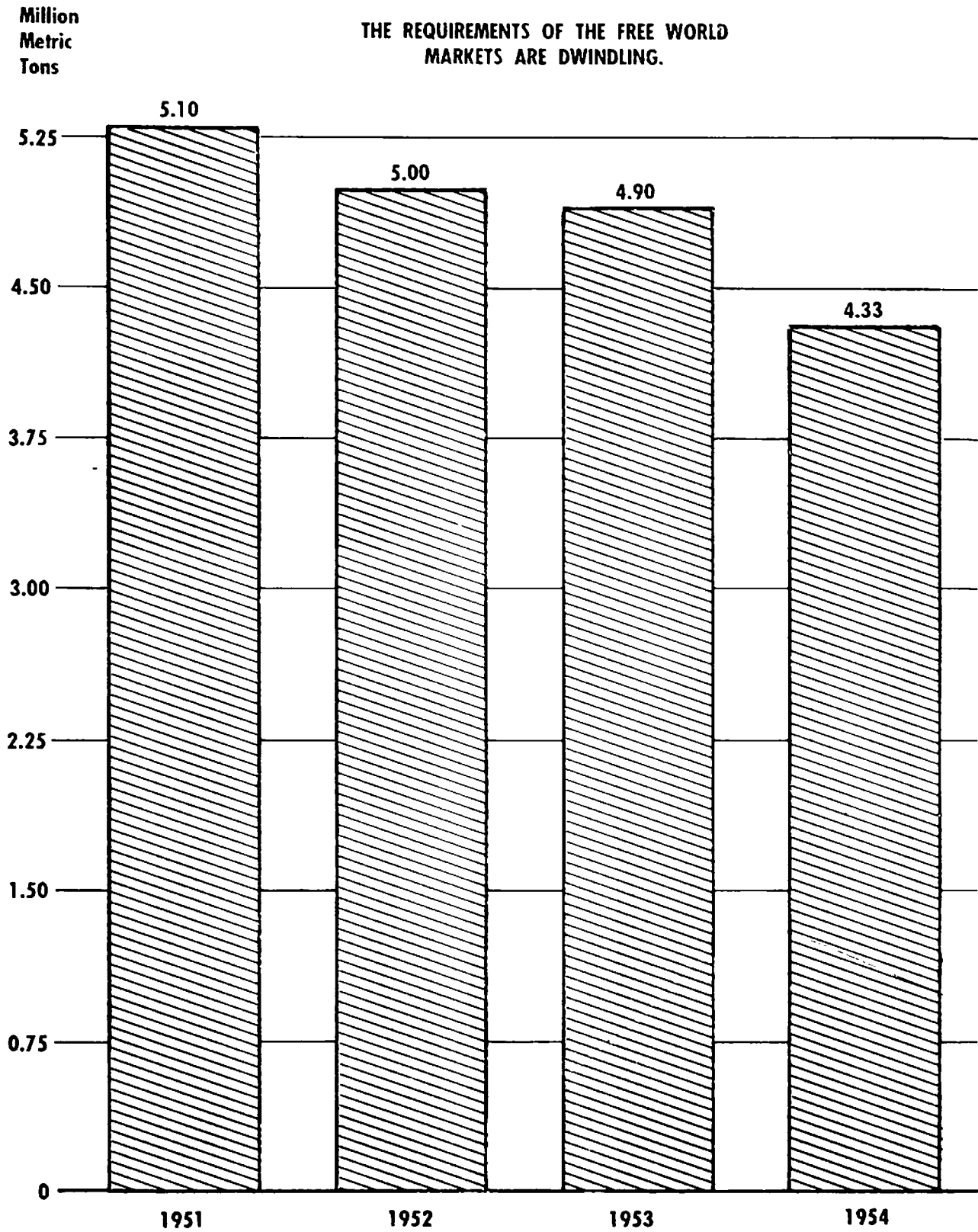


FIGURE 12

SOURCE: *Year Book, International Sugar Council*

PERCENTAGE OF TOTAL EXPORTS GOING TO EACH COUNTRY  
1954 CROP YEAR

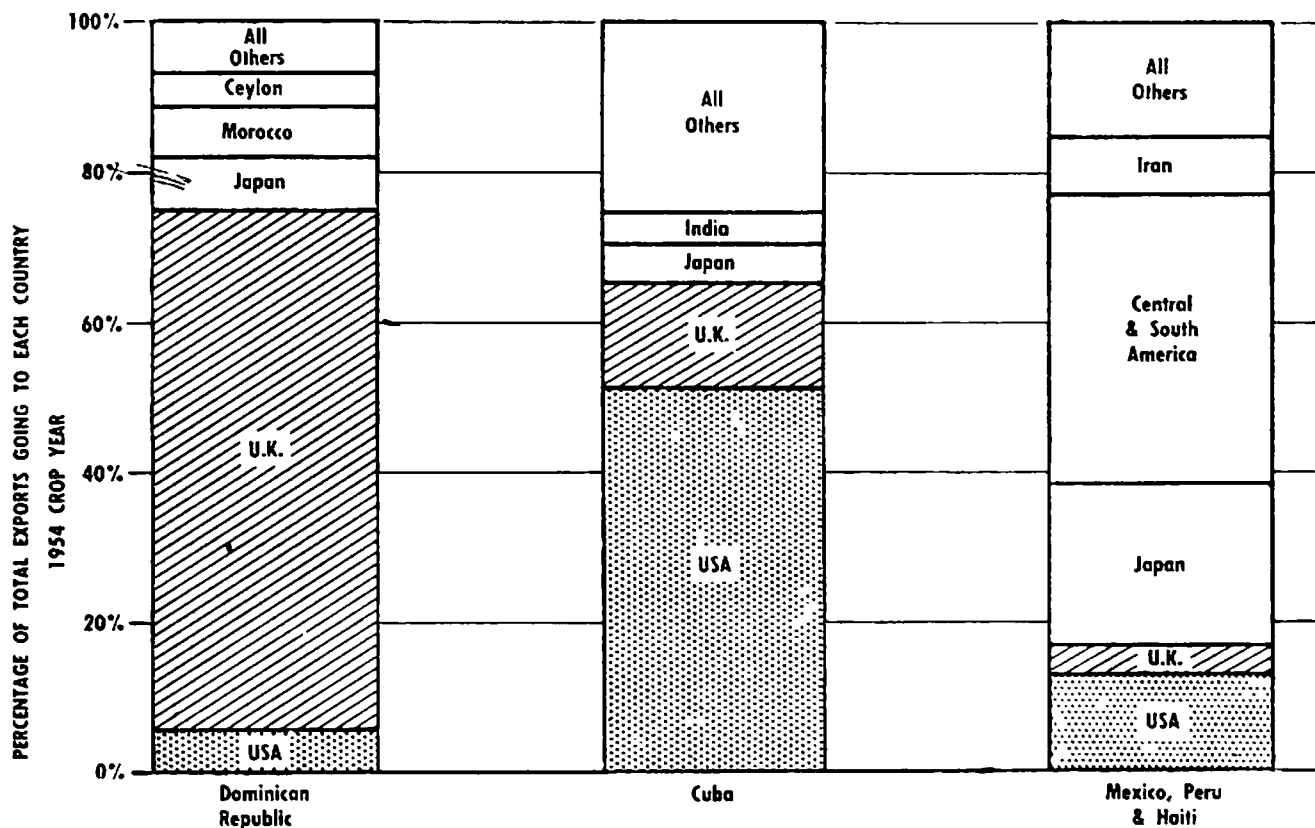


FIGURE 13

SOURCE: Year Book, International Sugar Council

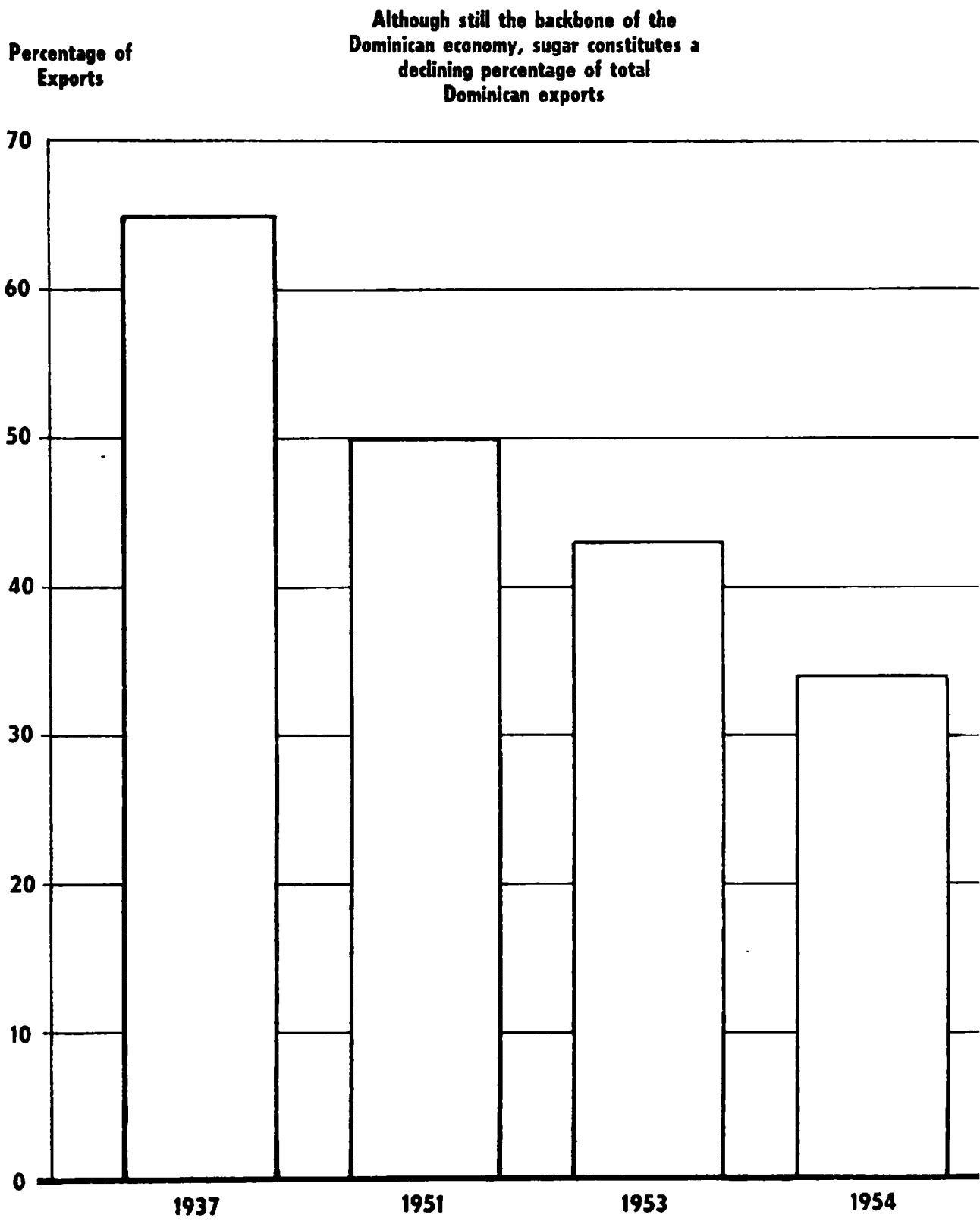


FIGURE 14

SOURCE: *International Financial Statistics I.M.F.*



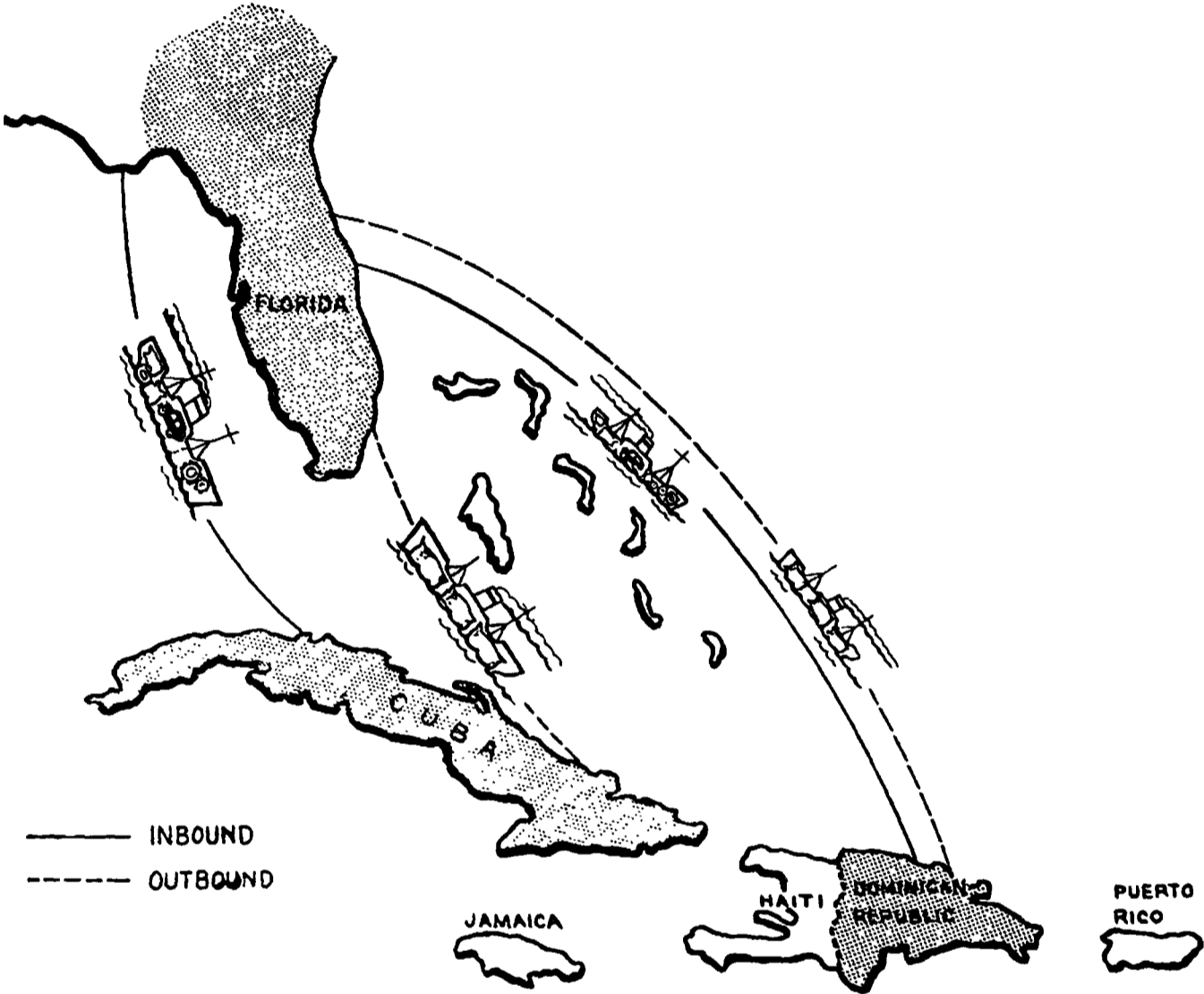


FIGURE 15

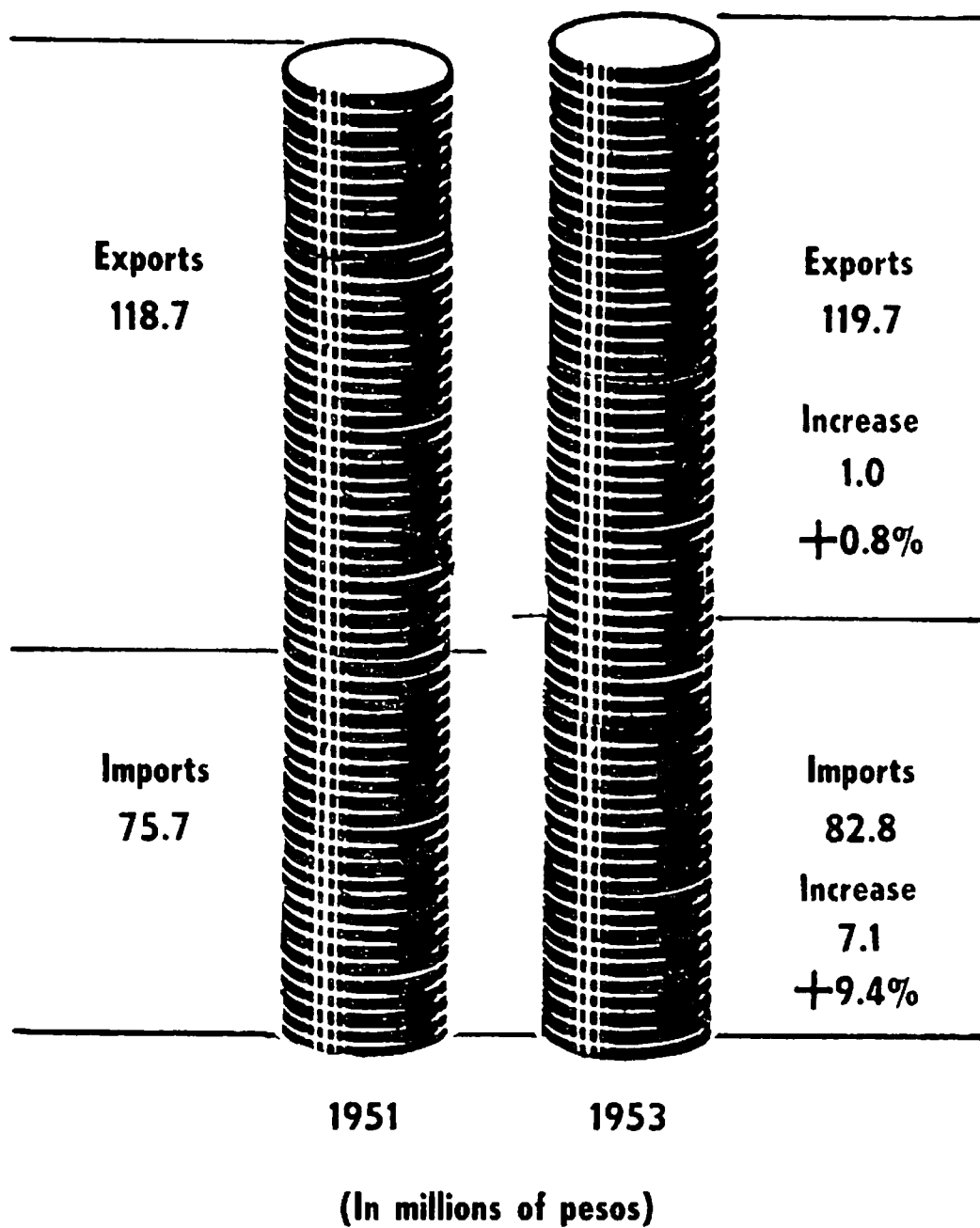


FIGURE 16

As the leader of the non-Soviet world, the United States must—both in its own interest as well as that of the western world—pursue its foreign policy, which seeks to extend the freedom and progress of the western world. Economic means have proved to be the most effective means of working toward this goal of American foreign policy—a free, prosperous, and peaceful world. The Dominican Republic is one of the countries on whose cooperation the United States can rely, and which supports the all important United States leadership of the free world.

The Dominican Republic not only supports the United States in its struggle for a free, prosperous, and peaceful world, but it also looks to the United States as an important source of primary products, manufactured goods, technical innovations, and capital. By easing access to the American economy via sugar, the United States can advance the economic improvement of its good neighbor, the Dominican Republic.

The great American genius lies in mass production, which is the problem of its export. In the Dominican Republic sugar is mass produced by Mother Nature and sugar must be the problem of its export.

The Dominican Republic is seeking no special favors; it seeks no handouts by way of grants or loans.

It seeks aid in trade, not aid instead of trade.

It seeks only an opportunity that the inequities of the past be corrected by giving it now its rightful share in the United States sugar market.

This won't compensate for the past—but it will recognize the realities of the present and be a step toward putting the future on a sound, fair, and just basis.

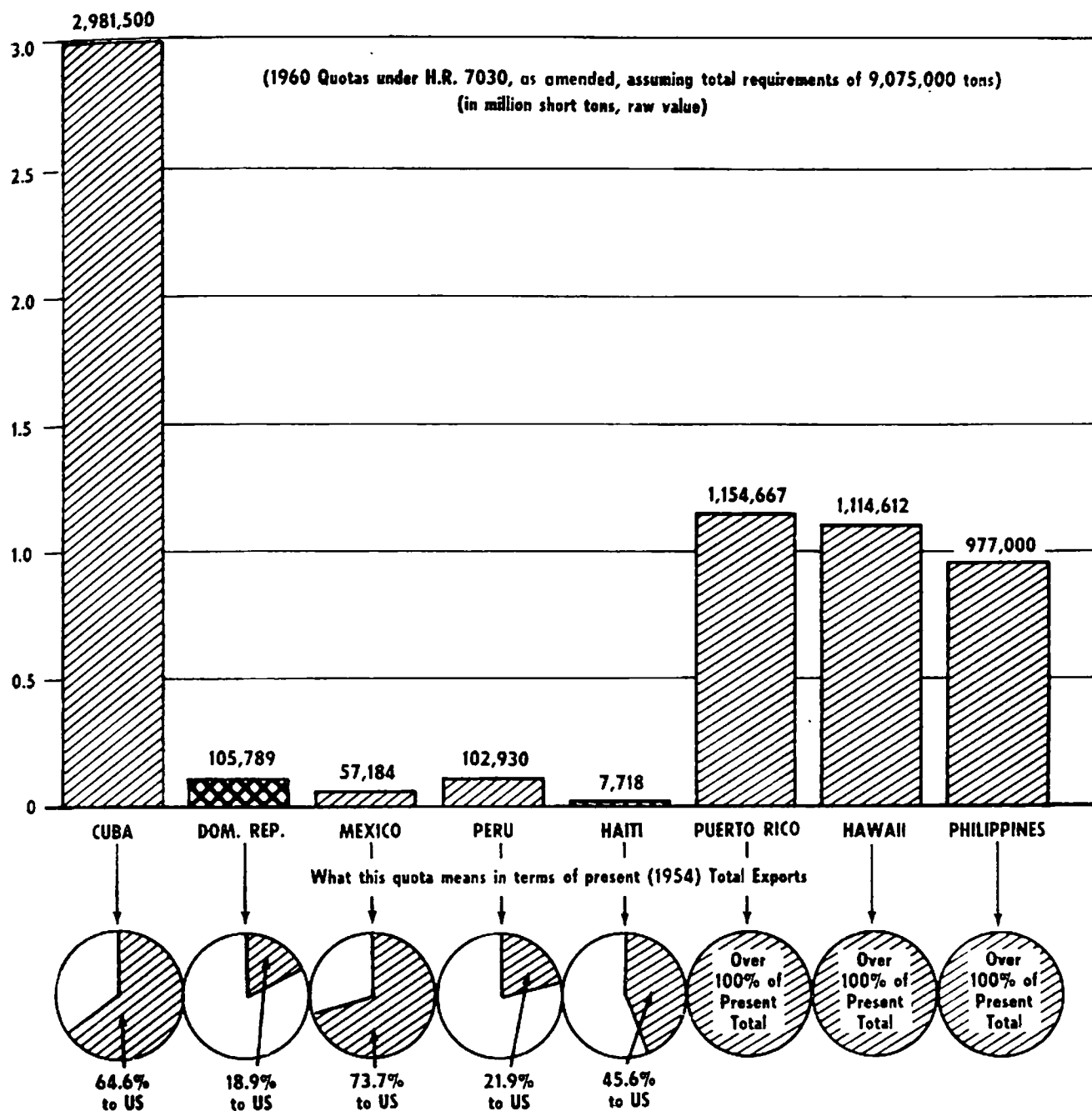


FIGURE 17

SOURCES: Report No. 1348, 84th Congress, 1st Session, USDA 4-55 (8/19/55)

Senator BENNETT. Mr. Karasik, the booklet opens naturally at the center. I do not know who prepared it, but I think it is not very good public relations to say. "In 1954 the Dominican Republic exported enough sugar all over the world at a low price to meet the total sugar needs of 18 States," and to include in those 18 States the States of Utah, Colorado, Wyoming, Idaho, Montana. [Laughter.]

That is what comes of people who live in New York and do not realize what goes on west of the Hudson.

Mr. KARASIK. I am a native Washingtonian at this point, and I submit that my knowledge of what goes on west of the Potomac is somewhat limited.

Senator BENNETT. It is just one of those peculiarly funny situations.

Senator SMATHERS. Go ahead, Mr. Karasik.

Mr. KARASIK. With a high concentration of statistical data, it constitutes as succinct as possible an expression of the equities in favor of the Dominican Republic which are, to a large degree, recognized in H. R. 7030, as amended, and as passed by the House.

Senator SMATHERS. The room must be in order so that we can hear this witness.

Mr. KARASIK. I refer to the House-passed bill, as distinguished from the committee print. However, I do think it would be useful in addition to make this statement to furnish the background for your perusal of the booklet.

Although this subject has been touched on before, I am not sure that all of us understand just why it is that the Dominican Republic, a comparatively large producer of sugar in the backyard of the United States, the Caribbean area, presently supplies such a tiny fraction of its output to the United States.

The basic reason for this is that when the original legislation providing for offshore quotas of sugar supply to the United States was enacted—the Jones-Costigan Act of 1934—a period of years was selected as the representative period on which the quota was based.

In other words, the actual amounts of sugar shipped by the Dominican Republic to the United States during the so-called representative years 1926, 1929 and 1930, I believe, was totaled up and was divided by the number of years in the representative period.

This then became the base on which the quota was devised. It so happened that the years chosen were not in any sense of the word representative of the true trading conditions that had heretofore existed between the Dominican Republic and the United States. The United States Tariff Commission published a report of a study called *The Foreign Trade of Latin America*, and in that it says at one point, and I quote:

Prior to 1934 it had been unprofitable for Dominican producers (and all other full-duty countries) to sell sugar in the United States market, because of the preferential rate of duty accorded Cuban sugar. Consequently practically all of the shipments to the United States were for refining and export with benefit of drawback.

In other words, the representative period chosen was one in which, perforce, there was very little sugar trade between the Dominican Republic and the United States, as explained by the Tariff Commission in this study.

But this same formula, however, or an amended version of it, was used in the Sugar Act of 1937 and as the Sugar Act of 1937 was amended and the Sugar Act of 1948 was enacted, and amended in 1951, the formula of the "representative year" basis for determining quotas continued to be employed, but the years always ran back to a previous period in which imports had been restricted, by an earlier distorted representative year's period, so that the original distortion of the trade relationship between the two countries continued by this means to be perpetuated.

One of the great merits of H. R. 7030, as amended and as passed by the House, is that it does away with this representative year's formula. One of the great defects of H. R. 7030 before it was passed by the House—and that is the same as the committee print—is that the same old inequitable, outmoded formula is further perpetuated.

This booklet tells you why the Dominican Republic, the economy of which is based so much on sugar marketing, needs increased marketings in the United States market, as the free-world market for sugar dwindles, and competition becomes more keen and more powerful on the world market outside of the United States.

If you look at figure 12—that is on page 15—you will see the rate at which the world market outside of the United States is dwindling.

This is because, as was explained by other witnesses, here today and yesterday, many of the consuming nations are growing more of their own sugar.

Naturally, the Dominican Republic cannot and does not expect the United States market to absorb Dominican sugar at anything like the rate of the decline of the world market.

However, you will see at figure 4, which is on page 8, that the United States price is consistently greater than the world price, and we have been through this before with other witnesses who have explained that differential, which is graphically shown in the figure to which I have referred.

This means that a comparatively small quantity of sugar marketed in the United States gives a greater return to the producer, and this is obviously one of the reasons why the Dominican Republic seeks that increase in its quota.

That same relationship between world market price and United States price of sugar has other implications. Cuba, we all know, is the most important sugar exporter in the world. Cuba's marketings in the United States under the provisions of the House bill, as passed by the House, will never be any less than they are today.

In fact, they will increase. That has been pointed out also by other witnesses. And furthermore, Cuba, during the period comprehended by the proposed legislation, will at all times be selling to the United States more than one-half of Cuba's present sugar crop.

This will mean that at any time during that period, no matter how severe competitive conditions may be in the free world market, Cuba, with her tariff preference, and with the assurance of always being able to sell more than one-half of her present crop in the United States market, will have an enormous competitive advantage over all foreign producers, and if you will have a look at figure 11 on page 14, you can get some idea of this competitive advantage.

By contrast, the Dominican Republic, which is the second largest exporter of sugar in the Western Hemisphere—and in view of other testimony here, I would like to get that straight—it is the second largest exporter of sugar in the Western Hemisphere—Cuba comes first, the Dominican Republic comes second, though there is a technicality there. Puerto Rico is not an exporter. Puerto Rico is a domestic. It is within the United States, But the Dominicans are the second largest exporter.

They, however, at no time during the pendency of the proposed legislation will be able to sell more than one-sixth of their present crop in the United States. And, of course, if the relief afforded the Dominican Republic by the House-passed bill is not granted, the Dominican Republic would only be permitted to sell not much more than about 5 percent of her present crop in the United States.

Now, some reference was made to the Dominican quota under the International Sugar Act this morning by another witness, and the impression was given that this was a perfectly huge quota, and that the Dominican Republic just did not need any more help. Well, it is a large quota. It may be the next largest to Cuba's, which is 2.2 million tons in the International Sugar Agreement.

But where else is the Dominican Republic going to sell its sugar? It can either sell it on the world market, as Cuba does under its quota in the ISA, and maybe if it had the price support of the American

market, which Cuba has and which the Dominicans do not, it could also do what Cuba does and sell outside of the ISA at lower prices. But without the ISA, and without the quota guaranteed by the ISA to the Dominican Republic, it would have a pretty rough time selling sugar at all

This means that things are going to get harder for the Dominican Republic

On this business of things getting harder for the Dominican Republic, as they will as this world market squeezes down, dwindles, and if we only keep our present proportion or present tonnage of sugar on this market, one might say, "Wouldn't the Dominican Republic look for some economic aid from the United States? Other countries do. Why do the Dominicans want only increased trade?"

Well, that is something that is implicit in the economic and political philosophy of the Dominican Republic. They are very proud in this respect. The Dominican Republic does not seek loans or gifts from countries more fortunately economically situated. The Dominican Republic owes foreigners not 1 red cent. They have no foreign debt.

Illustrative of its self-respect in its relations with this country is the fact that the Dominican Republic, unlike many other countries where American military or naval bases are established, charges Uncle Sam not 1 penny in the way of rent for the extensive military installations which the United States maintains in the Dominican Republic.

Moreover, unlike many other nations in the world, it charges not 1 penny to vessels of the United States Navy in the way of harborage or wharfage fees.

What the Dominican Republic is requesting of this committee, what it requested of the House of Representatives last session, is equity of treatment as a supplier in comparison to other suppliers with roughly the same economic framework and in the same area of the world.

So far as the United States economic interests are concerned, not the slightest adverse effect can be expected if the United States accords reasonable equity as among all Western Hemisphere sugar suppliers. It has been the experience of the United States that practically all of its dollars expended in this hemisphere come home to roost.

If country A is paid \$1 for its products this year and \$9 next year, while country B gets \$9 and \$1 in the same year respectively, in each of both years \$10 will come back to the United States. The only difference to United States revenues, obviously, is that the full-duty countries would pay more duty to the United States Treasury as more of their sugar is marketed here.

And so far as trade with the United States is concerned—other witnesses have talked about balance of payments—the Dominican Republic, which works hard at being self-supporting, which does not beg and which does not borrow money, has an adverse balance of trade with the United States.

In other words, we buy more from the United States than we sell to the United States.

It is our earnings from other sources which pay for our very considerable imports here. These imports are also referred to in this book. You will see that figure 8 on page 12 gives you an idea of the portion of our buying from this country and from other countries.

Furthermore, the products that we ship are not competitive, but are complementary to the United States products, and most of them that are shipped here at any rate are, of course, things of which the United States is short.

The Dominican Republic is an attractive place for American investment. Why this is so is that it is financially and politically stable. Its economy, nurtured by the basic influx of sugar dollars, is an expanding one. American investors in the Dominican Republic have found that the returns on the investment of their savings in that country are stable and fair. American investment in the Dominican Republic is encouraged by the grant of various tax exemptions, and by similar measures. But if its receipts from sugar marketings decline, Dominican Government revenues will also decline, and its ability to use those measures or measures like them is going to be lessened.

Senator BENNETT. Mr. Karasik, do you think it is possible to persuade the Senate Finance Committee that it should be impressed by the fact that American investors can get tax exemptions in the Dominican Republic, and thus escape being taxpayers in the United States?

Mr. KARASIK. Unfortunately, sir, under the revenue laws of the United States, they continue to be taxpayers in the United States, American corporations and American individuals do. As Mr. Debevoise will undoubtedly tell you, who is a person who is in that situation, he pays his taxes; his company pays its taxes to the United States.

Senator BENNETT. Then what is your purpose in calling our attention to the tax advantage of investment in the Dominican Republic?

Mr. KARASIK. It is not the tax advantage that I am calling your attention to. I am saying that the country is trying very hard—and I will expand on this a little later, and this booklet makes some point of it—to diversify its economy. It is essentially a sugar economy, just as Cuba is, although not to the same degree that Cuba is. But it has been working for years to diversify that economy and get away from sugar, and it has had considerable success in doing so.

One of the most important things it feels it can do in getting away from this tremendous dependence on sugar is to encourage industry wherever practicable, that is, where it fits into the economics of the island. Even in a place like the Dominican Republic, where you do not have any problem of repatriation of currency or exchange rates—the peso and the dollar are the same thing—you have got to make it a little interesting for the American investor, the American saver, to come out of the United States where he gets a good return on his money, and maybe give him a little better return on his money in the Dominican Republic, enough of a better one to take care of his United States taxes, perhaps.

But the whole point of this tax exemption thing is to try further to diversify that economy, and they are aware of the realities; they are aware that they are not going to get a huge United States sugar quota or anything like it, and they are also aware that the world market for sugar is shrinking, and they are very, very much aware that the further away they get from their present dependence on sugar, the better it is going to be for them.

This is an extremely practical way of lessening that dependence.

Senator BENNETT. So you want us to reduce the prosperity of our domestic economy, so that our people cannot pay as many taxes, so that American businessmen can go to the Dominican Republic and escape taxes?

Mr. KARASIK. No, they do not escape taxes, sir. And I wish you would question Mr. Debevoise on that, and he will tell you about the taxes that his company pays to the United States of America.

Senator BENNETT. You are making the point, as I read it, that as Dominican Government sugar revenues decline, you are not going to be able to grab so many tax exemptions to attract other industry. Isn't that the point that you are making?

Mr. KARASIK. Yes, tax exemption and other measures. What we have to do is in some way or other make it more interesting for American capital to invest—some way or other give it a better return on its money than it can get domestically.

Senator BENNETT. I do not want to prolong this, because there are a lot more witnesses, but just to close it up with the statement that I do not think you can impress the Senate Finance Committee, charged with the responsibility of raising taxes, with an argument that we must shift this sugar bill around so that you can make it possible for Americans to get tax advantages—"exemptions" is the word—in the Dominican Republic.

Let us not argue it. I understand your position, and I am sure you understand mine. Let us go on with the testimony.

Mr. KARASIK. Some question was also raised here this morning that in giving these modest increases to these full-duty countries, you might encourage them to go further into sugar. I think that question was asked of Mr. Chapman, and I think that in Mr. Crosby's testimony—although I may be doing him an injustice, which I hesitate to do—I think there was a remark made that the Dominicans plan to create a new sugar mill. There are such plans and there have been such plans, going back, quite a long way, long before any amendment to this Sugar Act was heard of.

So far as a new sugar mill was concerned, it is a brandnew, second-hand sugar mill. I understand they plan to buy their equipment second hand from Puerto Rico. Not terribly much is known about it, except what is seen in the daily press down there and in Miami, and it does not look like a very big outfit. But one thing is clear, and that is the plans for this mill long antedated any move to amend the act.

The Dominican Republic, to continue what I have been saying about diversification, has not reached that stage of diversification, where its dwindling receipts from sugar marketings might be wholly offset by the marketings of other commodities. Its economy is still very much dependent on sugar.

For the last 25 years or more it has bent all its very considerable efforts toward effecting that diversity in agriculture and industry which would lessen its dependence on sugar. But the rate at which this diversification is being carried on—that is the point I was making a little while ago, sir, and the point I want to make—cannot be accelerated, and probably will be difficult to maintain, in the face of lessening income from sugar.

The political stability of the country is quite clearly related to its economic stability. Principal budgetary items in the expenditures



of the Dominican Republic are for education, health, and social services. The standard of living is constantly rising in that country; the standards of literacy are likewise rising, and the health standards are probably the most outstanding in all of Latin America. And they are bettering, too.

For these reasons and because of the basic political philosophy of the Government of the Dominican Republic, there are no Communists in the Dominican Republic. There is no Communist Party, no Communist organization, no Communist infiltration, no Communist front, no card carriers, no fellow travelers. And the Dominican Republic does not claim that even if its sugar receipts dwindle there will be any Communist agitation or Communist infiltration in the country.

What it does claim, as a hard-working, self-denying, self-respecting neighbor of the United States, is that unless it is treated more equitably in its commercial relations with the United States, unless the sugar marketings of the Dominican Republic in the United States can be increased, the standards of living of the Dominicans, their standards of health, education, and social welfare, are likely to suffer.

Since the United States over the past many postwar years has spent billions of dollars in the forms of grants and loans to other countries in the world to assist them in attaining economic and political stability, and to assist them in raising the living standards of their people, it does seem completely inconsistent with American policy, as the world has known it these many years, to take action which might have just an opposite result in the case of a near neighbor, a close ally, a good customer, and a very good friend.

As an indication of what that friendship is I cite the chart in the booklet at page 11. It shows what has been testified to before today in the case of Cuba. When increasing sugar supplies to the free world were needed in World War II, the Dominican Republic, at the request of the United States and the Combined Food Board, actually shipped about 400,000 tons of sugar a year to the United Kingdom and, as this figure shows, at a low fixed price; they did not profiteer. They did not try to, and in many cases, the returns to producers under this Combined Food Board agreement were actually lower than the cost of production.

And, as a loyal ally of the United States during World War II, the Dominican Republic in carrying out its wartime responsibilities in the Caribbean area, lost practically all of its merchant marine to enemy action.

H. R. 7030, as amended, and as passed by the House, will have the effect of increasing marketings of Dominican sugar in the United States. While it is true that other proposals presented to this Congress, including the committee print, if enacted into legislation, would also tend to increase those marketings, the increments envisaged by those proposals are so tiny as to give very little real relief to the Dominican Republic and to have little effect in palliating the rather gloomy outlook for the Dominican sugar. It is for that reason that, even though our principals would have wished even more generous treatment than what the House-passed bill would provide, they and we would support H. R. 7030, as amended, and as passed by the House.

Thank you, Mr. Chairman, for giving me your time.

Senator SMATHERS. Thank you very much, sir.  
(The following letter was subsequently received for the record:)

SURREY, KARASIK, GOULD & EFRON,  
Washington, D. C., January 18, 1956.

HON. HARRY F. BYRD,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: On Tuesday, January 17, 1956, in the course of testimony before the committee, Mr. Laurence A. Crosby, representing the United States Cuban Sugar Council, made a statement to the effect that important political figures in the Dominican Republic were owners of substantial interests in Dominican sugar-producing establishments.

I called this statement to the attention of the Dominican Ambassador to the United States, the Honorable Joaquin E. Salazar, who informed me, as the chief representative of the Dominican Republic to the United States, that the statement of Mr. Crosby's was not in fact correct.

I have been further informed by Ambassador Salazar that there are a total of 15 sugar-producing establishments in the Dominican Republic, each of them wholly owned by private interests. Two of these establishments are owned by South Porto Rico Sugar Co., a United States public corporation, having interests in Puerto Rico, as well as in the Dominican Republic, 4 are owned by West Indies Sugar Corporation, a United States public corporation, having interests in Cuba as well as in the Dominican Republic, 3 are owned by the wealthy Dominican Vicini family, 5 are owned by Azucarera Nacional, C. por A., a public corporation, the share capital of which is wholly owned by various private persons, and one of which is owned by Azucarera Haina, which is likewise a public corporation, the share capital of which is held entirely by private persons. The latter six establishments are under the direction of Mr. Jose Antonio Jimenez, a well-known and very well-to-do Dominican farmer and cattleman.

I should be most grateful if you would be good enough to make this letter a part of the record of the hearings.

Very truly yours,

MONROE KARASIK.

Senator SMATHERS. Mr. Raymond R. Dickey, representing the Formosa sugar producers is the next witness.

#### STATEMENT OF RAYMOND R. DICKEY, COUNSEL, TAIWAN SUGAR CORP.

Mr. DICKEY. Mr. Chairman and members of the committee, my name is Raymond R. Dickey. I am a partner in the Washington law firm of Danzansky & Dickey. We represent Skrod & Co., Inc., 99 Wall Street, New York City, who are exclusive United States sugar agents for the Taiwan Sugar Corp.

Senator BARKLEY. What sugar corporation?

Mr. Dickey. The Taiwan Sugar Corp. in Formosa, Senator Barkley.

The current Sugar Act as amended in 1951 permitted imports of Taiwan into the United States in an amount less than 1 percent of total permitted imports of sugar, and this only on a first-come-first-serve basis. In terms of physical quantities, the imports in 1953 from Taiwan (1953 being the first year such imports were permitted) were 1,113 tons compared with total sugar importations of 3,817,000 tons, and 1954, 1,112 tons as against a total of 3,756,000 tons.

As I know the committee realized, prior to the 1951 amendment, imports from Taiwan were not permitted into the United States in any amount. The reason for this was that under the provisions of all sugar acts from 1934, when the Jones-Costigan Act was passed, until the 1951 amendments, quotas were established on the basis of 1931-33 imports from various countries into the United States. During this

base period of 1931 to 1933, Taiwan was a Japanese possession tied tightly into the Japanese economy and thus exported no sugar to the United States market. I need not tell you, gentlemen, that since the passage of the first act world conditions have sharply changed both in a political and economic sense, although import quota provisions of the sugar acts, including the one being considered by you, do not always seem to recognize this fact.

On behalf of my client I wish to present first, the just and urgent need for readjustment to their infinitesimal quotas and, second, an equitable formula through which an adjustment can be made in Taiwan in the expected increase in quotas during the next few years.

I would like to have permission to file part of the data in this statement without presenting it formally to the committee in reading it.

We appreciate the point that both the House bill and the Senate committee bill gives to Taiwan a position of a designated country, a position which it did not occupy previously. However, the quota permitted in both bills is not in keeping with that which should be granted to the world's second largest exporter of sugar, and we believe that upon considering all the changing conditions in today's world a far more liberal allocation is justified.

The sugar industry in Taiwan: A very brief background of the sugar industry on Taiwan is essential to a clear understanding of their need for consideration at this time. The southern half of Taiwan is situated in the Torrid Zone where the warm climate and plentiful rainfall are most suitable for sugarcane growth. Sugar was exported from this island as early as 1620. It has always been considered as an important export commodity. Indeed, at this time, it is the lifeline of Taiwan's economy. From 1950 to 1953, sugar exportation earned the foreign exchange equivalent of between 50 to 90 million United States dollars each year, constituting as much as 70 percent of the island's export value during this period.

About one-fifth of Taiwan's farming land and one-tenth of its farming population is directly involved in this industry. More than one-eighth of Taiwan's total industrial workers are employed in its 30 refining factories and 3,247 kilometers of railways are owned and operated by the industry. This industry is a stabilizing factor in the Government's finance, contributing over one-third of the Government's recurring revenue, in the form of business taxes, income taxes, levies, and profit-sharing activities.

The sugar industry contributes immensely to the stability and prosperity of the other sectors of the island's economy. It is an important consumer of coal, coke, cement, machine products, limestone, and many other products. Each year millions of local dollars are spent on construction and maintenance work as well as for transportation and shipping service. The railroads, the 3,200 kilometers of railroad which I mentioned, which are owned and operated by the sugar industry, are also used to ship thousands of tons of other products to and from farming areas and to the consuming centers and ports, including vital military supplies.

Sugar production in Taiwan dropped precipitously as a result of severe destruction during the last phase of World War II. In 1946 and 1947 it was less than 100,000 tons a year. A speedy postwar rehabilitation was accomplished with the technical and financial assistance of the United States, which enabled production to pick

up rapidly in the ensuing 2 years, when annual output was in the neighborhood of 700,000 tons. In 1953 production reached a postwar record of 973,000 tons. Since local consumption amounts to only approximately 70,000 tons, the remaining production must be exported.

Mr. Chairman, the last table of the statement will show that—that is attached to the statement—will show that Taiwan was the second largest sugar producer in the period from 1935 to 1939 in the world, next to Cuba.

Cuba produced during that period 3,183,000 tons, and we produced 1,240,000 tons. Of course, during the 1945–49 period that went down very sharply, and then began to pick up again in the beginning of the 1950's.

International currency blocs have forced Taiwan to seek export destinations where the currency which it needs in its foreign trade can be obtained. Taiwan has annual earnings from exports of approximately the equivalent of United States \$100 million, excluding United States aid, which I shall go into in a moment.

The prevailing requirements for foreign currencies are approximately as follows: United States dollars, 20 percent; sterling bloc, 32 percent; Japanese yen, 48 percent.

These figures show why Taiwan is experiencing tremendous hardship in attaining the United States dollar percentages which are its minimum requirements of United States dollars, let alone increasing its percentage to the amount which it needs for normal trade balances between it and the United States. It comes nowhere near achieving a normal trade balance.

Prior to Communist occupation of the China mainland, Japan took one-half of the total exports of Taiwan and the remaining was for the consumption of the China mainland. From 1949 on, supply for the consumption of the China mainland was diverted for export to foreign countries other than Japan, since the Communists have occupied the mainland.

Thus it can be seen that Taiwan's exports of sugar in any large quantities to foreign countries other than Japan are new. Nevertheless, Taiwan has a well-established reputation as a reliable supplier and a faithful abider of international trade practices.

I know the committee realizes that the pressure from all foreign countries and Taiwan—Taiwan and every other foreign country that has appeared before you today and yesterday—to obtain a larger share of the United States market stems from the fact that United States sugar quotas constitute dollar earnings and command a premium of around \$35 a ton. Another important point is that under the terms of the International Sugar Agreement, to which Taiwan is a signatory, United States quota sugars are exempt from charges against the international quota, and therefore exports to this country constitute a net addition to foreign-exchange balances of about \$100 a ton for every ton of sugar which a country is permitted to export to the United States. This fact makes even more important a careful examination and division of foreign suppliers' quotas to the United States. Thus, any increases in Taiwan sugar exports to the United States have a double importance to Taiwan—the earning of additional sorely needed United States dollars, plus a net addition in total exports

of Taiwan sugar which gives Taiwan more vitally needed total foreign exchange.

H. R. 7030, as passed by the House of Representatives and as amended by the committee print now before this committee, would make Taiwan a designated country and grant to it a quota for 1957 of 3,000 tons. Approximately 2,000 tons of this amount would come into effect as increases eventuate above the basic consumption requirements of 8,350,000 tons.

Instead of this miniscule quota for the second largest sugar exporting nation in the world, we propose that the foreign suppliers' share in the annual increases above the 8,350,000 ton basic consumption requirement be established for each individual designated foreign supplier on the basis of its average annual net sugar exports to the free world sugar market during the calendar years of 1953 and 1954.

Such a formula would recognize the rights of both foreign and domestic suppliers in supplying the basic consumption requirements of the United States, which have been set at 8,350,000 tons. The formula also recognizes that the Government of the United States has a perfect right to establish for its domestic producing industry whatever share it desires in the annual increase in the United States consumption.

It also recognizes the reality that conditions in the world have changed since the original base years of 1931 to 1933, and that these changes should be given proper weighting insofar as the increased consumption in the United States is concerned.

Secretary Holland, in testifying, stated that the averages were based on imports from 1951 to 1954.

I do not need to belabor the point, as other witnesses of the foreign suppliers have said, that these average imports were limited by the base. Imports of 1931 to 1933, and certainly especially insofar as Taiwan is concerned, these conditions have changed materially.

The International Sugar Agreement of which both the United States and Taiwan are participating countries, has recognized Taiwan's position in the world market and allocated to it the second largest export quota of sugar to the free world—600,000 metric tons, a quota identical to that of the Dominican Republic, and next to Cuba.

Actually this quota has forced Taiwan to close down several mills and reduce the acreage for sugar plantations so as to observe the International Sugar Agreement. In addition, because of the existing currency blocs and trade preferential areas, Taiwan is exceedingly handicapped in marketing its sugar exports to the so-called free-world markets.

Not at all incidentally, when speaking of handicaps which Taiwan is facing in marketing its sugar, insult was added to injury last fall when the Commodity Credit Corporation purchased 100,000 tons of surplus United States sugar production and it is my understanding that a major portion of it will be shipped under the foreign-aid program into southeast Asian markets normally supplied by Taiwan. In other words, not only was Taiwan not able to export sugar to the United States (as were other countries who are not as significant factors as Taiwan is in the world sugar market), but Taiwan sees its normal markets severely diminished by unilateral United States action. I understand why the purchase of this sugar by the Commodity Credit

Corporation was deemed necessary in the interest of the domestic economy and have no quarrel with it.

But I want to point out to this committee one more reason why I feel the Government of the United States has a very real obligation to help Taiwan help itself.

The people on Taiwan have not forgotten the aid of the United States in the past years and in the current year. However, they are not satisfied to count forever on United States aid for their economic stability. They know that the United States helps those countries who help themselves.

Since the year 1951 till 1955, under the economic aid program, the United States has granted aid to Taiwan in an amount of \$528 million. Twenty-four percent of this aid has gone for agriculture and natural resources. I was unable to get from the International Cooperation Administration a breakdown of how much of that went into sugar, but a guesstimate was informally given to me that it amounted to many millions of dollars. So that we have helped build up the Taiwan industry, but we do not help them now get a fair, what we believe is a fair, share of trade in this country to alleviate their situation.

They are not satisfied in Taiwan to count forever on United States aid for their economic stability. They know that the United States helps those countries who help themselves.

I do not think particularly, Mr. Chairman, with you that I need to belabor the point that Taiwan today is the first outpost in the West Pacific for the common cause of world freedom and security. It relies on economic stability to support its will for freedom. There are some three-quarters to a million men under arms on Taiwan.

The backbone of this economic security lies in its sugar industry, as I have pointed out; 75 percent of its foreign currency earnings come from sugar.

The United States, as a leader of the free world and an advocate of the principle of fair and equal change in international trade, and as a participating country in the International Sugar Agreement should not hesitate to give favorable consideration to assigning to Taiwan a much larger specific quota of permissible imports of Taiwan sugar into the United States than the 3,000 tons given under the present bill.

The formula we have set forth here would do this, in our opinion. We think it is clear, simple, and fully defensible insofar as our relationship with other foreign countries is concerned. We urge its adoption by this committee.

Senator BENNETT. Mr. Dickey, may I ask you this question: Have you presented this formula with the supporting discussion to the State Department?

Mr. DICKEY. Yes, Senator, we have presented this formula with substantially the information which I have presented here today to the State Department.

I might say that it is perfectly obvious that the reason I am here is that we were not satisfied with the State Department's decision, and felt that we might put this matter up to the committee, as have the other foreign supplies who have testified before your committee.

Senator BENNETT. I just wanted with you, as I have tried to do with every other witness—I missed it when we were talking with Mr. Karasik to make the point.

Mr. DICKEY. I will be glad to yield to Mr. Karasik to answer the same question, Senator Bennett.

Senator BENNETT. We make the point clearly for the record that the State Department did hear your proposal, and their decision was not made in the absence of any opportunity you had to present it.

Mr. DICKEY. No, Senator.

I would like to point out, however, there has been a clerical error in the preparation of one of the tables, which I will substitute at a later date. It is the mimeographed table headed "Total Permissible Sugar Imports Into the United States by Cuba," and so forth. It is a graph.

In that connection, I would like to point out that under the proposal which we made, Taiwan, which is the second largest sugar-exporting nation in the world, would still only be the fourth—would share fourth in the increase—I mean, would be the fourth largest supplier to the United States here, so that we are not in the same position as we think even if we got what the State Department—I mean, even if we got what we are asking for here.

It is uneconomical, and we believe that very serious consideration should be given by the committee to this plea.

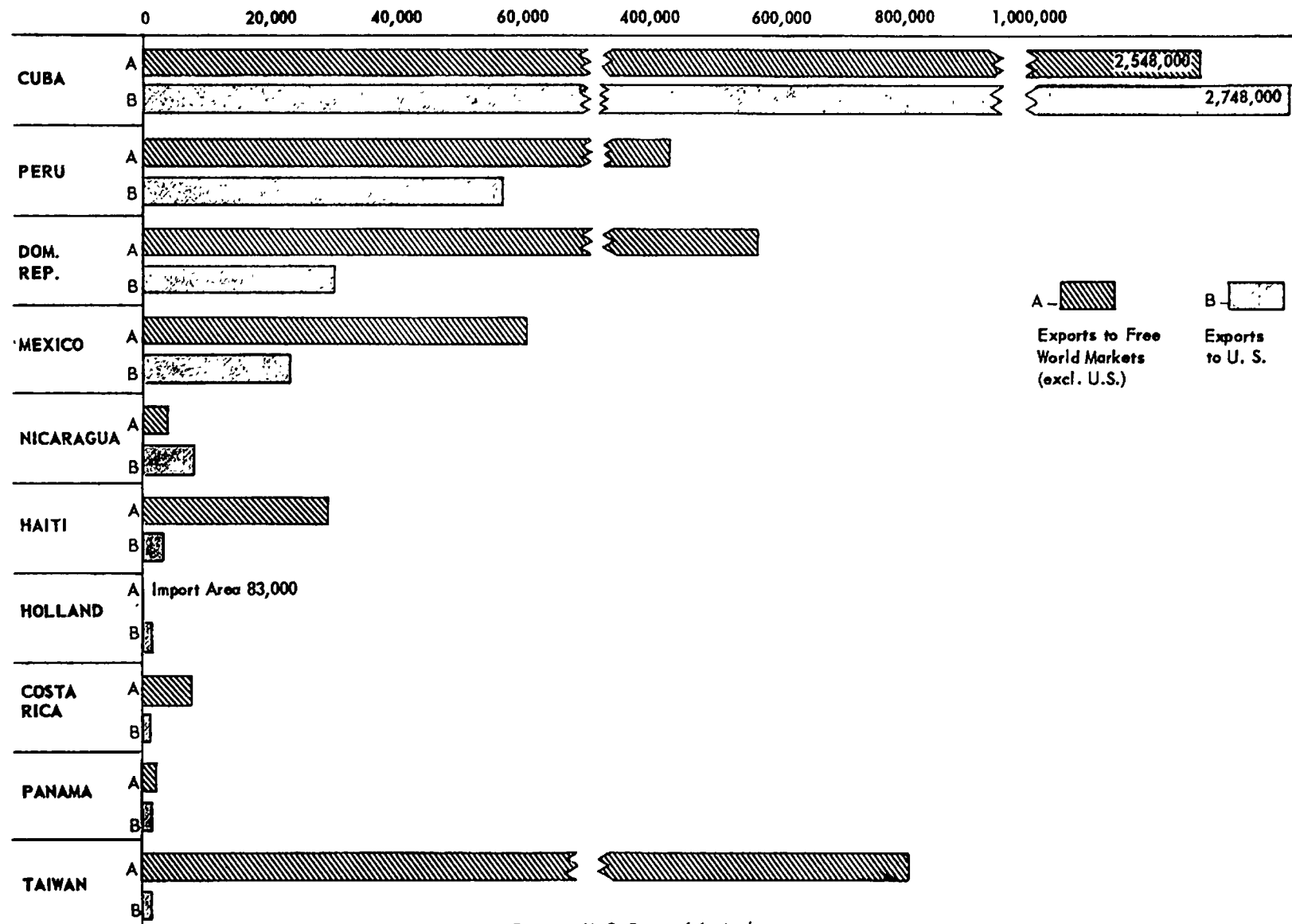
Senator BENNETT. That is all.

Senator BARKLEY (presiding). Thank you very much, Mr. Dickey.

Mr. DICKEY. Thank you, Senator.

(The tables previously referred to follow:)

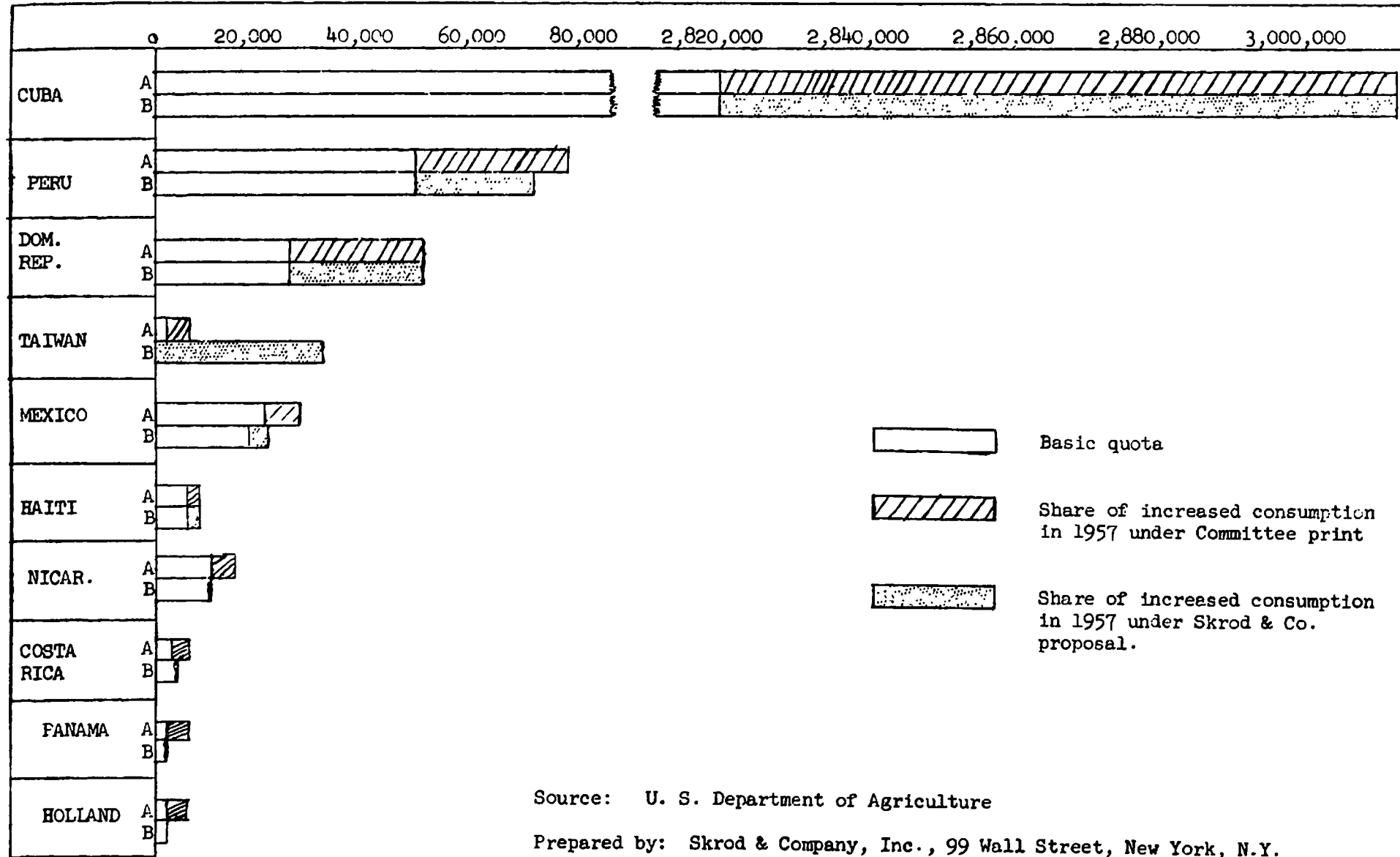
INTERNATIONAL TRADE IN SUGAR -- EXPORTS by FOREIGN COUNTRIES DESIGNATED in H. R. 7030  
Two Year Average 1953-54 -- Short tons



Source: Foreign Agricultural Service & Sugar Division Reports, U. S. Dept. of Agriculture  
Prepared By: SKROD and Company, Inc., 99 Wall Street, New York City



TOTAL PERMISSIBLE SUGAR IMPORTS INTO UNITED STATES BY CUBA AND DESIGNATED FULL-DUTY COUNTRIES UNDER SENATE FINANCE COMMITTEE PRINT OF H.R. 7030 AND UNDER SKROD & COMPANY PROPOSAL ASSUMING INCREASED CONSUMPTION BY 1957 OF 320,000 TONS OVER BASE OF 8,350,000 TONS.



Source: U. S. Department of Agriculture

Prepared by: Skrod & Company, Inc., 99 Wall Street, New York, N.Y.

*Total permissible sugar imports into United States by Cuba and designated full-duty countries under Senate Finance Committee Print of H. R. 7030 and under Skrod & Co., proposal assuming increased consumption by 1957 of 320,000 tons over base of 8,350,000 tons*

Country	Basic quota	Share of increased consumption in 1957 under committee print	Share of increased consumption in 1957 under Skrod & Co. proposal
Cuba.....	2,808,900	86,400	83,400
Total.....		2,895,400	2,892,300
Peru.....	54,700	25,941	13,200
Total.....		80,600	68,000
Dominican Republic.....	29,100	18,300	18,200
Total.....		47,400	47,300
Taiwan.....	1,170	1,830	26,196
Total.....		3,000	27,300
Mexico.....	12,100	6,078	1,934
Total.....		18,100	14,000
Haiti.....	2,800	1,200	600
Total.....		4,000	3,400
Nicaragua <sup>1</sup> .....	8,200	2,770	117
Total.....		10,970	8,317
Costa Rica <sup>1</sup> .....	1,110	1,830	239
Total.....		3,000	1,349
Panama <sup>1</sup> .....	1,110	830	55
Total.....		3,000	1,165
Holland <sup>1</sup> .....	1,110	1,830	
Total.....		3,000	

<sup>1</sup> The strict application of our proposed formula does not accomplish the expressed desire of the administration to grant larger quotas to certain small sugar-producing countries. This may be achieved by the assignment of fixed quotas deductible from the total foreign area proration as was done in the committee print.

*International trade in sugar—Exports by foreign countries designated in H. R. 7030  
2-year average, 1953-54*

Country	Average net exports to free world market (excluding United States), 1953-54 <sup>1</sup>		Average exports to United States, 1953-54 <sup>2</sup>	
	Thousand short tons	Percent	Thousand short tons	Percent
Cuba.....	2,547.8	57.90	2,747.8	96.02
Taiwan.....	800.5	18.19	1.1	.04
Peru.....	406.1	9.23	55.8	1.95
Dominican Republic.....	555.7	12.63	30.1	1.05
Mexico.....	59.1	1.34	12.8	.45
Nicaragua.....	3.6	.08	8.0	.28
Haiti.....	18.7	.42	2.8	.10
Holland.....	<sup>3</sup> 82.8	None	1.1	.04
Costa Rica.....	7.3	.17	1.1	.04
Panama.....	1.7	.04	1.1	.04
Total.....	4,400.5		2,861.7	

<sup>1</sup> Exports to the free-world market (excluding the United States).

<sup>2</sup> Exports to the United States.

<sup>3</sup> Net imports.

Source: Foreign Agricultural Service and Sugar Division reports, U. S. Department of Agriculture.  
Prepared by Skrod & Co., Inc., New York, N. Y.

*Centrifugal sugar (raw value): Production in specified countries, averages 1935-39, 1945-49, annual 1952-55*<sup>1 2</sup>

[In thousands of short tons]

Country	Averages		1951	1952	1953	1954	1955
	1935-39	1945-49					
Cuba.....	3,183	5,897	7,964	5,687	5,390	4,994	5,000
Taiwan.....	1,240	346	599	983	796	832	795
Philippines.....	1,058	382	1,076	1,134	1,435	1,371	1,408
Dominican Republic.....	491	509	648	668	699	673	725
Haiti.....	44	49	64	63	46	58	50
Mexico.....	353	636	807	911	968	1,041	1,063
Nicaragua.....	9	21	35	38	38	44	45
Peru.....	444	485	526	675	688	725	760
Costa Rica.....	9	20	33	34	38	35	35
Netherlands.....	261	270	385	478	504	465	410
Panama.....	5	11	21	20	20	19	20

<sup>1</sup> Centrifugal sugar, as distinguished from noncentrifugal, includes cane and beet sugar produced by the centrifugal process, which is the principal kind moving in international trade.

<sup>2</sup> Years shown are for crop years; generally the harvesting season begins in the fall months of the year shown or in the early months of the following year.

Source: Foreign Agricultural Service, U. S. Department of Agriculture.  
Prepared by Skrod & Co., Inc., New York, N. Y.

Senator BARKLEY. The next witness is Mr. G. Douglass Debevoise, president and chairman of the executive committee, South Porto Rico Sugar Co.

Mr. DEBEVOISE. Thank you, Mr. Chairman.

Senator BARKLEY. All right, sir, you may proceed.

#### STATEMENT OF C. DOUGLASS DEBEVOISE, PRESIDENT AND CHAIRMAN OF THE EXECUTIVE COMMITTEE OF SOUTH PORTO RICO SUGAR CO.

Mr. DEBEVOISE. My name is G. Douglass Debevoise. I am president and chairman of the executive committee of South Porto Rico Sugar Co., a New Jersey corporation, whose principal offices are at 99 Wall Street, New York City. At the outset I think I should say that, while I have been a member of the board of directors of this company since 1950, I do not consider myself an expert on the technical aspects of sugar production or sugar manufacture or sugar economics as such.

To remedy that lack, Mr. Luis C. Ossorio, a vice president and director of the company, is here with me to respond to any questions which might require expert knowledge.

Also for the purpose of clarity, I should like to note that while the company's title is "South Porto Rico Sugar Co.," the major part of its operations lie in the Dominican Republic, where last year we produced not quite three times as much sugar as we produced in Puerto Rico. The company began its operations in Puerto Rico in 1901, but in the course of its expansion, it established an operation in the Dominican Republic in 1911, and has since been most active in the Dominican Republic.

I appear here today in support of H. R. 7030, as amended, and as passed by the House of Representatives last session. My company takes this position because H. R. 7030, as amended, would permit the entry into the United States of more Dominican sugar than has

been permitted in any previous legislation, or in any other draft legislation before this Congress. We take this position because we are one of the largest producers of sugar in the Dominican Republic, last year having produced somewhat over one-third of all sugar produced on that island.

Naturally, if there were a proposal before this committee which was any more generous than H. R. 7030, as amended, in permitting the entry of Dominican sugar, I should support that.

Our stock is listed on the New York Stock Exchange. We have 7,500 stockholders. Last year we sold 205,000 tons of our Dominican sugar at prices very close to the world market average of \$3.24 per hundredweight on the so-called free market. And last year we sold only 8,600 tons of our Dominican sugar in the United States at prices which were close to the United States market average of \$5.45 (excluding duty) per hundredweight.

Obviously it would be better for our stockholders, and it would be better for our company if we could sell a greater proportion of our sugar at the higher United States price.

Our Washington counsel, Messrs. Surrey, Karasik, Gould & Efron, who also represent the Dominican Sugar Commission, have appeared before you to state the equities of the Dominican position. In their statement, they, naturally, speak for us, too.

However, it is my purpose just to tell you how the sugar legislation of the United States will affect an American company, with American capital invested in a foreign country, which is and will be affected by that legislation.

Since our beginnings in the Dominican Republic 45 years ago, we have extended our investment in that country constantly, so that the book value of our investment in the Dominican Republic now stands at \$34,600,000.

Senator BENNETT. May I interrupt at that point, Mr. Debevoise?

Mr. DEBEVOISE. Yes, sir.

Senator BENNETT. Has that increase come out of the natural growth of the company itself or have you been required to put in additional capital?

Mr. DEBEVOISE. We have expanded of our own free will.

Senator BENNETT. Well, now, that does not answer my question. Have you expanded it out of the earnings of the company?

Mr. DEBEVOISE. Yes, sir. I think we have paid dividends to our stockholders since 1924.

Senator BENNETT. I just wanted to clear it up that that capital is self-generated.

Mr. DEBEVOISE. That is correct, sir.

Senator BENNETT. Thank you.

Mr. DEBEVOISE. Obviously, the replacement value today would at least double this figure. One of the main reasons for this expansion was our belief that the United States would eventually find out, as business did during World War II, that it was unwise to be dependent upon one supplier. We are confident that in the long run the United States would decide to purchase more of its sugar requirements from the Dominican Republic instead of depending entirely on Cuba.

We own and operate 2 large sugar mills, a factory for the production of furfural, 385,000 acres of land, operate our own rolling stock on 144 miles of standard gage track and 52 miles of narrow gage track

all owned by us, transport our cane from the fields to loading stations by oxcarts (since trucking is generally impractical), and to pull them we have bred our own oxen which are now about twice as fast as the original cattle and with much more stamina. Our cattle herds, whence these oxen come, now total more than 37,000 head.

We supply housing, clubs, electric light, and power to our workers, and also maintain schools with American teachers, as well as hospitals, for them. We operate a chain of 52 stores for the benefit of employees and the community. Our investment of American savings now directly supports tens of thousands of people on the island and contributes something to the better living of hundreds of thousands more.

Investment and operation of these magnitudes signify our confidence in the Government of the Dominican Republic, and the stability of its economy. We feel that the Government of the Dominican Republic has reciprocated this confidence, and has signaled that recognition by its constant cooperativeness toward us. We look forward to a continuation of that mutual confidence in the future.

However, it is with considerably less pleasure that we look forward to market conditions in the future, unless H. R. 7030, as amended (or legislation very like it) should be enacted. As I have said earlier, the bulk of our sugar, indeed the bulk of all Dominican sugar, is marketed on the so-called free market or world market, and only a tiny fraction is marketed here in the United States. All signs pointing toward the future indicate that the world market will become less and less accessible to us, as more and more of our present customers in that market supply themselves with increasing quantities of home-grown sugar.

Indeed, to take a specific example, our present best customer, the United Kingdom, is quite naturally encouraging other suppliers in the British Commonwealth of Nations, through a Commonwealth sugar agreement.

There is presently an international sugar agreement, to which the Dominican Republic, like the United States, is a signatory. This affords us some protection at present in the world market, but as that market dwindles, competitive conditions, as among the present suppliers, are going to become more difficult. And in that market our most important competitor—the most important sugar producer in the world—Cuba, is at an immense competitive advantage over the Dominican Republic, or indeed, over any of its other competitors.

Cuba ships almost eight times as much sugar as does the Dominican Republic. More than half of its marketings are made in the United States at about  $5\frac{1}{2}$  cents per pound, excluding duty, while the other half is sold on the world market at about  $3\frac{1}{4}$  cents per pound. Only about 4 percent of Dominican sugar is sold at the  $5\frac{1}{2}$  cents rate in the United States, while almost 96 percent is sold in the world market at the  $3\frac{1}{4}$  cent price.

It is clear then, that Cuba can afford to undersell the Dominican Republic on the world market. Indeed, it is my opinion that Cuba, because of its presently favored position on the United States market, can probably sell on the world market at  $2\frac{1}{2}$  cents per pound and make an overall profit.

While the Dominican Republic has made and is making strenuous efforts to diversify its economy (and I must say that these efforts have been remarkably successful).

Senator BENNETT. May I interrupt you again at that point?

Mr. DEBEVOISE. Yes, sir.

Senator BENNETT. Has your company made any efforts to diversify its operations?

Mr. DEBEVOISE. Sir, I will come to that in this furfural project.

Senator BENNETT. All right.

Mr. DEBEVOISE. The economy of that country now, and for many years to come, must still be based on sugar marketings. Therefore, unless something can be done to increase marketings of Dominican sugar in the United States market, it should be clear that, as things are now going, the Dominican Republic—and my company—may not fare so well in years to come.

I know that the legislature of the United States has a proper concern for the investments of the Americans abroad, as it has a proper concern for the investments and indeed the livelihoods of Americans at home.

Over the last 45 years we have had a happy experience with the investment of American savings in the Dominican Republic. As the country has become economically stronger, through the wisdom, energy, and sheer hard work of its present leadership, it has become more and more attractive as a place for American investment. The country, unlike many others in the world, has no external debt whatsoever, and has a stable currency, pegged to the dollar (for many years the peso has been and continues to be the exact equivalent of the United States dollar).

There have been no problems of the repatriation of the earnings of my company in the Dominican Republic. And—again unlike many other countries in the world—the Dominican Republic takes positive action to encourage additional American investment.

A striking example of the hospitality of the Dominican Republic to new investment may be found in connection with the creation of our new furfural plant. Furfural is a liquid chemical, made in our case from bagasse (or sugarcane waste). It has a wide variety of end uses, and its market is continually expanding. Its most important use today is in the nylon industry, but it can also be used in the manufacture of synthetic rubber. Both of these materials are obviously of strategic value to this country.

The E. I. du Pont Nemours & Co., Inc. has contracted to buy a large portion of the output of this plant under a long-term contract and has, in fact, an option on the entire production.

To encourage the \$7 million investment which was necessary, the Dominican Government has granted our subsidiary which operates the plant an exemption for 20 years from all Dominican taxes other than income taxes. In addition, another of our subsidiaries, which furnishes bagasse as raw material for the furfural plant, has been granted an exemption during the same period from taxes on fuel purchased to replace bagasse and on the machinery and equipment needed to convert the new fuel. Mr. Senator, you see the mill used bagasse as fuel.

To start this furfural project we had to convert the mill to oil. The Dominican Government gave us tax exemption on the oil which enabled us to get the project started.

When the project is successful, it will pay American taxes. In other words, the exemption was for us to bring in the diesel locomotives required to drag the bagasse, the machinery, and the oil to start the plant. Those exemptions, once the mill is producing, will have no effect on American taxes, which we will naturally pay.

Senator BENNETT. Was the \$7 million you put in to start the furfural plant taken out of the accumulated earnings of the parent company, or was that new investment?

Mr. DEBEVOISE. That was from there and from Puerto Rico and that was capital which we had saved up for a number of years trying to decide how to diversify. We could not diversify in Puerto Rico because of the colono situation and it was finally decided—the Quaker Oats Co., who have the patents on this process, and Du Pont came to us and asked us if we would start it and after we looked it over we decided to use this capital, and put it in. It came from Puerto Rico and the Dominican Republic.

Senator BENNETT. Thank you.

Mr. DEBEVOISE. I think it is worth while to underline some of the points I am trying to make here today, by quoting a few paragraphs from an editorial in Sugar, an agricultural magazine published here in the United States. From its editorial of January 1954, I quote:

As an instance of inter-American cooperation in sugar areas, the new venture (our furfural plant) seems even more significant. South Porto Rico Sugar Co., with the support and technical advice of the Quaker Oats Co., has said in effect that the one-product economy of the Caribbean area is a thing of the past. E. I. du Pont de Nemours & Co. has underlined this position by contracting to buy a large share of the sugar company's furfural production during the next 10 years. These commitments by the three companies add up to an emphatic expression of confidence in the industrial future of Latin America, with special reference to the economies of Caribbean countries which in the past have relied too heavily on sugar alone \* \* \*.

This appears to be a most valuable step in the path toward increased inter-American trade and toward cementing the friendship between the United States and its neighbors to the south. The Government of the Dominican Republic has generously cooperated by granting tax exemptions to the new Central Romana By-Products Co., as well as similar exemptions to the sugar company during its conversion from bagasse to fuel oil. This teamwork is heartening. It proves that United States business firms and Latin American Republics can work hand in hand, and each benefit by doing so.

We feel that the enactment of H. R. 7030, as amended, and passed by the House would tend to strengthen the Dominican economy, and would give our company greater assurance about the future than it now has. At the same time, we think that the bill, if enacted, would benefit all other suppliers of sugar to the United States market. It is true that Cuban participation in the United States market would not be as great under the provisions of H. R. 7030, as amended, as it would under presently existing legislation. However, it is of considerable significance that Cuba's participation in the United States market would continue to increase, as the market demand increases. Cuba, it is true, would have a somewhat smaller share of that growth in United States market demand than it would have under present legislation, but since it would in fact share in that growth, Cuba can hardly be said to have been harmed nor can American investors in Cuban sugar be said to have their possibility of earnings diminished from what it is now. On the contrary, since Cuba will continue to participate in the growth of the United States market, it may be expected that earnings on American investment in Cuba will likewise continue to grow.

I know that other proposals before this committee do provide for a more modest increase in Dominican participation in the American market. What I object to is the modesty of that increase. Under H. R. 7030, as amended, we would feel much more assured about our own position and future than we would if any other proposal before this committee were accepted.

May I thank you, Mr. Chairman, for the privilege accorded me of having testified before your committee today, and may I thank the committee as a whole for your attention to these remarks.

Senator BARKLEY. Thank you.

Any questions?

Senator BENNETT. Mr. Chairman, I neglected to ask Mr. Karasik the \$64 question and since he is at the table, I wonder if he or Mr. Debevoise, either one of them, could put into the record whether or not the situation of the Dominican Republic has been presented to the State Department.

Mr. KARASIK. I should like to reply to that question because I and partners of mine have indeed expressed the points of view of the Dominican Republic and of South Porto Rico Sugar Co. to officers of the Department of State at some length.

I must say that we were treated with great kindness and our position was received with great sympathy and we were ultimately told that—I paraphrase it—it was just not in the cards for the Dominicans to have a very significant increase in their participation in the United States market.

I must also say that I have never been able to get any reason that I can understand from any of those officers in the State Department for that position.

Senator BENNETT. That is all.

Senator BARKLEY. Thank you.

Our next witness is Mr. Jose Ramon Quinones, representing the Puerto Rican Farm Bureau Federation. You may proceed.

**STATEMENT OF JOSE RAMON QUINONES, HONORARY PRESIDENT  
AND MEMBER OF BOARD OF DIRECTORS, PUERTO RICAN  
FARM BUREAU**

Mr. QUINONES. Mr. Chairman, my name is Jose Ramon Quinones. I was president of the Farm Bureau of Puerto Rico for 9 years, and I am presently a member of the board of directors.

I was born in Puerto Rico, I have lived all my life in Puerto Rico, with the exception that I spent time in the United States in high school and college, and the time that I was in the United States Army, as I am proud of being an American citizen.

Puerto Rico is an integral part of the United States, with a population of 2¼ million citizens is heavily dependent upon the production and sale of sugar for a livelihood.

While we Puerto Ricans are citizens of the United States, we do not have any Congressmen or Senators with the power to vote and thus represent our interests in a manner equal to any one of the 48 States of the United States. It is true that we have a Resident Commissioner to look after the many interests of Puerto Rico but, while he is doing an excellent job to the full extent of his capacity, as I said, he does not have the power to vote. Also, if Puerto Rico had repre-



sentation in the Congress on the basis of a State, we would have not 1 Commissioner but 5 Congressmen and 2 Senators with votes.

I must add to my statement that we, being part of the United States and being American citizens, do not have the State Department to come over and defend us.

You gentlemen should recognize that this situation places an unusual burden on you to be scrupulously fair in finally determining the share which Puerto Rico will receive of the domestic sugar market.

We are vitally interested in how people in Latin America regard the United States. We are equally as interested in how the people of the world view your treatment of areas such as Puerto Rico from the standpoint of colonialism. Latin people are quite conscious of the fact that Puerto Ricans have the responsibility of citizenship to a point where they can be and are drafted into the armed services of the United States, yet do not have full representation in the Congress which has the power to force the supreme sacrifice in the line of military duty. There is also recognition that the island is treated differently from the mainland with respect to the right to refine sugar.

These comments should not be interpreted to mean that Puerto Rico is unhappy to be a part of the United States. Quite the contrary is true. Not only that, we are quite proud of the fact. Likewise, we appreciate the many benefits that we enjoy in the world by reason of the fact that Puerto Rico is an integral part of the United States. Nevertheless, the fact remains that Puerto Rico is a living example of a practical application of United States policy in underdeveloped areas of the world. A considerable part of how Latins think about the United States is formulated by what they see happening in the relationship between the United States and Puerto Rico.

In connection with this legislation, we do not ask anything unreasonable. We only wish to share in the growth of the United States market on a proportionate basis with other areas of the United States. Such sharing should equitably recognize our needs as well as the other domestic areas of the United States. Our need is greatly magnified in importance to us by the relative importance of sugar to the economy of the Island. We have agreed with the producers from other areas that mainland cane, mainland beets, and production of sugar in Hawaii and the Virgin Islands, as well as Puerto Rico, should be increased. We do not wish to injure our Latin American neighbors unnecessarily. Our agreement with the other areas is this: Beginning with a base of 8,300,000 tons (1) each area out of the natural growth of the United States market should be increased as follows:

	<i>Short tons, raw value</i>
Mainland cane sugar.....	80, 000
Mainland beet sugar.....	85, 000
Puerto Rico.....	20, 000
Virgin Islands.....	3, 000
Hawaii.....	0

(2) After these initial increases have been added to the base for each area, any additional growth in consumption allotted to the United States should be shared in relationship to the new base. As you know, the bill as passed by the House of Representatives gives 50 percent of the tonnage of sugar required by the United States market about 8,350,000 tons to domestic areas (which includes Puerto Rico) and 50 percent to foreign areas. Of the 50 percent allotted to foreign

countries, 50 percent goes to Cuba and 50 percent to all other foreign countries. While the percentage share of Puerto Rico is not the same as other areas of the United States, it receives its proportionate share of any increase in consumption over 8,350,000 tons, beginning in 1956.

The bill now before this committee, committee print dated January 13, 1956, differs from the House bill in that it would give 55 percent to domestic areas and 45 percent to foreign countries. Of the 45 percent allotted to foreign countries, 60 percent goes to Cuba and 40 percent to other countries. However, while the quantity allotted to domestic areas is greater, which is fine, Puerto Rico does not receive its share on the same basis as mainland beets and mainland cane. Under the Senate bill, we have to wait until the two mainland areas get 165,000 tons before we begin to participate. On the surface, this may appear to be fair, nevertheless, we must point out two things with respect to the legislative situation which is unfolding. First, the point at which we start to participate is 8,350,000 tons instead of a 8,300,000 tons. This differs from our agreement. Second, whatever passes the Senate must be reconciled with the House before it can be sent to the President of the United States for final enactment into law.

Last year, when the domestic areas and the Government discussed this problem, we initially talked about a base of 8,200,000 tons. The United States Department of Agriculture and the State Department insisted on starting at 8,350,000 tons. The bill as originally introduced in the Senate started at 8,300,000 tons. The United States Department of Agriculture and the State Department continued to insist on starting at 8,350,000 tons. The bill before us now starts at 8,350,000 tons. It can be said that this is a small matter and to some people it most assuredly is a small matter, but it is not a small matter to Puerto Rico. The 150,000-ton difference between the 8,200,000 and the 8,350,000 is the difference between Puerto Rico participating in the increase within a reasonable time and not so participating. The 50,000-ton difference between 8,300,000 and 8,350,000 tons materially affects the time in which Puerto Rico can be expected to participate and finally, the division between the foreign countries becomes important in the light of possible compromises between the House and the Senate.

The chairman of the House Agriculture Committee in explaining the bill to the House, made it clear that the United States Department of Agriculture and the United States Department of State had concurred in the presentation of a formula calling for a 55-45 division between domestic and foreign areas with the foreign areas share being divided 60-40 between Cuba and other foreign countries. The chairman of the committee, the committee, and the House of Representatives refused to accept this formula and talked about using its own will and the right to make decisions.

The July 30, 1955, Congressional Record beginning at page 10650 contains information that indicates a determination on the part of the House of Representatives to insist upon a tonnage being given to foreign countries other than Cuba, which will require either cutting down on the domestic areas or Cuba. There was also an indication of a strong determination not to cut down on Cuba. If the domestic areas are cut and the mainland beet and cane will take their full increase before Puerto Rico participates, you can see that the net

effect is to treat Puerto Rico unfairly and contrary to the agreement we thought we had made with other areas. There is no doubt that Congress has the power to act arbitrarily in this matter but such arbitrary action will certainly be misunderstood in Puerto Rico.

Under the Senate bill, the growth formula must result in consumption in the United States increasing from the present estimate for 1956 of 8,350,000 tons to 8,650,000 tons, a sum of 300,000 tons before Puerto Rico begins to participate.

If it is assumed that domestic consumption will increase 135,000 tons per year, we would not begin to participate until 1958. There is considerable uncertainty as to how much domestic consumption will increase. The 135,000 ton assumption with respect to the increase is a figure that is being generally used but if the unprecedented upward march of prosperity in the United States were to halt, it is entirely possible that the necessary increase in consumption to enable us to participate would not occur for a number of years. The records for 1953-55 do not indicate that we can count on such an increase. And this is from the official records of the Department of Agriculture of the United States.

On the other hand, the House bill gives Puerto Rico its proportionate share (10.6 percent) of any increase over 8,350,000 tons on an equal basis with other domestic areas.

In order to keep Puerto Rico and the Virgin Islands from sharing, respectively, on a second and third class basis, it is suggested that the language of the House bill setting forth the percentage participation of each area of the first 188,000 ton increase above either 8,300,000 tons or 8,350,000 tons, be substituted for the language covering such participation in the Senate committee print in section 6 (2). This is an insertion.

Also, we feel the provisions of S. 1635 giving an emergency allotment of 188,000 tons to the domestic areas and then dividing further growth increases on a 55-45 basis between domestic and foreign areas, is only fair in view of the fact that we have been deprived for a number of years of a reasonable share in the increase in the United States market. It should be recognized that the United States market is protected for Cuba as well as domestic producers.

Earlier I made a reference to colonialism and the fact that Puerto Rico is not being treated on the same basis as mainland areas with respect to refining sugar. The bill as presently drafted in section 12 (b) permits only a very small portion of the increase in Puerto Rico's quota to be supplied from refined sugar. Since Puerto Rico's share in the increase in the growth of the domestic market is very modest, we urge that this section be amended to permit us to ship into the United States additional quantities equal to the increase in our quota. If this is done, it will still leave Puerto Rico in the situation where we have an excess of refining capacity in relationship to our markets. This will in no way take anything away from the mainland areas' present right to refine sugar. As a matter of fact, all of the increase in the mainland areas will inure to the benefit of the mainland refiners. We think it only fair that Puerto Rico be permitted to refine the increase in its quotas.

In the last 2 days we have heard a lot about important markets of different countries with the United States, and if they do not get what

they want the United States would not be able to export as much as they have.

Gentlemen, Puerto Rico is 100 miles long by 35 miles wide. It has one-third the population of Cuba; it has one-third the territory of Cuba and Puerto Rico, bought in 1953 for \$524 million in products from the United States of America, from our own country while Cuba with a population nearly 3 times larger than ours only bought \$430 million.

There is a little bit of difference between \$524 million and \$430 million when we have one-third the population that Cuba has.

It is urgent that legislation be passed as quickly as possible enabling the domestic areas to participate in the growth in the United States market on an equitable basis with Cuba and other foreign countries. We join with the other areas in urging action as promptly as possible.

Senator BARKLEY. Does that complete your statement?

Mr. QUINONES. Yes, sir.

Senator BARKLEY. Any questions?

Senator BENNETT. No questions.

Senator BARKLEY. Thank you.

The next witness is Mr. Merwin Lee Bohan, of Dallas, Tex.

Mr. QUINONES. May I put this cable in the record? We had a convention of all the farmers. I represent the Farm Bureau. The Farm Bureau represents only the farmers and I got a telegram here from the president of the Puerto Rico Farm Bureau which reads as follows:

Sugarcane growers annual meeting, Sangerman, January 15: Unanimously endorsed position you have taken in support of Puerto-Rico's sugarcane growers' interests in amendments to Sugar Act.

ORESTE RAMOS,  
*President, Puerto Rico Farm Bureau.*

Senator BARKLEY. That will go into the record.

Mr. QUINONES. Thank you, sir.

Senator BARKLEY. Mr. Bohan?

#### STATEMENT OF MERWIN LEE BOHAN, DALLAS, TEX.

Mr. BOHAN. I am here, Senator.

Senator BARKLEY. It does not say whom you represent.

Senator BENNETT. He represents himself.

Senator BARKLEY. Go ahead, sir.

Mt. BOHAN. Mr. Chairman, Senator Bennett, my name is Merwin Lee Bohan; my home is in Dallas, Tex. For 27 years I was a member of the Foreign Service of the United States, specializing in our relations with Latin America. During the latter part of my career I held the rank of ambassador. At the time of retirement I was serving as United States representative on the Inter-American Economic and Social Council.

I am appearing before this committee today to oppose the passage of either H. R. 7030 or legislation in the form contemplated by the committee print. For the sake of clarity, I shall direct my comments at the committee print. However, what I shall say about the committee print will, in principle, be applicable also to H. R. 7030.

Senator BARKLEY. If I could interrupt, the Chair thinks it would be less confusing if those who want copies of the statement would re-

main in their seats and allow the representative of the committee to pass them around, instead of your getting up and approaching him.

All right, go ahead, sir.

Mr. BOHAN. Thank you, sir.

When I appeared before the House Agriculture Committee last summer, I made it plain that I was appearing as a private citizen with no concern other than for the welfare of my country. I do not represent, nor do I have any financial or commercial relations of any kind whatever with any foreign government or any foreign or domestic sugar interests. I am appearing here to discharge what I conceive to be my responsibility as a citizen—to assist this committee in its deliberations on legislation that can have serious effects upon our foreign economic relations. I am concerned to make available to the committee the benefit of the experience I have had as an American public servant in the formulation and execution of our national economic and political policy in Latin America.

Last July I testified as to the harm that would be done to our relations with Latin America if Congress were to change existing sugar-quota legislation effective before its expiration. I pointed out that in 20 years of sugar-quota legislation Congress had never before changed the rules in the middle of the game. In making plans for the disposition of its enormous sugar surplus accumulated in meeting Korean war requirements, Cuba had relied—and it had reason to rely—on the assumed continuity of its quota under existing law.

Cuba is a one-commodity country. Dependent as it is almost entirely on sugar, the predictability of the United States sugar market is an indispensable element to the orderly operation of its economy.

I shall not at this time repeat in detail what I said last summer. I must emphasize, however, based upon my years of experience in Latin American affairs, that the change of quotas prior to the expiration of the act which would be accomplished by the passage of the committee print, would be regarded in Cuba as of questionable good faith and would be erosive of our prestige and good will among our Latin American neighbors.

Taking account of political realities, I recognize the force of an appeal from our domestic sugar industry. I must point out, however, that whatever increased quota is given to domestic producers will be at the expense of Cuba. It will restrict the amount of sugar that Cuba will be able to sell on the American market, and hence Cuba's ability to earn dollars. The effect will, of course, be not only to harm American investors in Cuba—and there is more than \$700 million of American money invested in that country—but also to harm American farmers who sell their agricultural produce in Cuba and American manufacturers who find Cuba an important market for finished goods.

This is as clear an example as you will find in international economics of a systematic robbing of Peter to pay Paul. It does not make much economic sense particularly when Peter can produce on an efficient and competitive basis while Paul must be subsidized to be able to exist.

I need not labor this contention in my statement today, since I am sure that this committee is fully aware of these indisputable facts. I am not sure, however, that this committee is aware of the full implications of the committee print in terms of their impact upon Cuba. Yesterday and today this committee has been hearing testimony from

a variety of different interests representing primarily sugar producers in the United States and in foreign countries. Each of these producers is asking a larger quota for his industry than is permitted by existing law, with one exception. The exception, as this committee knows, is Cuba, and the significance of the point I am making is that under either of these two proposed measures everybody would gain at Cuba's expense.

This is clear not only when we consider the effect of this bill in increasing the quota for the domestic areas but its effect in increasing the quotas for the full-duty countries, primarily Peru, Mexico, and the Dominican Republic.

Some of the witnesses before this committee contend that it is both politically wise and equitable to redistribute a part of Cuba's share among other producers since Cuba is manifestly the largest single foreign supplier because its whole economy is devoted to sugar and has been for the last half century; yet under the legislation now proposed it would be permitted to sell less sugar today in the United States market in absolute tonnage terms than it did 30 years ago.

The question raised by the proposed bill is not only the immediate effect of quota legislation but the creation of a pattern for the future. This committee has heard testimony to the effect that the United States consumption of sugar increases each year by about 135,000 tons. With the demographic predictions that are now being made about the United States, this figure is likely to be much larger in the years to come. The way in which this additional quota for future years is divided will affect the sugar industries in all the areas that are now under consideration. What we are talking about, therefore, gentlemen, is the future, and this is primarily the case in Cuba, where sugar is the past, the present, and the future, and there is little hope for the well-being of the Cuban people without an expanding sugar industry.

Under the provisions of the committee print, 55 percent of the annual increase in United States consumption is allocated to domestic producers almost entirely at the expense of Cuba. For reasons which I fully set forth in my House testimony, I believe this to be a serious mistake. The committee print allocates the remaining 45 percent of the annual increase in consumption to foreign suppliers. Of this 45 percent the full-duty countries would receive 40 percent, or 18 percent of the total annual increase, while Cuba would receive 60 percent, or 27 percent of the total annual increase.

The Assistant Secretary of State in his testimony here yesterday did not disclose the principle upon which the proposed division of the foreign share was developed. In my judgment, this decision fails to take account of the basic economic facts upon which quota allocations must be founded if they are to serve the best interests of the United States while contributing to the development of healthy and expanding economies in all Latin American nations.

I served for many years as a Foreign Service officer in Mexico and Peru and have more close friends in those countries than in Cuba, where I served for a much shorter period. If my views were dictated by sentiment, I think I would be a more vigorous advocate for Mexico and Peru than for Cuba. If I take a position that seems adverse to the full-duty countries and favorable to Cuba, it is solely because I sincerely believe a serious injustice is being done that country.

I believe that this committee, in determining the formula for allocating the future increment in consumption among the various foreign suppliers, should give consideration primarily to three questions:

1. To what extent does each of the claimant countries depend upon its sugar quota for its ability to earn dollars with which to buy goods in the United States?

2. To what extent will the total economic position of each of the claimant countries be affected by the proposed revised quota allocations?

3. What will be the effect of the revised quota allocations on the world sugar problem in view of an existing world surplus of sugar-producing capacity?

I think we may well consider the first two of these questions together. Let us begin with Mexico. Sugar is of minimal importance to the trade between the United States and Mexico, and the state of the Mexican economy will not be materially affected one way or another by what Congress does about sugar quotas. In 1954 Mexico was the largest market for United States goods in Latin America. Mexico earned the dollars to buy our products from a variety of sources: Petroleum, zinc, lead, copper, coffee, natural gas, and shellfish.

Senator KERR. May I interrupt there for just a moment?

Mr. BOHAN. Certainly, sir.

Senator KERR. Where does Mexico sell her export petroleum products?

Mr. BOHAN. Her exports of petroleum, mostly in Europe, I think, sir.

Senator KERR. Do you know what part of her production she now exports?

Mr. BOHAN. When I left Mexico a few years ago she exported a very small—

Senator KERR. That is what I thought. I wondered if that had been materially changed.

Mr. BOHAN. Not materially, I do not think, sir; but I could well be wrong because I have not studied the Mexican export petroleum situation in a number of years.

Senator KERR. All right. What do we buy from her principally of this list?

Mr. BOHAN. Well, we buy a good deal of natural gas; we buy coffee, copper, zinc, lead, and an awful lot of shrimp.

Senator BARKLEY. Shrimp?

Senator KERR. That is the shellfish you are talking about?

Mr. BOHAN. Yes. Last year Mexico earned over \$300 million from United States tourists. As a result it had a favorable balance of payments with the United States—I want to make it clear it is payments and not of trade—and Mexico's gold and dollar reserves reached their highest point on record.

Mexico could expect to receive about \$300 million from United States tourists down there.

Senator KERR. Is there a recognized estimate of what they will spend here?

Mr. BOHAN. Attempts are made in the balance of payments statements in Mexico to show a figure. I doubt that it is quite as accurate as the figure on American expenditures in Mexico, because they have quite an elaborate system of checks from all the banks along the border, and also from the banks in Mexico City on the amount of exchange that is cashed by American tourists down there, whereas they only can make estimates of the amount they spend in the United States, and I cannot tell you a recent estimate.

Senator KERR. Would it generally be a small percentage?

Mr. BOHAN. A small percentage compared with the \$300 million; yes, sir.

Senator KERR. Thank you.

Mr. BOHAN. I would be perfectly willing to say that at least \$200 million net at the present time.

Senator KERR. Net?

Mr. BOHAN. Yes, sir.

Senator KERR. And that is the principal reason that she has a favorable balance of payments?

Mr. BOHAN. Payments; that is correct, sir.

Senator KERR. But in spite of the unfavorable trade balance?

Mr. BOHAN. Correct, sir.

Senator KERR. Thank you very much.

Mr. BOHAN. Last year the Mexican economy enjoyed, by many accounts, the most prosperous year in the history of the country. Sugar played no significant role either in that prosperity or in Mexico's ability to buy our goods. In fact, and I wish to emphasize this statistic, sugar accounted for only one-half of 1 percent of Mexican exports to the United States.

Much of the same situation is found in the case of Peru. Peru's largest exports to this country are lead, zinc, iron, and fish; in 1954, Peru's balance of trade with the United States was favorable and its balance of payments position in equilibrium. Latest reports indicate that Peru may have an unfavorable balance of trade with the United States in 1955, but its gold and foreign exchange holdings are above 1954 levels because of an inflow of United States and other foreign capital.

Peru, like Mexico, is enjoying a period of substantial prosperity. Sugar has played no great part in Peruvian trade with the United States; it accounted for only 4 percent of Peru's exports to this country in 1954. Peru's sugar production and exports are at record levels, with more than half of its sugar exports sold to its Latin American neighbors.

The Dominican Republic, which does depend upon sugar exports more than Mexico and Peru, is, however, in a much better position in this respect than Cuba. In 1954 the Dominican Republic's exports reached a new peak and its coffee and cacao exports brought record prices. It had a favorable balance of trade with the United States, and its gold and foreign exchange reserves rose in 1954. The Dominican Republic's foreign trade, according to recent reports, has been somewhat less favorable in 1955 largely because of somewhat smaller coffee and cacao exports. This has been partially offset by its tourist trade and larger sugar exports.

Senator KERR. Does it have a more favorable position——

Mr. BOHAN. In 1954?



Senator KERR. In tourist than Cuba comparably?

Mr. BOHAN. I would not say so, sir.

Senator KERR. I do not mean does it have more, but I mean on the basis of its total.

Mr. BOHAN. I would not say so. I would say it was about the same proportion, sir, in the Dominican Republic.

Again, the prosperity of the Dominican Republic has at no time depended upon the United States market for sugar to any significant extent. In 1954—and I refer to this year because it is the last year for which complete statistics are available—sugar accounted for only 4 percent of the value of the Dominican Republic's exports to the United States.

Let us contrast the situation of these three countries with that of Cuba. Sugar is the lifeblood of Cuba. Sugar and its byproducts have accounted for 86 percent of the total value of Cuban exports since 1945. Sugar makes the difference to the Cuban people between prosperity and depression. Sugar fixes the level of national employment. Sugar determines the income of the ordinary Cuban family, and whether the Cuban housewife will serve low-cost, homegrown yams or rice imported from Louisiana, Texas, or Arkansas.

Whereas, sugar is a relatively small item in the dollar earnings of Mexico, Peru, or the Dominican Republic, it is almost the only significant source of dollar earnings for Cuba. In 1954 sugar accounted for 72 percent of the value of Cuban exports to the United States.

Cuba at the moment is enjoying nothing like the level of prosperity that prevails in the full-duty countries. Both its balance of trade and its balance of payments with the United States are unfavorable. Cuba has maintained its present levels of economic activity only by dipping into its gold and dollar reserves accumulated in more prosperous days. But this cannot long continue. Cuba has few developed mineral deposits, no natural sources of power, no substantial heavy industry. It must continue to sell its sugar to the United States or cut its dollar purchases, and if it cannot share substantially in the expanding sugar market of the United States it will be compelled to change its whole pattern of trade relationships with this country.

Since testifying before the House committee last June, I have spent 5 months making a systematic study of the Cuban economic problem. On the basis of this study, I am persuaded that Cuba is at an economic crossroads. I am persuaded further that this committee, in the decisions it is about to make, will have a significant part in determining the direction that Cuba will take. To continue its present pattern of trade with the United States, Cuba must be able to sell a gradually increasing amount of sugar on this market. If it cannot do so, then it must of necessity embark on a program of diversification within a framework of protective measures that will have a direct and serious consequence for United States-Cuban trade.

Whatever the tonnage effects of these quota changes may be in the next few years, they will have a symbolic importance for the Cuban people, who are watching our actions with the most intense interest, that will far transcend any dollar or tonnage calculations one might make.

I have been impressed, during a recent stay in Cuba, by the enormous excess capacity for sugar production which exists in that country.

At the moment Cuba is operating its sugar industry at about 60 per cent of normal capacity, and this brings up the third question which I suggested should be raised—what will be the effect of these bills upon the total world situation?

To this question I can give this committee no categorical answer. Of the fact that there is excess capacity in Cuba, I am certain; I have seen it with my own eyes within the last few months. I am certain as well of the existence of a surplus stock of sugar in being, stored in Cuban warehouses, that approaches  $1\frac{3}{4}$  million tons. That there is world excess capacity, I am also certain. In fact, the International Sugar Agreement is a living proof that this surplus constitutes a serious and continuing problem in world sugar markets.

What I cannot tell this committee with assurance is the effect of the proposed reallocation of quotas on this question, since I have not recently studied sugar capacity in the full-duty countries. But I draw the committee's attention to the importance of this consideration. I urge that before approving any legislation that increases the share of countries that have not hitherto depended in an important way upon the American market, this committee make absolutely certain that it is not encouraging the creation of new sugar capacity which can only affect adversely a world surplus situation of already disturbing dimensions.

May I again make it clear and I would like to emphasize this point, that I would hesitate to urge that the present formula for allocating the annual increase in United States consumption between Cuba and the full-duty countries be left unchanged if I felt that the present allocation were unfair to the full-duty countries or were adversely affecting their economies.

The unfairness, as I see it, is in our painless generosity in proposing to give, at Cuba's expense, a little here and a little there. We would not give enough to do anyone any particular good, but more than enough, when added to what is proposed to be given at Cuba's expense to the domestic industry, to give grievous hurt to Cuba—a country which has strong claims on our consideration and whose historical record as a supplier gives it the right to expect better treatment than is proposed in the committee print which you are now considering.

Thank you.

Senator BARKLEY. May I ask you how long were you in Foreign Service?

Mr. BOHAN. Until January of 1955.

Senator BARKLEY. A year ago.

Mr. BOHAN. Yes, sir.

Senator BARKLEY. And what is your present occupation?

Mr. BOHAN. I am a consultant at the present time, sir.

Senator BARKLEY. And you are here purely as a citizen interested in this?

Mr. BOHAN. Correct, sir.

Senator BARKLEY. I was interested in your suggestion that the passage of either one of these bills might have an injurious symbolical and psychological effect in Latin America, and I am wondering to what extent that is true since these allocations and these increases in behalf of other nations are practically all in Latin America.

Mr. BOHAN. Mr. Chairman, perhaps I should have made myself more explicit. Living as I have, I have lived in Latin America ever since 1904, and the word——

Senator BARKLEY. You must have been a boy in knee pants.

Mr. BOHAN. I was taken down by my parents to Mexico in 1904. I grew up between Mexico and Texas, sir.

In Latin America the United States has always been a model of rectitude. I am not saying in any way, shape, or form that if we want to change the bill right now in January, that we haven't a perfect right to do so. But I would urge that we think a good deal before we do.

I feel that we are not quite living up, let us say, to the spirit of the game. We set certain rules that don't really expire until the end of this year. As an American citizen, perhaps feeling too strongly, having lived abroad so long, the terrific pride in my country that I have, I feel that we have got to live up not only to the letter of anything that we undertake, but to the spirit in our acts, especially in our international relations. That, however, is a personal opinion and may or may not be correct.

Senator BARKLEY. Would you feel that that stand had been lived up to if this bill does not take effect until the expiration of the present law?

Mr. BOHAN. I would feel that we had certainly followed the policy that we have been following in connection with sugar legislation in the past; yes, sir.

Senator BARKLEY. Many thanks to you, sir, for your appearance.

Mr. BOHAN. Thank you, sir.

Senator BARKLEY. Mr. Hubert H. Walter.

Senator MAGNUSON. Mr. Chairman, if I may interrupt here a moment.

Senator BARKLEY. The Senator from Washington, Mr. Magnuson.

Senator MAGNUSON. Mr. Walter, the witness you just called, is here on the same matter. I want to submit a very short statement to the committee on an amendment we have before the committee to change this, and if I may be permitted, I would like to just make that short statement now.

Senator BARKLEY. Are you substituting for him?

Senator MAGNUSON. No, he will also testify in more detail. It is a very short statement, and with the chairman's permission I will give it right from here.

Senator BARKLEY. Proceed.

#### STATEMENT OF HON. WARREN G. MAGNUSON, UNITED STATES SENATOR FROM THE STATE OF WASHINGTON

Senator MAGNUSON. This is in support of a proposal, Mr. Chairman and members of the committee, to correct what we consider to be an unfair situation in the domestic sugar industry, and in an effort to adjust what is obviously an undue hardship, which I am sure the committee will agree, after the testimony, on a group of young Americans virtually all veterans of either World War II or the Korean conflict, and toward that end I am offering an amendment now pending before the committee.

I want to just speak briefly on it because it is designed to open the way to a group of young veterans on new irrigation projects who are now definitely underprivileged members of the farming industry to get into the sugar-beet production.

As for the former or H. R. 7030, the testimony already presented shows the overwhelming support of allocating more of the American sugar market to American growers, and I do not want to be repetitious about that. But I do want to call attention to the committee that an early correction of the law is vital to our western farmers.

The time for planting crops is here, or the time for planting those crops is rapidly approaching, and the farmers of the West must know soon whether or not they are to have more sugar beets. The amendment to divide the normal growth factor in sugar consumption 55 percent to domestic growers and 45 percent to foreign producers in my opinion is extremely modest.

After all, foreign producers, principally Cuba, have all had this increased consumption from 125,000 to 155,000 tons of refined sugar annually for several years, and of course none of us have any grievance against Cuba, which we know did a commendable job in supplying us sugar during World War II.

But over the years Cuba has been allotted 96 percent of the increase and has gained millions of tons of the American market, while the allotment to our western beet growers has remained static at 1,800,000 tons.

I believe that under any standard of justice or fairness to the American growers, that they could ask for 100 percent of this annual increase until they recover an equal amount of the market, and restore the historical percentage between foreign and domestic producers that was established when the original act was passed.

Now the amendment I propose is simply this, which would take care of this situation within the domestic allocation, whatever the committee decides to do on it, and I quote as follows:

The Secretary of Agriculture is authorized and directed to set aside out of the increases provided—

if they are provided by the amendment, made by this section in quota for domestic beet sugar—

a reasonable amount to be used as a reserve for establishing or adjusting proportionate shares for farms on reclamation projects on which new acreage suitable for production of sugar beets has been made available.

Growers in my State, and particularly those in the great Columbia Basin project, are taking a beating under this present sugar allocation. Land on the Columbia Basin came into production since the war, and only in 1952 we started irrigating with the waters from behind Grand Coulee Dam.

These young settlers went on the land with the idea of growing sugar beets, along with other crops, and they are all small farms, family-sized units.

They were encouraged by Federal and State agencies to grow sugar beets as a vitally needed cash crop in the early stages of the development, and as a crop in the rotation program to conserve and protect the soil. All these agencies in joint studies said that more than 50,000 acres of the basin should be in beets. The basin will include some 250,000.

Now these young farmers are on the land without the beets and apparently without any prospects of getting them. The allocation therefore of additional beet acreage, even if this amendment would be passed, would be on the basis of previous beet production records.

The Columbia Basin and other western projects are new lands, just brought into production or just coming into production. There is, of course, no historical record upon which to base the claim for beets, even though these young veteran farmers are American and were encouraged to grow beets and should have the same rights as other American farmers.

The bill as it now stands even puts another blockade in the paths of these new growers as it rules that if any domestic area does not take up its allocation, it shall be assigned to other domestic areas on the basis of quotas then in effect.

And again these young veteran farmers would be stopped, as these new areas do not have a quota on which to base a claim for adequate acreage.

The importance of beets for these new lands cannot be overstressed. It cost between \$25,000 and \$30,000 to put a Columbia Basin small family farm unit into production. The young settlers must have a cash crop in which there is a minimum of risk, such as beets, in order to meet their annual financial obligations which they must pay back to the Government.

On top of that, the Federal Government has spent \$500 million on the project so far, and by the time it is finished, will have spent \$750 million, and this money is reimbursable, and the farmers must make the repayment on that investment.

And as I said in the beginning, none of us want to take anything from Cuba that she now has, in amending the Sugar Act, but we are only trying to fit in a just and equitable share of the normal increase.

The same principle applies, of course, in allocating the additional domestic acreage, if an increase is provided. The new growers want to take nothing from the old domestic growers.

The established growers' right to 1,800,000 tons that they already have, of course, should be protected, but the increases above 1,800,000 tons, which naturally will follow if the bill is passed, should be divided in some equitable way between the new and the old growers on the basis by which the new growers can get into the sugar industry somewhere in near equality with the older growers, without taking anything away from the older growers that they now have.

And I know of no other way to do it other than the inclusion of this amendment, which of course makes it discretionary with the Secretary of Agriculture. It is a very small amount, he looks at this whole picture between the old allotments and the new lands, particularly in these cases I have mentioned, and gives him a small reserve in which he adjusts or establishes these proportionate shares.

Senator BARKLEY. The amendment will be considered. Are there any questions? Thank you, Senator Magnuson.

Senator MAGNUSON. There are no questions from the members of the committee?

Senator BENNETT. No questions. You have made it perfectly clear.

Senator MAGNUSON. Now I do have, and I hope the committee will have a chance to hear him as fully as possible—I know the hour

is late, but the representatives from the Columbia Basin, both from the State Columbia Basin Commission, who are familiar with this what I think is a very peculiar situation, and one that is now inequitable and should be adjusted—

Senator BARKLEY. Thank you, Senator. Mr. Walter, please.

**STATEMENT OF HUBERT H. WALTER, ADMINISTRATIVE ASSISTANT OF THE COLUMBIA BASIN COMMISSION, STATE OF WASHINGTON**

Mr. WALTER. Mr. Chairman and members of the committee, I will try to be very brief because I think Senator Magnuson has defined very clearly, probably much better than I can do, the problem that exists on the Columbia Basin and the corrective measure that we need in order to get into sugar beets.

My name is Hubert H. Walter and I am administrative assistant of the Columbia Basin Commission, a State agency charged with the responsibility of resource development, and secretary of the joint boards of Columbia Basin Irrigation Districts, which is an organization of the municipal corporations handling the affairs of the irrigation districts on the Columbia Basin in the State of Washington.

These irrigation districts are composed of 5 directors for each of the 3 districts, and they are elected by the water users, the farmers.

I would like to submit this statement and speak very briefly from it for a time, because Senator Magnuson so clearly and so well defined what we have in mind, if that is agreeable to you, Mr. Chairman.

Senator BARKLEY. Your statement will be printed. You may make an oral statement in regard to it if you wish.

(The prepared statement submitted by Mr. Walter is as follows:)

**STATEMENT OF HUBERT H. WALTER OF THE WASHINGTON STATE COLUMBIA BASIN COMMISSION**

My name is Hubert H. Walter and I am administrative assistant of the Columbia Basin Commission, a State agency charged with the responsibility of resource development, and secretary of the joint boards of Columbia Basin Irrigation Districts, which is an organization of the municipal corporations handling the affairs of the irrigation districts on the Columbia Basin in the State of Washington.

In appearing before this committee, I am speaking in behalf of both groups, whose stands on the sugar legislative proposals are identical.

We support wholeheartedly legislative changes that would revise upwardly the continental allotment of sugar, even beyond that proposed in the House bill, or that which has been considered in this hearing.

But we claim and believe that we can show where there is an issue in addition to that of increasing the domestic allotment. That is, to divide fairly the allotment of sugar production assigned continental producers—that is, to give those on new lands, who do not have productive records upon which to base claims for allotments through no fault of their own, equal rights with those who have historical production records and who now want to expand their acreages.

We on the Columbia Basin project, a new irrigation project, are just bringing our lands into production after decades of planning and work. Throughout all the planning, sugar beets as a cash crop and a crop to fit into rotation were considered a priority crop. In all the studies made by the Bureau of Reclamation, the Department of Agriculture, and our own State agencies, sugar beets were considered the backbone of the economy, and it was estimated by those organizations that 50,670 acres of the basin should be and would be in sugar beets.

Now we are beginning to farm this land and we find ourselves without an adequate allotment of sugar beets and with no prospects of getting relief in time to provide our young settlers, most of whom are veterans, with this cash crop which is so sorely needed to tide them over this development period of extremely high

costs. It costs from \$25,000 to \$30,000 to put one of these farms into production. Most of our settlers are young people—they have to be because it is a rough undertaking to hew the sagebrush off the land, drive the rattlesnakes out, and then struggle through the dust and dirt and virtually pull themselves up by their bootstraps.

Their finances are limited and they have to borrow heavily to develop their lands. Their success or failure depends upon cash crops, at least for the first few years. They must have these early cash crops to pay the interest and principal on the debts they incurred to get their land into production.

In addition to that, they have to repay the Government over a period of years the costs of this project on which \$500 million has already been spent. They must have crops in which there is a minimum risk both in production and in marketing. Sugar beets fit in perfectly in such a plan because the Columbia Basin's ability to produce sugar beets has been proven by the record, and beets are grown under contract, thus reducing to a minimum the marketing gamble for these young veterans.

We are not asking, nor do we expect, that anything be taken away from the older growers. We only want to get under this umbrella of protection on an equal basis with them through the allotment to us of a reasonable portion of the additional acreage that will come with an increase in the continental allotment of the sugar market. The older growers can retain the 1,800,000 tons allotted to them by the previous act, and which they at one time apparently were satisfied with and on numerous occasions did not even fulfill. Let them have all of that and a portion of the increase, but also give us on new lands a portion of that increase.

The bill under consideration does not do that; in fact, it puts additional obstacles in the way of new domestic growers who are American citizens and trying to get established in the farming industry and are entitled to the same protection as others, even though they have not been growers in recent years.

Under the act, the increase in acreage resulting from the rising consumption of sugar in the United States, would be allocated on a basis of the historical production of domestic areas. We on the Columbia Basin, where our lands have lain barren and covered with sagebrush for centuries and only now are coming into production, do not have a historical record upon which to base a claim for adequate acreage to get us in the industry. The bill puts even greater obstacles in our way by providing that any deficit in a sugar-producing area shall first be prorated to other domestic areas on the basis of the quotas then in effect, and if the Secretary of Agriculture finds that no domestic area will be able to supply such unfilled amounts on such a basis, he shall add it to the quota for Cuba. The only way that can be interpreted is that even if the older growers do not want the acreage, we cannot have it.

There are provisions in the act for new lands, but they are meaningless. As we understand it, the Secretary of Agriculture can allot 1 percent of a State's quota to new lands. In the State of Washington that would be about 300 acres. It stands to reason that no processor is going to assign that small an acreage to new lands and haul the beets long distances for processing. It is only natural that he would assign it nearer the present processing facilities in order to hold down the hauling costs. We ask that this bill be amended to set aside a reasonable amount of the new acreage for assignment to new areas and we will take our chances on getting enough to justify the establishment of a plant in the Columbia Basin area which now is without processing facilities.

It has been charged that we are asking special consideration. We are not. We are merely asking for equality in the American enterprise of producing sugar. Can it not be said that the act, as it now stands, gives special consideration to the older areas by assigning the increase to them if they want it? And there is no question but what they will want it due to the restrictions of other crops. But these same restrictions on other crops apply to us, too, even to a greater extent than they do to the older areas.

We were encouraged by Federal and State agencies in the development of this project to prepare for sugar beets as a major crop. We were encouraged by the processors to produce sugar beets, as evidenced by the fact that one company has built a plant which is not operating to capacity, and another company has purchased a site and reportedly has made plans to construct a plant, but has declined to do so due to the discouraging outlook for beets on the basin.

We have to pay back the Government for this huge investment in building the Columbia Basin project. We have to buy new machinery and pay for it. We have to spend heavily to prepare our lands to grow the crops. We are going to

have a hard time meeting these obligations if roadblocks are put in our way, such as denying us the right to grow crops for the American market in common with other people of the Nation.

We don't want to take from others anything that they now have or have had in recent years, but we do want a portion, or our equal share, of any increase that may accrue due to the mounting consumption of sugar. The Federal agencies and our State agencies have stated that more than 50,000 acres of beets should be grown on the basin. Give us only one-half that amount now and a right to grow on the same basis as other areas as the sugar consumption increases, and we will get along. But deny us that right, and you will put an obstacle in the way of many young people, practically all of whom are veterans, and you will make it difficult for us to survive.

How can there be any fairness in any legislation that assigns to one group of growers all of that American market, while there are other growers, also American citizens and entitled to equal opportunities under the law, who are straining at the leash to get sugar beets—which they were virtually promised—and now are denied that right?

We believe it is only justice to give us, the new growers, an equal opportunity with other areas and other countries. We will not be apprehensive if we have these equal opportunities, but we will have fears if we are to be handcuffed and are denied the right to go after what we believe to be our share of the market.

We again ask that the Sugar Act be amended to give the American grower a larger share of the American market, and that the amendment authorizing the Secretary of Agriculture to set aside a reasonable amount of the increased acreage for allocation to new areas be included in any legislation.

Mr. WALTER. Thank you, sir. We are wholeheartedly in support of the change in the Sugar Act to allocate a larger portion of the American market to the American grower.

Now in appearing before this committee, I am speaking for both the Columbia Basin Commission and the joint board of irrigation districts, whose stand on the sugar proposition, including the amendment or a rightful and just share to the new growers, is identical. Both of these boards are in support of that.

Also in the State of Washington the major chambers of commerce, the Washington State Farm Bureau, are too in support of that proposition.

Senator BARKLEY. How many of these growers are there?

Mr. WALTER. There are right now 2,850 farm units under water. We will have in the full completion of our project 14,000 farm units.

Senator BENNETT. Mr. Walter, I think you should make it clear that when you use the phrase "under water" you don't use it as they do down in Florida real estate.

Mr. WALTER. Under water, by that I mean, sir, that the irrigation water is available now to 300,000 acres, which is approximately in 2,850 farm units. Not all of those are in full production. They can be, but due to the financial problems that some of us have, we have been unable to get 100 percent of the land into production in the first year that water comes to it.

Senator BARKLEY. That situation cannot, in your judgment, be taken care of within the 55 percent allocated to domestic production.

Mr. WALTER. I think that it can be. It is possible to do that; yes, sir. But it cannot be done under the present law or the House bill 7030.

Senator BARKLEY. Can it be done with the Senator's amendment?

Mr. WALTER. With the Senator's amendment, yes, sir, it would.

Senator BARKLEY. As now amended?

Mr. WALTER. No, sir.

Senator BARKLEY. It cannot?



Mr. WALTER. No; it does not.

Senator BARKLEY. It would not require an increase above 55 percent if this amendment is agreed to?

Mr. WALTER. Senator Magnuson's amendment?

Senator BARKLEY. Yes.

Mr. WALTER. It would not need that, no, sir. As the act exists today, the allocation of this acreage is based upon previous production records, and we have none.

Senator MAGNUSON. And only 1 percent for new land, which would only be 300 acres in our whole State.

Mr. WALTER. Yes; and that 1 percent for new land is absolutely meaningless to us on the Columbia Basin, because it is so insignificant that a processor could not, and would not go in there and put up a plant to process those beets, and he would not buy them long distances from his plants and haul them a long way for processing.

We have got to have a base upon which to make a claim for acreage, a sufficient base in order to induce processors to come in there and build a plant, so we can get into the beet business, and then grow along with the rest of the industry.

We are not asking that we be given a blanket coverage, but one that is sufficient to justify the establishment of processing plants that in the future, as increases come along, even at 55 percent, can grow along with the rest of them.

Senator MAGNUSON. And the amendment only provides not a fixed amount but gives the Secretary of Agriculture the discretion to set aside a reasonable amount for reserve to take care—this is not only the basin lands.

Mr. WALTER. That's right.

Senator MAGNUSON. These are all other new lands that may come in under irrigation.

Mr. WALTER. This problem is not confined wholly and solely to the Columbia Basin. The Hart Mountain project in Wyoming will have the same problem, and others. We are with the Columbia Basin, and speaking for the Columbia Basin.

Now, the House report on this bill did say that in administering this act, the Secretary of Agriculture should give special consideration, or special attention, to new areas, such as the Columbia Basin. Now "such as the Columbia Basin" was not included in the report, but it did instruct that. But there are no mechanics whereby he can do that, under this bill.

Senator BARKLEY. To what extent, if at all, does the inclusion of this new territory impinge upon the 55 percent American allocation so far as participation by other sections of the country is concerned? Would it take away from any of them?

Mr. WALTER. It would take away from them nothing that they now have. It would be in excess of this 1,800,000 tons.

Senator BARKLEY. It would keep them from getting something that they want?

Mr. WALTER. Yes, it would. It would naturally work that way.

Senator MAGNUSON. Excuse me; as the increases are allowed it would be a very small portion that would take care of the new lands. They would get 99 $\frac{4}{100}$  of the increase.

Mr. WALTER. That's right, but we have to have it done either by an artificial establishment of a base, or sufficient acreage, so that they can come into our area.

But, as it stands now, the older growers would get 100 percent of this increase. We want just a little bit of it, or sufficient of it to set up a plant, or it may be two plants, because this is a big area, bigger than Puerto Rico, and then let us have our proportionate share from then on, after we once get established. Until we get an arbitrary allotment, we can't get established.

Senator BARKLEY. Are there any further questions? Have you finished your statement?

Mr. WALTER. I have; yes, sir.

Senator BARKLEY. The committee thanks you, sir, for coming and we will give careful consideration to this amendment.

Mr. WALTER. Thank you very much, sir.

Senator BARKLEY. Mr. Moore, representing the Peruvian Sugar Producers.

**STATEMENT OF JOHN D. J. MOORE, VICE PRESIDENT, W. R. GRACE & CO., APPEARING ON BEHALF OF THE SUGAR PRODUCERS OF PERU**

Mr. MOORE. Mr. Chairman, in view of the lateness of the hour, may I request permission to file my prepared statement with the committee, to be printed as a part of the record, and to comment briefly on its contents on 1 or 2 points.

Senator BARKLEY. That will be done.

(The statement referred to is as follows:)

**STATEMENT OF JOHN D. J. MOORE REPRESENTATIVE OF THE ASSOCIATION OF SUGAR PRODUCERS OF PERU**

My name is John D. J. Moore, I am an American citizen, residing at 33 Brooklawn Drive, Short Hills, N. J. I am vice president of W. R. Grace & Co., 7 Hanover Square, New York, N. Y.

I appear as a witness on behalf of the Association of Sugar Producers of Peru which is a voluntary, nonprofit organization with its headquarters in Lima, Peru, and composed entirely of private enterprisers who cultivate sugarcane and produce sugar in Peru. It is not in any sense whatever a governmental organization and it receives no subsidy of any sort from the Peruvian Government.

It is my privilege to represent this organization because W. R. Grace & Co. is one of its active members. We own and operate two sugar estates in Peru and have been engaged in the production of sugar in that Republic for over 70 years. For several years I resided in Peru and was directly concerned with the sugar business of our company there.

The purpose of my appearance is to support the recommendation of the State Department with respect to the proration of that part of the residual quota allocable to the full-duty countries. Let me emphasize at the outset that the Peruvian sugar producers do not seek to reduce the quantity or the percentage of sugar to be supplied to the United States consumer by our domestic cane and beet sugar producers including, of course, Puerto Rico, Hawaii, and the Virgin Islands.

The Peruvian producers recognize and understand that the United States has its first obligation to its own domestic producers.

The Department of State originally recommended that the full-duty countries, namely Peru, Dominican Republic, Mexico, Nicaragua, and Haiti should have quotas in accordance with their sugar shipments to this country during the base period of 1951 through 1954. During such base period these countries were subject to import quotas on their sugar shipments to the United States. In

other words, the record of historic performance should govern the distribution of the increase in sugar quotas recommended by the Department.

In this way the increases would be logically distributed and there could be no cause for a feeling of discrimination or favoritism among these foreign countries. There could be no basis for any feeling of discrimination because the Department recommended that the increase be fairly and equitably divided pursuant to an historic pattern. This recommendation of the State Department was included in the administration bill in the House and is also included in section 7 of the so-called Long amendment.

In the bill, as passed by the House, this State Department recommendation to follow the historic pattern is disregarded and the ratios of distribution are switched around without explanation, logic, or sound basis. The extent of this distortion is illustrated by the wide difference between the actual figures of what each country was entitled to under the historic pattern and the arbitrary action of the House. The figures I am about to give are concerned only with the relatively small amount of sugar in the residual quota allocated to the so-called full-duty countries. These figures are in terms of percentages and show the ratio of distribution among the full-duty countries themselves under the historic base period formula compared to the ratio of distribution under the House bill.

	Historic basis	House bill
	<i>Percent</i>	<i>Percent</i>
Peru.....	46	36
Dominican Republic.....	25	37
Mexico.....	10	20

The abandonment by the House of this historic formula and the substitution therefore of arbitrary percentages leaves no yardstick for future guidance. The House committee report is silent on this vitally important matter of distribution and nothing appears in the debate on the floor. It is obvious that action of this sort is damaging not only to the prestige but to the economy of Peru and has no apparent purpose other than to confer a windfall on another country. There is no way in which this injury to Peru can redound to the benefit of the United States domestic producers. If such were the intent and the result, there could be no complaint. But this action of the House can only be regarded as intentionally discriminatory. It was done without explanation, contrary to the recommendation of the State Department, and in complete disregard of the historic pattern that traditionally governs decisions in sugar legislation. This action will engender in a friendly country nothing but ill will and a feeling of discontent. This is directly the opposite result of the good will the United States hopes to create abroad by increasing the quotas of the full-duty countries.

During the past year we have urged on the State Department an approach to the sugar problem that would eliminate the dissatisfaction resulting from a condition whereby Peru and the other full-duty countries are permitted to supply such a disproportionately small share of the United States market. For instance, in 1955 the aggregate allowed to all the full-duty countries was 1.36 percent of the United States market, while Cuba was awarded over 32 percent. Our approach dealt only with the so-called residual quota, namely, that part of the sugar needed for United States consumption which must be imported in any event.

In effect, our suggestion was that individual quotas in the United States market be made in the same relative proportion as the total sugar shipments from individual countries to both the United States and the world market. It is believed that such formula would be of permanent validity because it would reflect actual sugar shipments. It would eliminate special treatment of specific countries and create a sense of fair treatment among the other countries that will return us a dividend of good will. The quotas would merely reflect the records of actual commerce in sugar.

This approach would eliminate two basic defects or distortions in the world sugar market that result directly from the present favored position of Cuba. These are:

1. The first defect is derived from the fact that the United States price for sugar is usually above the world price. Because Cuba can ship such a large percentage of her total crop to the United States, for which she obtains premium prices, she is in a position to afford to sell the balance in the world market even at a loss if she so chose and by averaging the overall have a profitable operation.

However, by so doing Cuba would disrupt the world prices and markets on which she only partly relies. On the other hand, a country with a small United States quota must depend almost entirely upon the world market.

2. The second unfortunate condition that results from the disproportionate quota of the United States market conferred on Cuba manifests itself through the workings of the International Sugar Agreement. The Council of that organization may reduce the export quotas of its members in order to stabilize markets. For example, in 1954 the Council cut all quotas 20 percent, but that reduction applied only to 43 percent of Cuba's total exports because the balance of her production (57 percent) was shipped to the United States to which the reduction did not apply. However, to a nation such as Peru the reduction would have applied to 88 percent of her sugar exports.

Under a formula establishing an equality of access to the United States market percentage-wise between the full-duty countries and Cuba, both of these above objections would be obviated. These are not theoretical objections. Normal competitive conditions are disrupted when one country can derive undue profits from its disproportionate sales, so as to be able to sell the balance in the world market even at a loss. This circumstance, so well known, throughout the sugar industry, was described by one writer as follows:

"It might be said that the United States 'subsidizes' consumption abroad (or that Cuba 'dumps' on the free market) under this arrangement."

The validity of our suggestion stands up after analysis of the various arguments traditionally advanced as justifying Cuba's lion share of the United States market and the fractional percentage awarded to Peru. It is customary to cite in support of this Cuban advantage the volume of trade between that country and the United States, but if you will refer to chart III on page 5 of the booklet entitled "A New Approach to Sugar Quotas," you will see that the full-duty countries, of which Peru is one, have been purchasing about twice as much from the United States as has Cuba. In chart IV on page 6 you will see that the Peruvian imports from the United States have averaged over \$100 million per year since 1949 as against our purchases from Peru of less than \$60 million per year. You will see that while in 1953 Peru purchased approximately one-third as much from the United States as did Cuba, Peru is permitted to sell us less than 2 percent of the quantity of sugar that Cuba supplied.

Indeed, to carry this pro-Cuban argument to its logical conclusion, an impartial application of the reciprocal principle of purchasing sugar from countries which buy our exports would give the full-duty countries the right to ship in two-thirds of our sugar requirements as against only one-third from Cuba. You will see the proof in figures on chart III of the booklet.

We, of course, regret that the State Department did not adopt our recommendation for the solution of this problem. Unfortunately, the Department's formula for the relief of the full-duty countries leaves untouched the two basic defects in the operation of the present law which adversely affect Peru and the other full-duty countries. It is submitted that Congress never intended the Sugar Act to have these adverse effects, particularly on friendly countries with their record of trade and common defense with the United States. The increase in the tonnage recommended for the full-duty countries will by 1962 restore them in terms of tonnage to about where they found themselves in 1920.

Before concluding we want to take this opportunity of setting the record straight on a completely untrue statement which in recent years has been widely circulated about Peru for a number of years, particularly during the heat of debate over the distribution of sugar quotas. Because we have reason to believe that this unfounded version has prejudiced our cause at various times, we feel constrained to bring it out into the open in order to expose the true facts to the light of day. This story is to the effect that Peru did not cooperate with the Allied Governments during World War II and profited in sugar while other western producers sacrificed their sugar to the common cause at or below cost. Peru not only offered to cooperate, but did so on more favorable terms than some of the other producers. An irrefutable and conclusive denial of this untrue statement is furnished by no higher authority than Mr. Earl Wilson who was in charge of the United States sugar program from 1941 to 1946. In his book *Sugar and Its Wartime Controls* (vol. 1, p. 90), he says:

"Small amounts of Peruvian sugar arrived in the United States in 1942. During the winter and early spring of 1943, we negotiated a purchase from one of the largest of the Peruvian producers of 75,000 tons of raw sugar, through the producer's New York broker. The terms were practically agreed upon and discussion drafts of the contract were prepared when another Peruvian producer

indicated an interest in selling 40,000 to 50,000 tons on like terms. The sellers were planning to use Peruvian-flag vessels and deliver the raws to United States refiners designated by us at the delivered-in-bond ceiling price. In other words, it would be without expense to the United States Government, whereas every other contract or procurement program resulted in some loss as against the proceeds realized by the sale of the sugar at the domestic ceiling price.

"At this time I was called upon by representatives of the War Shipping Administration and the Department of State protesting our closing this contract because the Peruvians would be using their ships for the delivery of the sugar and the WSA wanted the use of these vessels for the movement of what they considered more important cargo. I placed the problem before my superiors, who instructed me to comply with the wishes of the WSA."

In conclusion, Mr. Chairman, we recognize the inherent difficulties of achieving an equitable solution to this very difficult problem; we further recognize that there is no solution which would satisfy the demands of all parties, and consequently, the final legislation must be a compromise. We have been afforded ample opportunity to present to the State Department our position under the most courteous circumstances. While we are disappointed in the small total of additional tonnage recommended by the Department, we nevertheless feel that this increase establishes a trend in the right direction and will supply the basis for a more equitable measure of relief when the Sugar Act next comes to Congress. We therefore support the State Department's recommendations for the treatment of the so-called full-duty countries, and the allocation as between those countries on the basis of 1951-54 shipments, as set forth in section 7 (2) of the so-called Long amendment to H. R. 7030.

Mr. MOORE. Thank you.

Senator FREAR. May I say, Mr. Chairman, before Mr. Moore starts, that I am personally acquainted with Mr. Moore, and think very highly of his ability, and I am looking forward to his statement with more than the usual amount of interest.

Mr. MOORE. I am very grateful to the Senator from Delaware, Senator Frear, for that statement, Mr. Chairman. I had not expected it.

However, I was intending to quote, and I would like at this time to quote from a statement of the subcommittee of the Banking and Currency Committee which in 1954 visited the country whose sugar producers I represent, in which it reported the following with regard to Peru.

Senator BARKLEY. You did not give your residence.

Mr. MOORE. I have not identified myself. My name is John D. J. Moore. I reside in Short Hills, N. J. I am an American citizen.

I am a vice president of W. R. Grace & Co. of the city of New York, and I appear as a representative of the Peruvian Association of Sugar Producers.

I happen to appear in that capacity because the company of which I am an officer is a member of that association. Our company, which is a highly diversified business, is in the sugar business in Peru.

Senator BARKLEY. And you don't appear then as an attorney?

Mr. MOORE. No, sir. I appear as a corporate officer and a member of this association. I would like at this time to mention the quotation of which I am very proud, which was made by Senator Frear's committee at the time they visited Peru, with regard to the economic attitude of the Government and the people of that country, in which it said, I quote:

Your committee—

this is the subcommittee of the Banking and Currency Committee  
Senators Capehart, Bricker, and Frear were members—

was most favorably impressed with the attitude of the Peruvian people and their Government toward private enterprise, toward Government interference in economics and business, and economic and social affairs. The results which the Republic of Peru has achieved through the removal of controls on its economic and financial affairs, and through its encouragement of private capital and foreign investment should be studied with care throughout the world.

Mr. Chairman, there have been several references at these hearings to the risk that certain established sugar areas of the world might run from possible increases of production in certain countries, one of which, which has been mentioned only this afternoon was Peru.

I should like to call the committee's attention to the unusual fact that the acreage planted in sugarcane in the Republic of Peru, has been reduced 30 percent from 200,000 acres to 140,000 acres from 1929 to 1955.

There have been no new sugar mills established in Peru since at least 1917 and, if I am not mistaken, there have been no new sugar mills established in Peru in the last 50 years, and there are none planned.

One reason for that is her unusual geography as those Senators who visited Peru know. Her coastal area is the only area available for the planting of sugarcane. It is entirely restricted by the fact that it is 98 percent desert, and this cane can be grown only in a series of very thin irrigated valleys which have been farmed in that country for many, many years. This strictly limits the acreage which can be planted for any form of agriculture and, in the case of the cane valleys, as they are called, they are irrigated to the limit, and planted to the limit, and the industry is strapped into those areas.

I should like also to state with relation to the question, which I think has been asked here several times and with good reason, that the Peruvian producers, which is a private organization of sugar companies, and in no way connected with the Peruvian Government, that it has had complete access to the officers of our State Department in presenting its case.

So also have the representatives of the Peruvian Government. Not only has our group had access to the State Department, but also to the Department of Agriculture, particularly in the person of Mr. Myers. Not only have we had access, but Mr. Holland, the Assistant Secretary, only last month, in November, visited Peru, and he held meetings with the sugar producers, to go into this question, so that there is a complete record of cooperation, not only on the part of Mr. Holland, but on the part of his predecessor, Mr. Edward G. Miller, Jr., in the Office of the Assistant Secretary for Inter-American Affairs in the State Department. The cooperation has been excellent.

I should like also to point out that the Peruvian producers are taking no issue whatever with the United States domestic producers. That is a matter of policy with the Peruvian producers. They fully recognize the obligation of the United States to give first rights to the products of her own soil, and her own farmers' efforts. They are purely concerned with the division of the quotas among the so-called full-duty countries, of which Peru is one and, as such, they are supporting the committee print of the Senate bill.

In the House bill, for some reason, and on standards of which we have not been informed, the various quotas among the three principal full-duty countries; namely, Peru, Mexico, and the Dominican Republic, were reshuffled.

They had been in the past based upon the past performance of these producing countries in supplying the American market, a very available standard, an ascertainable standard, and a reasonable standard, and a standard which would be a guide for the future. A standard also which is fully understood by the people of the countries concerned.

There has been considerable talk here about symbolic receptions of the news of these actions of our Congress in foreign countries. I personally do not believe that the United States Senate should be necessarily guided in its work by the reception its actions will receive in foreign countries.

However, that is a consideration, I suppose, in our foreign policy.

I can add that I happened to be in Lima, Peru, the city in which I at one time lived, and raised my family, when the news of the House action on these quotas among the full-duty countries was published in the local newspapers there, and the effect on those people was astonishing.

Just about every man, woman, and child that could read a newspaper or could listen to the radio heard the news and was stunned by it. The Senators are familiar with the fact that Peru's quota, based upon performance and deliveries, had been 46 percent of the intra-full-duty countries. That was reduced to 36 percent for reasons not stated, and on standards never explained.

The quota of the Dominican Republic, Santo Domingo, by the same manner, was increased some 50 percent from 25 to 37 percent, and the quota of Mexico was doubled from 10 to 20 percent.

The only country which, was punished was the Republic of Peru.

And, as a friend of Peru, Mr. Chairman and Senators, I should like to say that is a most extraordinary result, and we are very happy indeed that the Senate print, and the Department of State, in the person of Mr. Holland, have attempted, in the legislation now pending before the Senate, to rectify that.

It is an extraordinary action because if there is any basic tenet of the policy of this Government in Latin America, it is the policy of attempting to encourage private capital to do its job in those countries. These privately owned sugar estates are doing their job. They are among the most efficient in the world.

You will note that despite the fact that the acreage has been reduced, the quantity of sugar produced has been increased. That has been done under the most modern agricultural and manufacturing methods.

Now, if private capital is to do its job in these countries we have heard comments of our officials from President Eisenhower down that the climate for foreign investment must be improved in these countries.

Peru, which came out of the Second World War, as did many other countries, with an unsettled economy, actually engaged a commission of United States economic and business experts to come down there and tell her how to do her job of conducting the economic policy of her Government.

She was the first of the countries in the postwar era who had a controlled exchange, to throw off the shackles of controlled exchange and go on a free convertibility, on the recommendation of this United States commission. She not only went on free convertibility, but she reduced every other form of government interference.

She made remittances, dividends, and profits completely remittable to foreign investors, and of course, that was particularly investors in this country. She removed every shackle, she removed any and all discriminatory legislation and taxation which penalized foreign enterprises in her country.

She adopted oil and mineral laws which are considered models in the oil and mining industries, for the attraction of foreign capital. She diversified and continues to diversify her economy at great effort.

She is not one of the countries that is utterly dependent on sugar. She is, however, dependent on sugar for 20 percent of her exports, a figure which she has reduced not by reducing her sugar production, because as I have said, through greater efficiency that has been increased. She has reduced by going into the fishing business, increasing her mining and manufacturing and other enterprises.

She has put more into her tanguis or long-staple cotton. It is the longest staple cotton outside of Egyptian cotton, which does not come into this market.

Senator BARKLEY. It has increased because of the increase in other things?

Mr. MOORE. Precisely, Mr. Chairman. That is the story of a friendly country. It is a happy and prosperous country. It is a free country. It has a free press, and those people down there, just as so many other witnesses have said, are watching this committee.

Unfortunately, it is the only country that I am aware of which has received a blow, not from this committee, but in the House. Peru, I would like to add, led the Latin American countries in joining with the war effort of the United States and declaring war on the Axis powers in January of 1942.

She has been loyal to us, and above all, she has tried to model her way of life on ours. Her children are sent here by their parents, if they can possibly scrape up the dollars, they send them to this country. A generation ago they sent them to France, Spain, England and other European countries.

If they could possibly buy machinery, this is where they come to buy it, which is also a change from a generation ago. In this little blue booklet, which you see here, you will see the trade history of Peru.

It has been testified to twice this afternoon that Peru's trade balance with the United States is in balance. Well, actually it has been unfavorable for several years, as you will see on page 5 of this small booklet.

I commend the case of this free enterprise country, and its association of private sugar producers, to the favorable action of this committee of the United States Senate, and I thank you for your hearing.

Senator BARKLEY. Thank you very much, Mr. Moore.

Mr. PEREZ. Mr. Chairman, I am a spokesman for the Republic of Guatemala. If I could ask the indulgence of this honorable body for 3 minutes, I would like to make a statement on behalf of the small Republic of Guatemala.

Senator BARKLEY. Have you got a written statement?

Mr. PEREZ. Yes, I do.

Senator BARKLEY. Would you like to file that with the committee?

Mr. PEREZ. With the permission of this honorable body, I would like to read it, if I may, Mr. Chairman.

Senator BARKLEY. Can you read it in 3 minutes?



Mr. PEREZ. Yes; I can read it in 3 minutes, Mr. Chairman. It is only a page and a half long.

Senator BARKLEY. Will you proceed.

**STATEMENT OF H. HUGO PEREZ, ESQ., WASHINGTON, D. C., APPEARING ON BEHALF OF THE REPUBLIC OF GUATEMALA**

Mr. PEREZ. My name is H. Hugo Perez, and I am an attorney with offices at 1757 K Street NW, Washington, D. C. I am appearing today to represent the Republic of Guatemala and specifically at the request of Jose Luis Cruz Salazar.

The intention of the Republic of Guatemala in appearing before the committee today is not to take a position for or against any of the various proposals which have been made concerning the amendments to the Sugar Act of 1948.

Rather than take a positive position today it is my intention to bring to the attention of the committee certain aspects of the economy of Guatemala which will influence our position when amendments to the basic act are to be considered again at a later date.

As the members of the committee well know, my native country of Guatemala during 1954 overthrew a Communist regime which for 10 years has clamped the country in a vise and which had all but destroyed the basic freedoms to which all of the nations of the Americas have long been accustomed. Needless to say, Guatemala's economy received severe setbacks under Communist control. However, domestic production and our export-import business have made good progress since the summer of 1954.

But, the many problems which have faced the new Government of Guatemala have made it imperative that its attention be devoted primarily to domestic matters, such as the completion of the portion of the Inter-American Highway which lies within the borders of Guatemala.

As a portion of its domestic government, Guatemala intends to encourage diversified domestic production of commodities such as sugar, to the point that there will be a quantity of such products for export to the United States and to other countries within a short time.

Guatemala, like many other of your neighbors to the south, has materially benefited from investments of American capital as well as from foreign aid programs of the United States, but the fact remains that Guatemala needs more production of goods which it may export to the United States so that it may in return buy more products from the United States to increase the standard of living of its people.

Accordingly, it is my purpose here today to place before the committee for its consideration the fact that Guatemala intends, in the near future, to produce sugar in such quantity that we will wish to be included in the next amendment to the act.

I appreciate the time of the committee and the courtesy which has been extended to me. We hope now that democratic government has been restored to Guatemala and the sound and friendly relationship between our two countries has returned that you will bear in mind our request for future consideration.

Senator SMATHERS. Thank you very much, sir. We certainly shall.

I think that ends, does it not, Senator Bennett, the list of witnesses and the public part of this particular consideration on the sugar bill. We are going to perfect the record, people have various things that they might want to put in, but otherwise we will stand in recess until further notice.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT BY J. B. HUTSON, PRESIDENT, TOBACCO ASSOCIATES, INC., AND J. CON LANIER, GENERAL COUNSEL, TOBACCO ASSOCIATION OF UNITED STATES AND LEAF TOBACCO EXPORTERS ASSOCIATION

The interest of certain segments of the tobacco industry in the sugar bill (H. R. 7030) arises because of certain commitments that were made last year by responsible Government officials of the Philippine Republic at the time that the renegotiated United States-Philippine trade agreement was pending before the Congress. We wish to explain briefly the nature of these commitments and related developments.

The Philippines have been an important market for United States grown tobacco for many years. The Philippines have imported some United States manufactured cigarettes every year since 1919 except during World War II. Immediately prior to World War II, about 55 percent of the cigarette tobacco consumed in the Philippines was imported from the United States, either as manufactured cigarettes or as unmanufactured leaf which was used by domestic cigarette manufacturers. From 1946 to 1953, the United States supplied from 70 to 90 percent annually of all cigarette tobacco consumed in that country, averaging about 25 million pounds annually.

The Philippines have an important interest in the production of cigar leaf tobacco. Since the turn of the century, the export of unmanufactured cigar leaf and cigars made largely of domestically grown leaf has provided an important source of foreign exchange for the Philippines. Some of this Philippine cigar leaf, together with some Philippine cigars, is exported to the United States.

In 1952, the Philippine Republic embarked on a program designed to substantially increase their production of cigarette-type tobacco. In that year, the Philippine Congress passed Republic Act 698 establishing import quotas on all foreign-grown leaf tobacco. This act provided that for 1955 and succeeding years the importation of tobacco would be limited to 25 percent of the 1950 imports, or about 7 million pounds annually.

In 1954, when the question of the extension of the duty-free provisions of the 1946 United States-Philippine Trade Agreement was being considered in the United States House of Representatives, Mr. Reed of New York asked for unanimous consent for the immediate consideration of the extension bill. In response to a question by Congressman Herbert C. Bonner in reference to the tobacco problem, Mr. Reed stated that "everything has been arranged so that the gentleman's difficulties will be completely solved if this bill passes." He further stated that there would be a special session of the Philippine Legislature to take care of the problem, and that Act 698 would be considered at the session of the Philippine Congress which would convene on June 28 of that year.

At this special session of the Philippine Congress, Republic Act 698 was amended but the amendments instead of liberalizing the act made the act more restrictive from a long-time point of view. The act as amended provides that for 1956 and succeeding years that the importation of tobacco would be limited to the amount which added to the total Philippine production will be sufficient to maintain the manufacture of tobacco products in any year at a level equal to the quantity of tobacco products manufactured in the preceding fiscal year. The amended act also provides for price supports of domestic cigarette tobacco substantially higher than those prevailing in any other country.

The duty-free period was extended by the United States Congress as requested by the Philippines, but the promises and assurances made to Mr. Reed, upon which he relied, have not been fulfilled.

Later in 1954, the drastic provisions of this Philippine law were brought to the attention of the United States delegation for Philippine trade negotiations at the time they were considering the provisions for a new United States-Philippine Trade Agreement. When the negotiations had been completed, the United States negotiators indicated that they felt that provisions were included in the new agreement that would give some protection to United States tobacco interests.

In fact, the Department of State submitted a memorandum to Congress explaining the provisions of the new agreement in which it was stated that had the provisions of article III of the new agreement prevailed in the old agreement, the Philippines would not have been at liberty to make such drastic reductions in imports of United States tobacco as were made in 1953 and 1954.

In 1955, when the proposed new agreement was being considered by the Ways and Means Committee of the United States House of Representatives, it became clear that the agreement itself would not end the discrimination against United States tobacco. However, the President of the Philippines gave assurances that he would attempt to get the Philippine Congress to amend Republic Act 698 so that its provisions would be in accord with the principles usually prevailing between friendly countries.

At this time, we do not know what action will be taken in further amending Philippine Republic Act 698. Our concern arises from recent statements made by the President of the Philippines and the fact that other recent commitments made by responsible administrative officials of the Philippine Government with respect to the importation of United States tobacco have not been kept.

In the administration of Republic Act 698, the President of the Philippines has required Philippine manufacturers to purchase all available supplies of domestically produced cigarette leaf before they were able to obtain licenses for the importation of any foreign-grown leaf. Recently, in order to get licenses to import the United States tobacco needed to meet current requirements, manufacturers were required to give assurances through bonds that they would purchase all of the 1956 crop which is just now being planted.

The policy set forth in this act is in direct conflict with the policies which this country accepted and agreed to live by long ago and which this country has been fostering and advocating to other countries under the trade agreements program for over 20 years. It suggests that commodities may be imported into the Philippines only to the extent that domestic production cannot be expanded to meet their own total requirements of the respective commodities. Should the United States adopt a similar policy for commodities coming from that country, most Philippine products would be completely eliminated from the United States market within a short time. A policy such as is set forth legislatively by this act is without precedent among friendly countries.

We want to make this clear. We in the producing and exporting segments of the tobacco industry of this country are not objecting to the production of cigarette tobacco in the Philippines. We have offered to assist them in every way possible to improve the techniques of production and handling in order that they may produce the best quality of cigarette tobacco possible. The source of irritation, however, arises from the unreasonable and unjustifiable provisions of their Republic Act 698 and the arbitrary decisions made in the administration of this law and the failure on the part of responsible Philippine officials to carry out their commitments.

The recent issuance of import licenses for the importation of 8.1 million pounds of United States tobacco referred to by Mr. O'Donnell in his testimony before this committee on January 17, 1956 is in no way a fulfillment of the commitments made with respect to changing the Philippine Republic Act 698.

We respectfully and the committee to give consideration to this situation before approving a sugar quota for the Philippines that would be effective for a long period of years.

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UNITED STATES SENATE,  
COMMITTEE ON LABOR AND PUBLIC WELFARE,  
Washington, D. C., January 19, 1956.

Hon. HARRY F. BYRD,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

MY DEAR SENATOR: For the past 2 days, your committee has given very careful and extended consideration to the Sugar Act and has had numerous witnesses in its behalf. In order not to unduly belabor the committee, I am taking this method of placing before the committee my views on the proposed legislation and ask that this letter be included in the record of the hearings.

I would like to state that I am wholeheartedly in favor of and support the amendment to the bill which has been offered by Senator Bennett of Utah. In the State of Colorado, agriculture is by far the most important industry, and the sugar production of Colorado, constituting a major portion of that agriculture

industry is, therefore, of great and vital interest to our State's economy. A fair workable Sugar Act, or the absence of such act, will directly affect the economy of Colorado.

In the concluding moments of the hearings, Senator Magnuson, of Washington, offered an amendment. This amendment would, in effect, segregate or earmark a single class for special benefits; i. e., farmers on new reclamation projects, giving to them a part of the increased quota which Senator Bennett's amendment would make available to the domestic sugar beet industry.

Because Senator Millikin's statement had been prepared for filing at the time this amendment was offered, I deem it important that these views be expressed in opposition to the amendment of Senator Magnuson.

The proposal of the amendment of Senator Magnuson might appear, upon superficial examination, to be reasonable, but the amendment would be most dangerous to the purposes of the act and an undesirable proposal for the industry as a whole. The provisions would seriously interfere with the orderly administration of the Sugar Act. This would be discriminatory in that it selects and singles out a special area for special treatment and would further be discriminatory because it selects only a special class of farmers rather than farmers as a group in specifying only those on reclamation projects.

In concluding my opposition, I would like to point out that the entire sugar beet industry, both the farmers and processors, has by resolution adopted at an industrywide meeting opposed any proposal in the form of special and discriminatory preference such as is involved in Senator Magnuson's proposal.

I will appreciate very much your consideration of this letter and ask that it be included in the record of the hearings. We hope we may look forward to the immediate and favorable consideration of the amendment of Senator Bennett.

Very truly yours,

GORDON ALLOTT.

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AMERICAN FEDERATION OF LABOR AND  
CONGRESS OF INDUSTRIAL ORGANIZATIONS,  
*Washington, D. C., January 17, 1956.*

HON. HARRY F. BYRD,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.*

DEAR SENATOR BYRD: Enclosed is a statement submitted on behalf of the AFL-CIO in regard to proposed amendments to the Sugar Act of 1948.

The AFL-CIO has a special interest in this legislation and requests that this statement be made a part of the record.

Very truly yours,

WALTER J. MASON,  
*Legislative Representative, AFL-CIO.*

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STATEMENT OF WALTER J. MASON, LEGISLATIVE REPRESENTATIVE, AMERICAN  
FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

The AFL-CIO has a special interest in the hearings which this committee is now holding to consider proposed amendments to the Sugar Act of 1948. Members of unions affiliated with the AFL-CIO work for both the beet sugar and the cane sugar industries in this country. In addition, the AFL-CIO has developed fraternal bonds of friendship with the workers in the sugar fields of the Philippines, Cuba, and other Latin American countries.

We all know that the various sugar acts, beginning in 1934, have been good for our Nation and have provided a stabilization in which the domestic industry and the American consumer have benefited. It has also greatly benefited foreign suppliers of sugar to the United States, especially Cuba.

The present law—the Sugar Act of 1948, as amended in 1951—expires December 31, 1956. Obviously, it must be amended or extended before its termination date.

Many interests have to be considered when sugar legislation is being worked out. The best way to get the job done is to work for equity and fairness with full consideration for all interests.

In mainland cane areas, for example, acreage cuts of 8, 10, and 12 percent respectively, have been imposed in the last 3 years. It has been called to our attention that unless relief is forthcoming in 1956, further substantial acreage cuts will be required in order to bring stocks in line with normal carryover.

The domestic beet sugar area is also faced with a most difficult situation in view of its fixed marketing quotas of 1,800,000 tons. Production in 1953 was almost 1,900,000 tons; in 1954, with adverse weather conditions prevailing in important producing areas, domestic beet sugar production was almost 2 million tons. In spite of acreage cuts of 8 to 15 percent, beet sugar stocks were at such level that less than 10 percent of the total 1955 production was marketed in 1955.

We all know that Cuba is one of the best customers for United States production and we should continue to be Cuba's best sugar customer. At the same time, however, a road must run both ways. The domestic sugar industry also has its interests and its needs. We must find a fair and equitable solution to this immediate problem.

The object of the bills now before this committee is to make certain changes in the present quota system. Under the Sugar Act of 1948, fixed quotas are established for domestic beet sugar, mainland cane sugar, Hawaii, Puerto Rico, and the Virgin Islands. In addition, a special quota was set for the Philippines. Based on an annual requirement of 8 million tons, the domestic areas are allocated about 55 percent and the Philippines about 12 percent of the total.

In return for the very intensive efforts which Cuba made during World War II to supply this country with sugar, special arrangements were included in the 1948 Act to enable her to step down gradually from the relatively high level of sugar production in that country during World War II. At that time Cuba was allotted over 30 percent of the total United States market. In addition, Cuba was permitted to fill approximately 96 percent of any increase in domestic sugar consumption created by the general growth of population in this country.

The proposed legislation would alter the quota system so that Cuba would no longer be placed in such a favorable position. Under these proposals Cuba and the various domestic producers would share proportionately in this country's increased consumption of sugar. These amendments would make this new arrangement retroactive to the beginning of 1956.

The allocation of marketing quotas for any commodity is at best a most difficult assignment. In this instance, this task is made doubly difficult because the number of producing areas is considerable and because of the special considerations in Cuba and these other areas.

We believe that considerations of equity suggest that all producers should share proportionately in the increase in sugar consumption that will naturally develop during the coming years with the growth of United States population. As a matter of principle, we believe that both domestic and foreign producers should share in this increase.

On the other hand, any changes should be made as gradually as possible so as to not be unfair to our friends in Cuba. The sugar producers and labor representatives of Cuba have indicated to us that they would consider any change of the present act, effective before 1957, to be a breach of trust with them. For this reason, we believe that the provisions of the present law should continue to apply until its expiration date on December 31, 1956, unless some special and adequate relief is provided for. In this connection, we note with interest that H. R. 7030 does not provide for a change in the division of the foreign share of the United States market between Cuba and the full-duty countries until 1957.

There is one other aspect of this legislation which is of direct concern to organized labor. I am referring to the provisions in the present Sugar Act which provide for the payment of minimum wages and the establishment of regulations governing child labor in the sugar industry.

These regulations grew out of the provisions in previous sugar legislation, originating with the Jones-Costigan Act of 1934. These provisions are quite important because they make it clear that no domestic sugar producer is entitled to the benefits of this legislation unless he conforms with recognized labor standards requirements.

These labor standards provisions in the law need to be thoroughly reviewed at the present time. We believe they need to be changed in the following respects:

1. The minimum-wage requirement in the law should be identical to the standard set forth in the Fair Labor Standards Act.
2. Workers in the sugar industry need to be protected in the right to organize into trade unions and to bargain collectively with their employer.

The representative of the National Agricultural Workers Union, AFL-CIO, has submitted to this committee a very graphic account of conditions as they now exist in the sugarcane areas of Louisiana. We urge the committee to give full weight to this firsthand account of the unfair manner in which the Sugar Act of 1948 has been administered. This committee should make certain that any

extension of this special statutory protection for the employers in the sugar industry should be approved only if legislative changes are made so that the act will genuinely "protect the welfare of those engaged in the domestic sugar-producing industry" (title II, sec. 201).

The agricultural laborers are a category of employees which has always been specifically excluded from the coverage of the Taft-Hartley Act. Section 2 (3) of that act specifically excluded "any individual employed as an agricultural laborer." The determination whether an employee is "an agricultural laborer" must be made in accordance with the definition of the term in section 3 (f) of the Fair Labor Standards Act of 1938.

This definition reads:

"Agriculture includes farming in all its branches and among other things includes \* \* \* the production, cultivation, growing and harvesting of any agricultural or horticultural commodities \* \* \* and any practices performed by a farmer or on a farm as an incident to or in conjunction with such farming operations, including preparation for marketing, delivery to storage or market or to carriers for transportation to market."

The construction given this definition by the Department of Labor and its Wage-Hour Division, which has the primary responsibility for the administration of the Fair Labor Standards Act, is the guide that the Board uses for its interpretation of the Taft-Hartley Act.<sup>1</sup> Applying section 3 (f) of the Fair Labor Standards Act in a number of cases the Board held that the following employees came within the definition of "agricultural laborers": sugar plantation employees, including field employees who operated trucks and other machinery in connection with the planting, cultivating, and harvesting of crops and transporting harvest cane to railroad sidings and loading it on cars.<sup>2</sup>

The amendment proposed would make two changes in the present law. I hope this committee will give favorable consideration to this proposal as an amendment to any bill which it may report.

The first purpose of the amendment would bring these agricultural workers under the Fair Labor Standards Act for the purpose of wages instead of having the Secretary of Agriculture determine what he thinks their wages should be.

Second, these agricultural laborers should be permitted to organize and bargain collectively, since they may not utilize the machinery of the National Labor Relations Board established by Congress. The purpose of the amendment is to allow these workers to avail themselves of the fundamental right of self-organization and permit them to bargain collectively through representatives they choose.

The increase in the minimum wage from 75 cents to \$1 an hour provided in amendments to the Fair Labor Standards Act enacted in 1955 will take effect March 1, 1956. We see no reason why the new minimum should not also apply to workers in the sugar industry. This would eliminate the lengthy procedure which is now necessary under the present act to establish minimum wages for different parts of the sugar industry, and would thus simplify administration of the law.

We also believe that workers in the sugar industry should be entitled to the same rights as industrial workers in their efforts to form, join, or assist labor organizations, and to bargain collectively. Even this elementary protection is denied them at the present time.

Adoptions of the proposals set forth will simply afford agricultural workers in the sugar industry those benefits presently being enjoyed by other workers in the industry.

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DEPARTMENT OF AGRICULTURE,  
Washington, D. C., January 19, 1956.

HON. HARRY F. BYRD,  
*Chairman, Senate Committee on Finance,  
United States Senate.*

DEAR SENATOR BYRD: I wish to comment on two proposals that have been called to my attention for the amendment of H. R. 7030, a bill to amend and extend the Sugar Act of 1948, which is before your committee.

1. Senator Magnuson submitted a proposed amendment on January 12, 1956, which would authorize and direct the Secretary of Agriculture to set aside out of

<sup>1</sup> Seventeenth Annual Report of the National Labor Relations Board for the Fiscal Year Ended June 30, 1952, p. 89.

<sup>2</sup> *Luce & Company S. en C.*, 98 NLRB 1103, 1104.

increases provided for by the amendment "a reasonable amount to be used as a reserve for establishing or adjusting proportionate shares *for farms on reclamation projects* on which new acreage suitable for production of sugar beets has been available." [Italic added.]

If the Congress decides to make such a change in the Sugar Act, the Department of Agriculture will undertake to the best of its ability to administer it, although the addition of such a provision would create some very serious administrative difficulties. This proposed amendment would provide specialized treatment which would grant increases to growers who locate on Government reclamation projects at the expense of increases to growers located in other parts of the sugar beet area, including growers who are reclaiming land with their own private capital. In virtually every important sugar beet producing State new areas are being developed which are suitable for the production of sugar beets. Some of these areas are reclamation districts, others are being developed privately. Moreover, within the established producing areas many farmers wish to start the production of sugar beets and many established growers wish to expand their operations. We sympathize with the desires of farmers on Government reclamation projects. However, we do not believe that they should be given increases at the expense of increases for similar growers who are not located on such projects. Therefore, we recommend against this proposed amendment.

2. It was recommended on behalf of the industrial users that section 201 be amended so as to "assure consumers a supply of sugar no less than the per capita average for the 3-year period ending October 31 next preceding the year for which quotas are set, multiplied by the latest current population figures issued by the Bureau of the Census."

This proposed amendment would be objectionable because it would work solely to keep prices down for the benefit of consumers, whereas the Sugar Act has been and is continuing to be administered to achieve stabilized prices for the benefit of both consumers and producers. During World War II the Sugar Act payments and other payments were combined with price ceilings to encourage domestic production for the benefit of consumers without corresponding increases in prices. During the Korean crisis the Department of Agriculture, working through the Sugar Act and the purchase operations of the Commodity Credit Corporation, with supplementary export controls, was again able to prevent serious increases in domestic sugar prices. In fact, domestic sugar prices throughout the period of Korean fighting were kept below the minimum ceiling level that the Office of Price Stabilization would have been permitted to establish.

During 1950 and the first half of 1951 consumers, industrial users, and distributors made very large procurements for stockpiling purposes. To prevent inflationary prices on the domestic market at that time it was necessary to increase the domestic supply of sugar to levels well above those called for by the suggested amendment. During late 1951 and 1952 demand fell off and it was necessary to reduce domestic supplies in order to stabilize prices. The incorporation of an amendment of the type proposed would make it impossible for the Department to reduce supplies adequately in periods of temporarily low demand.

Sincerely yours,

TRUE D. MORSE, *Under Secretary.*

(See letter p. 295.)

WASHINGTON, D. C., *January 20, 1956.*

Hon. HARRY FLOOD BYRD,  
*United States Senate, Washington, D. C.*

MY DEAR SENATOR BYRD: I was informed that, at the hearings on the committee print of H. R. 7030, an impression was created that the proposed legislation represented a compromise that all areas should support. May I reiterate what I wrote to you previously and emphasized in my note to the Secretary of State, a copy of which I furnished you, that the Philippines is the only area which is discriminated against in this legislation as it is excluded from participating in any increase in the United States sugar consumption.

Approval of H. R. 7030 as now proposed will be an injustice to the Philippines which my people will be unable to understand. It will cause much unfavorable reaction not only in the Philippines but also in other countries in Asia, particularly at this time when we are exerting our utmost to help prevent the spread of communism in our part of the world.

Again I appeal to you, Mr. Chairman, on behalf of 21 million Filipinos to prevent that this gross injustice be committed against the Philippines.

Sincerely yours,

CARLOS P. ROMULO.

EMBAJADA DE LA REPUBLICA DOMINICANA,  
Washington, D. C., January 18, 1956.

HON. HARRY FLOOD BYRD,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

MY DEAR SENATOR BYRD: It has been brought to my attention that at the hearings on sugar legislation before the Committee on Finance of the United States Senate yesterday, a representative of the United States Cuban Sugar Council stated that a large portion of the investment in the Dominican sugar industry is the property of important political personages in my country.

Obviously, even in the general context of this witness' testimony, it is impossible for me to understand what implications the witness wished the committee to draw from such a statement.

However, it is incumbent upon me to correct the record, since the statement attributed to the witness is wholly untrue.

The simple facts are that every single sugar-producing establishment in the Dominican Republic is owned by one or another of 5 public corporations (2 of which are United States corporations), and in every case each such public corporation is wholly owned by private stockholders.

Attached hereto is a complete list of all of the sugar-producing establishments in the Dominican Republic, showing the ownership of each, as well as other pertinent data.

I should be grateful if you would accept this letter for inclusion in the official record of the hearings before the committee.

Very truly yours,

JOAQUIN E. SALAZAR, *Ambassador.*

## DIRECTORY

### I. INGENIO AMISTAD

Owner: Azucarera Nacional, C. por A. of Ciudad Trujillo.

This mill is located in the Province of Puerto Plata, in the northern coast of the Republic. Production of commercial sugars in the 1955 crop: 3,204.45 metric tons, equivalent to 3,532.27 short tons.

General Administration: José Antonio Jiménez Alvarez, President-Treasurer and General Manager; Otilio Irizarri Melo, Assistant Manager; Juan Andrés Guerrero D., General Auditor.

Officials: Orbe Soto, Head of the Office; Ramón Vélez Muñoz, Chief Engineer.

Address: Rodríguez Objío No. 25 Ciudad Trujillo, República Dominicana.

Agents: Lamborn & Co., 99 Wall Street, New York 5, N. Y., U. S. A.

Cable Address: LAMBORN, New York.

### II. INGENIO ANGELINA

Owner: Compañía Anónima de Inversiones Inmobiliarias, of Ciudad Trujillo.

This mill is located in the Province of San Pedro de Macorís, in the eastern part of the Republic.

Port: San Pedro de Macorís. Production of commercial sugars in the 1955 crop: 17,245.55 metric tons, equivalent to 19,009.77 short tons.

Executive Personnel: Engineer Juan B. Vicini Cabral, President; Manuel Rodríguez F., Vicepresident; Lic. J. M. Cabral Bermúdez, Secretary-Treasurer.

Administrative Personnel: José Antonio González Martínez, Acting Manager; Giovanni Guaschine, Mechanical Engineer; Raymundo Costanzo, Electrical Engineer, Julio César García P., Auditor.

Address: Isabel la Católica No. 48, Ciudad Trujillo, República Dominicana.

Agents: Porcella, Vicini & Co., Inc., 59-61 Pearl St., New York 4, N. Y., U. S. A.

Cable address: Viciniper, Ciudad Trujillo.

Cable address: Porcella, New York. Tel. Whitehall 4-(2630-2631).

### III. INGENIO BARAHONA

Owner: Ingenio Barahona, C. por A., of Barahona.

Located in the Province of Barahona, in the southern part of the Republic  
Port: Barahona. Production of commercial sugars in the 1955 crop: 70,314.70 metric tons, equivalent to 77,507.89 short tons.



General Administration: E. I. Kilbourne, President; Buenaventura Báez Soler, Assistant to the President; W. G. Woodside, Jr., Vicepresident and General Manager; Víctor Cortina, Assistant to the General Manager and Civil Engineer; D. H. Astwood, Comptroller.

Home Office: West Indies Sugar Corporation.

Address: 60 E. 42nd Street, New York 17, N. Y., U. S. A.

Agents: Cuban Dominican Sales Corporation.

Address: (the same).

Cable address: CUDOMSALE, New York.

#### IV. INGENIO BOCA CHICA

Owner: Compañía Azucarera Boca Chica, of Andrés, D. S. D.

This mill is located in the District of Santo Domingo. Port: Andrés. Production of commercial sugars in the 1955 crop: 32,108.83 metric tons, equivalent to 35,393.56 short tons.

General Administration: E. I. Kilbourne, President; Buenaventura Báez Soler, Assistant to the President; W. G. Woodside, Jr., Vicepresident and General Manager; Víctor Cortina, Assistant to the General Manager and Civil Engineer; D. H. Astwood, Comptroller.

Officials: L. M. Trainer, Division Manager; C. K. McLelland, Manager of the mill; O. O. Gutekunst, General Field Superintendent and assistant to the Manager of the mill; Juan Nurse, Chief Engineer.

Home Office: West Indies Sugar Corporation.

Address: 60 E. 42nd St., New York 17, N. Y., U. S. A.

Agents: Cuban Dominican Sales Corporation.

Address: (the same).

Cable address: CUDOMSALE, New York.

#### V. INGENIO CAEI

Owner: Compañía Anónima de Explotaciones Industriales, of Ciudad Trujillo.

This mill is located in the Province Trujillo. Port: Palenque. Production of commercial sugars in the 1955 crop: 23,186.30 metric tons, equivalent to 25,558.26 short tons.

Executive Personnel: Engineer J. B. Vicini Cabral, President; Manuel Rodríguez F., Vice President; Lic. J. M. Cabral Bermúdez, Secretary-Treasurer.

Administrative Personnel: Fabio Martich, Manager; Pedro L. Santana Co., Assistant Manager; Fausto M. Donastorg, Mechanical and Electrical Engineer; Ramón E. Pereyra C., Auditor.

Address: Isabel la Católica N° 48, Ciudad Trujillo, República Dominicana.

Agents: Porcella, Vicini & Co. Inc., 59-61 Pearl St., New York 4, N.Y., U. S. A.

Cable address: Vicini, Ciudad Trujillo.

Cable address: Porcella, New York. Tel. Whitehall 4-(2630-2631).

#### VI. INGENIO CATAREY

Owner: Azucarera Nacional, C. por A. of Ciudad Trujillo.

This mill is located in the Province Trujillo, in the central part of the Republic. Port: Haina. Production of commercial sugars in the 1955 crop: 11,211.80 metric tons, equivalent to 12,358.77 short tons.

General Administration: José Antonio Jiménez Alvarez, President-Treasurer and General Manager; Otilio Irizarri Melo, Assistant General Manager; Juan Andrés Guerrero D., General Auditor.

Officials: Guillermo Piña, Head of the Office; Antonio Smaine Herpin, Chief Engineer.

Address: Rodríguez Objío No. 25, Ciudad Trujillo, República Dominicana.

Agents: Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y., U. S. A.

Cable address: Lamborn, New York.

#### VII. INGENIO CRISTOBAL COLON

Owner: Cristóbal Colón, C. por A. of Ciudad Trujillo.

This mill is located in the Province of San Pedro de Macoris, in the eastern part of the Republic. Port: San Pedro de Macoris. Production of commercial sugars in the 1955 crop: 18,056.59 metric tons, equivalent to 19,903.78 short tons.

Executive Personnel: Engineer J. B. Vicini Cabral, President; Manuel Rodríguez F., Vicepresident; Lic. J. M. Cabral Bermúdez, Secretary-Treasurer.

Administrative Personnel: Olimpio Schery, Manager; Pedro Min, Mechanical Engineer; Ismael Ducor, Electrical Engineer; Antonio Pol M., Auditor.

Address: Isabel la Católica No. 48, Ciudad Trujillo, República Dominicana.

Agents: Porcella, Vicini & Co., Inc., 59-61 Pearl St., New York 4, N. Y., U. S. A.

Cable address: Crisolón, Ciudad Trujillo.

Cable address: Porcella, New York. Tel. Whitehall 4-(2630-2631).

#### VIII. INGENIO CONSUELO

Owner: Compañía Azucarera Dominicana, C. por A. of Ingenio Consuelo, San Pedro de Macorís.

Located in the Province of San Pedro de Macorís, in the eastern part of the Republic. Port: San Pedro de Macorís. Production of commercial sugars in the 1955 crop: 68,201.94 metric tons equivalent to 75,179 short tons.

General Administration: E. I. Kilbourne, President; Buenaventura Báez Soler, Assistant to the President; W. G. Woodside, Jr., Vice President and General Manager; Víctor Cortina, Assistant to the General Manager and Civil Engineer; D. H. Astwood, Comptroller.

Officials: L. M. Trainer, Division Manager; J. Jongama, Manager of the mill; H. Erkelens, Chief Engineer.

Home Office: West Indies Sugar Corporation.

Address: 60 E. 42d Street, New York 17, N. Y., U. S. A.

Agents: Cuban Dominican Sales Corporation.

Address: (the same).

Cable address: CUDOMSALE, New York.

#### IX. INGENIO MONTE LLANO

Owner: Azucarera Nacional, C. por A., of Ciudad Trujillo.

This mill is located in the Province of Puerto Plata, in the northern coast of the Republic. Port: Puerto Plata. Production of commercial sugars in the 1955 crop: 9,984.81 metric tons, equivalent to 11,006.26 short tons.

General Administration: José Antonio Jiménez Alvarez, President-Treasurer and General Manager; Otilio Irizarri Melo, Assistant General Manager; Juan Andrés Guerrero D., General Auditor.

Officials: Orbe Soto, Head of the Office; Ramón Vélez Núñez, Chief Engineer.

Address: Rodríguez Objío No. 25, Ciudad Trujillo, República Dominicana.

Agents: Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y., U. S. A.

Cable address: Lamborn, New York.

#### X. INGENIO OZAMA

Owner: Azucarera Nacional C. por A., of Ciudad Trujillo.

This mill is located in Ciudad Trujillo, District of Santo Domingo. Port: Ciudad Trujillo. Production of commercial sugars in the 1955 crop: 27,049.35 metric tons, equivalent to 29,816.50 short tons.

General Administration: José Antonio Jiménez Alvarez, President-Treasurer and General Manager; Otilio Irizarri Melo, Assistant General Manager; Juan Andrés Guerrero D., General Auditor.

Officials: Julio César Gross, Head of the Office; Julio Jiménez Calzada, Chief Engineer.

Address: Rodríguez Objío No. 25, Ciudad Trujillo, República Dominicana.

Agents: Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y., U. S. A.

Cable address: Lamborn, New York.

#### XI. INGENIO PORVENIR

Owner: Azucarera Nacional, C. por A., of Ciudad Trujillo.

This mill is located in the Province of San Pedro de Macorís, in the eastern part of the Republic. Port: San Pedro de Macorís. Production of commercial sugars in the 1955 crop: 4,795.84 metric tons, equivalent to 5,286.45 short tons.

General Administration: José Antonio Jiménez Alvarez, President-Treasurer and General Manager; Otilio Irizarri Melo, Assistant General Manager; Juan Andrés Guerrero D., General Auditor.

**Officials:** Julián Antún H., Head of the Office; Eduardo Cristóforis, Chief Engineer.

**Address:** Rodríguez Objío No. 25, Ciudad Trujillo, República Dominicana.

**Agents:** Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y., U. S. A.

**Cable address:** Lamborn, New York.

#### XII. INGENIO QUISQUEYA

**Owner:** Compañía Azucarera Dominicana, C. por A., of Ingenio Consuelo, San Pedro de Macorís.

This mill is located in the Province of San Pedro de Macorís, in the eastern part of the Republic. **Port:** San Pedro de Macorís. Production of commercial sugars in the 1955 crop: 23,998.40 metric tons, equivalent to 26,453.44 short tons.

**General Administration:** E. I. Kilbourne, President; Buenaventura Báez Soler, Assistant to the President; W. G. Woodside Jr., Vicepresident and General Manager; Victor Cortina, Assistant to the General Manager and Civil Engineer; D. H. Astwood, Comptroller.

**Officials:** L. M. Trainer, Division Manager; Porfirio Brito, Manager of the mill; Luis García, Chief Engineer.

**Home Office:** West Indies Sugar Corporation.

**Address:** 60 E. 42nd Street, New York 17, N. Y., U. S. A.

**Agents:** Cuban Dominican Sales Corporation.

**Address:** (the same).

**Cable address:** CUDOMSALE, New York.

#### XIII. CENTRAL RIO HAINA

**Owner:** Azucarera Haina, C. por A., of Haina.

This mill is located in San Cristóbal, Province Trujillo, near the Capital of the Republic. **Port:** Haina. Production of commercial sugars in the 1955 crop: 108,393.67 metric tons, equivalent to 119,482.34 short tons.

**Principal Officials:** José Antonio Jiménez Alvarez, General Manager; José Arzeno H., Manager; Carlos Ortiz, Factory and Railroad Manager; F. Aybar Castillo, Auditor; Félix Salazar, Field Manager.

**Address:** Haina, República Dominicana.

**Agents:** Lamborn & Co., Inc., 99 Wall Street, New York 5, N. Y., U. S. A.

**Cable address:** RIO HAINA, Ciudad Trujillo.

**Cable address:** Lamborn, New York.

#### XIV. CENTRAL ROMANA

**Owner:** Central Romana Corporation, of La Romana.

This mill is located in La Romana, Province Altagracia, in the eastern part of the Republic. **Port:** La Romana. Production of commercial sugars in the 1955 crop: 138,954.09 metric tons, equivalent to 153,169.09 short tons.

**Principal Officials:** William T. Hennessy, President of the Executive Board; G. Douglas Debevoise, President; Luis E. Osorio and S. Spaeth, Vicepresidents; F. N. Schall, Vicepresident and Secretary; J. W. Clawson, Treasurer; Edward G. Koch, Vicepresident and General Manager; B. V. Marionneaux, General Manager; H. F. McKeever, Assistant Vicepresident and Industrial Engineer; R. F. Schwartz, Comptroller; Luis E. Rivera, Auditor.

**Home Office:** South Porto Rico Sugar Company, 99 Wall St., New York 5, N. Y., U. S. A.

**Agents:** South Porto Rico Sugar Company Trading Corporation.

**Address:** (the same).

**Cable address:** GUANCENT, New York.

#### XV. INGENIO SANTA FE

**Owner:** Ingenio Santa Fé, Inc., of San Pedro de Macorís.

This mill is located in the Province of San Pedro de Macorís, in the eastern part of the Republic. **Port:** San Pedro de Macorís. Production of commercial sugars in the 1955 crop: 54,492.49 metric tons, equivalent to 60,067.07 short tons.

**Principal Officials:** William T. Hennessy, President of the Executive Board; G. Douglas Debevoise, President; Luis E. Osorio, Vice President; E. C. Spaeth, Vice President; F. M. Schall, Vice President and Secretary; J. W. Clawson, Treasurer; Edward G. Koch, Vice President and General Manager; C. C. English,

Manager; H. F. McKeever, Assistant Vice President and Industrial Engineer;  
R. F. Schwartz, Comptroller; Luis E Rivera, Auditor.

Home Office: South Porto Rico Sugar Company, 99 Wall St., New York 5,  
N. Y., U. S. A.

Agents: South Porto Rico Sugar Company Trading Corporation.

Address: (the same).

Cable address: GUANCENT, New York.

(Whereupon, at 6:10 p. m., the committee adjourned.)

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