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SUGAR BEETS AND SUGARCANE AS BASIC AGRICULTURAL COMMODITIES

APRIL 17, 1934.—Ordered to be printed

Mr. COSTIGAN, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 8861]

The Committee on Finance, to whom was referred the bill (H.R. 8861) to include sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act, and for other purposes, having considered the same, report thereon with amendments, and as so amended recommend that the bill do pass.

GENERAL STATEMENT

This bill has as its primary object the stabilization of the sugar industry to prevent a threatened collapse of prices which would bring distress to some 80,000 farmers engaged in sugar production in continental United States. Unless corrective measures are adopted, as proposed in this bill, the returns to beet and cane growers will probably continue to be insufficient to furnish them an adequate return for their efforts.

This bill follows substantially the President's message of February 8, 1934. The program contained therein recognizes a duty to stabilize the price and production of sugar for the benefit of the continental producers and the industry of the insular possessions and at the same time to maintain a fair price for sugar to the consumer.

The benefits to be derived from this bill are not limited to a small group. If enacted into law, it will indeed contribute to the general welfare of the United States as a whole. The increased purchasing power which this bill will bring to domestic producers of sugar cane and sugar beets, the returns to whom will probably amount to some \$80,000,000 as against possible returns of \$50,000,000, in the absence of legislation, will enable these producers to purchase manufactured

goods and thus help keep our factories running and our factory labor employed.

Cuba offers a market for substantial quantities of American manufactured goods and agricultural products.

The Territory of Hawaii and the island of Puerto Rico purchase more than two thirds of their requirements in continental United States. Since producers are assured of a fair return for their sugar cane, it is obvious that this increased purchasing power will benefit American agriculture and American labor generally. So analyzed, it can truly be said that this bill is for the general welfare of the United States.

At the same time, it is recognized that the consumer need not and should not bear the processing tax. The consumer has accordingly been protected by the provision that the rate of the processing tax shall not be in excess of the amount of the reduction of the tariff on sugar under paragraph 501 of the Tariff Act of 1930, as it existed on January 1, 1934.

Restated, the program for sugar as proposed in this bill has the following four principal objectives:

(1) To insure stability to the domestic producers of sugar beets and sugarcane, by giving them a virtual guarantee of fair exchange or parity returns on a level of production representing more continental sugar than has ever been successfully sold in a single year.

(2) To assure greater stability to the sugar industry through the provision of adequate quotas for the territories, the insular possessions, and other sugar-producing areas, but preventing the impact of over-production from so depressing the market as to decrease returns to domestic producers.

(3) To maintain the purchasing power of Puerto Rico, the Territory of Hawaii, the Virgin Islands, and other sugar-producing areas which trade with us, and thus maintain a market for products of American farm land and American factories.

(4) To protect the consumers against price advances resulting from the processing tax.

EXPLANATION OF SUBSTANTIVE AMENDMENTS

Section 2, paragraph (6)(A): This amendment is a restatement, in clearer language, of the definition of the term "first domestic processing." The processing tax attaches upon the production of "direct-consumption sugar," whether this product is produced in one continuous process or as a result of successive processes. Accordingly, if one person produces a product from sugarcane or sugar beets, and another person produces from this product a direct-consumption sugar, the latter person is liable for the processing tax.

Section 2, paragraph (6): The definition of "processor", formerly paragraph (B), has been stricken out. This definition is unnecessary in view of the restatement of the preceding definition.

Section 2, paragraph (6)(B): This amendment simplifies the definition of "sugar," but does not change its substance.

Section 2, paragraphs (6) (E) and (F): These amendments are identical and are for the purpose of making certain that no "sugar" will escape a quota or tax, on the grounds that the final act in the

producing of the "direct-consumption sugar" was not part of the refining process, or did not in fact improve the "sugar" in quality.

Section 2, paragraph (6) (G): This amendment clarifies the definition of "raw value" and fixes a definite measure to be used in determining quotas and the amount of tax. As sucrose is measured by polariscopic test, whereas invert sugars are measured by total sugar content, and as there can be an infinite number of such sugars and sugar mixtures, differing in degrees of sucrose or as to sugar content, it would be impracticable to fix the rate of tax on each product of sugar beets or sugarcane, or to write into the bill a table for use in determining the part of a quota to which each such product relates. It seems far more practicable to fix a unit of measure and to leave to the Secretary of Agriculture the matter of establishing a table which will translate the sucrose and/or invert sugar into terms of the unit of measure, and this has been done.

Section 3: This amendment rewrites subsection (b) of section 9 of the Agricultural Adjustment Act. The amendment contains only two substantial changes. First, if the tax at the full rate, on the processing of a commodity for a particular use or uses, will cause an accumulation of surplus stocks of the commodity, or depression in the farm price thereof, upon investigation, after due notice and opportunity for hearing, the Secretary of Agriculture may reduce the rate of the processing tax upon the processing of the commodity, for such use or uses, or as to any designated product or products of the commodity. Second, the amendment makes clear that the rate of tax cannot be in excess of the reduction of the rate of duty on a pound of sugar raw value, in effect on January 1, 1934, under paragraph 501 of the Tariff Act of 1930, as adjusted to the treaty of commercial reciprocity between the United States and Cuba. In other words, the rate of tax, if the maximum rate of tax is imposed, will be less than it would be, if the maximum rate were to be determined by the amount of the reduction in the rate of duty on "full duty" sugars.

Section 4, paragraphs 8a (1) (A) (i) and (ii): This amendment (1) extends the provisions of paragraph 8a (1) (A) (i) to the processing of sugar in any area to which the act applies, for consumption in continental United States, and (2) by the addition of paragraph 8a (1) (A) (ii) makes separate provision for the Territory of Hawaii and Puerto Rico, so that they do not come under the provisions relating to foreign countries, in accordance with their respective requests. In addition, the Secretary of Agriculture is authorized to designate the Governor General of the Philippine Islands to act in his name, in connection with the allotting of the quota and any readjusting of such allotments in that area.

Section 4, paragraph 8a (1) (C): This amendment provides that the Secretary of Agriculture may not, under paragraph (C) of subsection (1) of section 8a, fix a quota for the States of Louisiana and Florida below that provided in paragraph (B) of subsection (1) of section 8a.

Section 4, paragraph 8a (1) (D): This amendment provides that a separate quota may be established for sirups and sugar mixtures, as well as for edible molasses and for sirup of cane juice produced in continental United States, and that this quota may be part of, or in addition to, the quotas established pursuant to paragraphs (A) to (C), inclusive, of subsection (1) of section 8a.

Section 4, paragraph 8a (2) (B): This amendment is in part a restatement of the language for which it is substituted, omitting because unnecessary the provision with respect to the proration of consumption requirements in excess of those determined for the year next preceding. In addition, it is provided that continental United States will have allotted not less than 30 percent of consumption requirements for continental United States in excess of 6,452,000 short tons of sugar raw value.

Section 4, paragraph 8a (2) (C): The new language is a restatement of the language for which it is substituted, omitting because unnecessary the provision with respect to the proration of consumption requirements found to be less than those determined for the year next preceding.

Section 4, subsection 8a (3): This amendment strikes out the word "eliminate" in connection with the provisions as to child labor and substitutes therefor the words "limit or regulate", and strikes out the provision which permits agreements to contain provisions fixing minimum wages.

Section 4, subsection 8a (4): This amendment reduces the fine for violation of the Secretary's regulations from \$1,000 to \$100, and strikes out the provision with respect to imprisonment.

Section 4, subsection 8a (5): This amendment strikes out the provision authorizing the appropriation for the purposes of the Agricultural Adjustment Act of amounts recovered as forfeitures.

Section 4, subsection 8a (6): This amendment clarifies the jurisdictional powers of the district courts, as they now exist under the act, to enforce the provisions (as well as to prevent and restrain their violation) of this section and of any order, regulation, agreement, or license, in any proceedings now pending or hereafter brought in the district courts.

Section 7, subsection (b): This amendment is required because of the fact that, in the case of sugar beets and sugarcane, the processing tax applies only on the production of "direct-consumption sugar" as defined, whereas section 15 (e) of the Agricultural Adjustment Act imposes a compensating tax on all products of a commodity subject to the processing tax. This amendment prevents the imposition of two taxes on products of the same cane, a compensating tax on the raw sugar, and a processing tax on the production therefrom of direct-consumption sugar. Such taxation would not be in accordance with the declared policy of protecting the consumer's interest.

Section 12: In the main this is merely a clarifying amendment and a restatement of the provisions of the House bill. In addition, however, the consignor named in the bill of lading under which the product is exported is permitted to claim the refund. Finally, it is provided that, in the case of sugar beets and sugarcane, subsection (a) of section 17 of the Agricultural Adjustment Act is to apply to the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, and/or the island of Guam, only if title 2 of the Agricultural Adjustment Act is not made applicable thereto.