TARIFF ACT OF 1929

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 2667

AN ACT TO PROVIDE REVENUE, TO REGULATE COMMERCE WITH FOREIGN COUNTRIES, TO ENCOURAGE THE INDUSTRIES OF THE UNITED STATES, TO PROTECT AMERICAN LABOR, AND FOR OTHER PURPOSES

VOLUME V

SCHEDULE 5

SUGAR, MOLASSES, AND MANUFACTURES OF

JUNE 26, 27, and 28, 1929

(With Supplement)

INDEXED

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COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FIRST CONGRESS, FIRST SESSION

REED SMOOT, Utah, *Chairman*

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SUBCOMMITTEE OF THE COMMITTEE ON FINANCE

SCHEDULE 5—SUGAR, MOLASSES, AND MANUFACTURES OF

REED SMOOT, Utah, *Chairman*

JAMES E. WATSON, Indiana.
SAMUEL M. SHORTRIDGE, California.

PAT HARRISON, Mississippi.
TOM CONNALLY, Texas.

FOREWORD

Under authority of Senate Resolution 335, Seventieth Congress, second session, the United States Senate Finance Committee, for the purpose of investigating the effects of the operation of the tariff act of 1922 and the proposed readjustments as set out in House bill 2667, commenced general tariff hearings on June 13, 1929, pursuant to the following public notice authorized by the committee on June 7, 1929:

Dates of hearings and tariff subcommittees

Schedules	Date to commence	Subcommittees
		Subcommittee No. 1, room 212, Senate Office Building
1. Chemicals, oils, and paints.	June 14............	Smoot, chairman, Reed, Edge, King, and Barkley.
2. Earths, earthenware, and glassware.	June 19............	Edge, chairman, Smoot, Reed, King, and Barkley.
3. Metals and manufactures of.	June 26............	Reed, chairman, Smoot, Edge, King, and Barkley.
		Subcommittee No. 2, room 312 Senate Office Building
6. Tobacco and manufactures of.	June 13............	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
8. Spirits, wines, and other beverages.	June 14............	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
7. Agricultural products and provisions.	June 17............	Watson, chairman, Smoot, Shortridge, Harrison, and Connally.
5. Sugar, molasses, and manufactures of.	June 26............	Smoot, chairman, Watson, Shortridge, Harrison, and Connally.
		Subcommittee No. 3, room 301 Senate Office Building
9. Cotton manufactures......	June 14............	Bingham, chairman, Greene, Sackett, Simmons, and George.
10. Flax, hemp, jute, and manufactures of.	June 19............	Greene, chairman, Bingham, Sackett, Simmons, and George.
11. Wool and manufactures of.	June 24............	Bingham, chairman, Greene, Sackett, Simmons, and George.
12. Silk and silk goods........	July 1 (2 p.m.)....	Sackett, chairman, Greene, Bingham, Simmons, and George.
13. Rayon manufactures......	July 8............	Sackett, chairman. Greene, Bingham, Simmons, and George.
		Subcommittee No. 4, room 412 Senate Office Building
14. Papers and books..........	June 13............	Deneen, chairman, Couzens, Keyes, Walsh (Mass.), and Thomas (Okla.).
4. Wood and manufactures of.	June 17............	Couzens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.).
15. Sundries....................	June 25............	Keyes, chairman, Couzens, Deneen, Walsh (Mass.), and Thomas (Okla.).

NOTE.—Hearings on "Valuation" will be conducted before the full committee June 12. All meetings will commence at 9.30 a. m. unless otherwise noted. Hearings on free list, administrative and miscellaneous provisions will be conducted before full committee at the conclusion of the subcommittee hearings.

Stenographic reports were taken of all testimony presented to the committee. By direction of the committee all witnesses who appeared after the conclusion of the hearings on valuation were to be sworn.

The testimony presented, together with the briefs and other exhibits submitted, is grouped together as far as practical in the numerical order of the House bill, which has made necessary the abandoning of the sequence of the statements and the order of appearance.

In this consolidated volume, which includes briefs and data filed since the publication of the original print, the arrangement of the testimony has largely been preserved, while the new matter has been arranged by paragraphs in the supplement at the end. The index has necessarily been revised to include this new matter.

On August 7th a hearing was held before the full committee on Senator Smoot's proposed sliding scale, and this testimony has been incorporated in this revised volume at the conclusion of the other testimony.

ISAAC M. STEWART, *Clerk.*

TARIFF ACT OF 1929

SCHEDULE 5—SUGAR, MOLASSES, AND MANUFACTURES OF

WEDNESDAY, JUNE 26, 1929

United States Senate,
Subcommittee of the Committee on Finance,
Washington, D. C.

The subcommittee met at 9.30 o'clock a. m., in room 312, Senate Office Building, Senator Reed Smoot presiding.

Senator Smoot. The subcommittee will come to order. We will begin the hearings on Schedule 5 this morning.

GENERAL STATEMENTS

STATEMENT OF W. R. OGG, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator Smoot. You are here to speak for Mr. Chester A. Gray?

Mr. Ogg. Yes, sir. I am assistant Washington representative of the American Farm Bureau Federation. I may say by way of explanation that Mr. Gray was scheduled to appear here, but on account of some engagements he was forced to leave town yesterday afternoon and he authorized me to present the views of the Farm Bureau concerning Schedule 5.

If it please the committee, we are interested in several different paragraphs of this schedule, and we would like to present the views in regard to all of those at this time, if it is agreeable to the committee.

Senator Smoot. You may proceed.

Mr. Ogg. The Farm Bureau has advocated as one of its principles in the tariff readjustment that the tariff be used in so far as may be practicable to promote the transfer of acreage from crops of which we produce a surplus to crops of which we produce less than our domestic requirements. The sugar schedule affords a fine opportunity to promote this principle.

The imports of sugar from all sources in the United States during the period 1923–1924 to 1927–1928, including all of our insular possessions, was over 5,000,000 tons. Based on an average yield of beet sugar of 1.4 short tons per acre, that is sufficient to displace more than 3,000,000 acres of sugar beets. In other words, to supply that amount of imports it will require over 3,000,000 acres to produce that amount of beet sugar. If we distribute between the beet-sugar industry and the cane-sugar industry in proportion to their present production, the imports of sugar it would require a domestic acreage of more than 4,000,000 acres. So I say that here is an opportunity to promote the transfer of acreage from the surplus crops which have been causing us so much difficulty to crops of which we do not produce enough to supply our domestic requirements.

In regard to sugar, the American Farm Bureau Federation has requested a basic rate of 3 cents per pound on Cuban sugar and 3.75 against the world on 95° sugar.

Senator HARRISON. Is that the rate carried in the House bill?

Mr. OGG. No, sir.

Senator HARRISON. You want a higher rate than in the House bill?

Mr. OGG. Well, those are the rates which we recommended to the Ways and Means Committee. We are not complaining or criticizing the committee for not giving us the rate which we asked for, but after consideration we still feel that a higher rate than the rate carried in the House bill should be given and these are the rates which we recommend. And that on all sugar testing above 95° the rate be stepped up at a rate of 0.15 for each additional degree of sugar and for sugar testing below 95° that the rate be stepped down by 0.07.

Senator HARRISON. Has the American Farm Bureau ever taken the position they wanted an increase in sugar rates before?

Mr. OGG. I believe that they advocated an adequate rate on sugar in the Fordney-McCumber Act, although I was not connected with the Farm Bureau at that time.

Senator HARRISON. Do you really think this expresses the views of all the membership, practically speaking, of the American Farm Bureau throughout the United States?

Mr. OGG. I feel that it does.

Senator HARRISON. What method did you pursue to ascertain their feeling with reference to this matter?

Mr. OGG. In the first place, the matter of tariff was very carefully considered at the annual convention of the American Farm Bureau Federation in Chicago last December, on December 4, 5, and 6, I think it was, by the resolution committee first and, later, on the floor of the convention. A very comprehensive resolution setting forth the general tariff policy of the organization was approved by the convention.

Senator HARRISON. Did you specify rates?

Mr. OGG. No rates whatever were specified, only the principles governing the policy of the Farm Bureau were specified in that resolution, because we have all kinds of farmers in our organization, and if we specified rates it would make a very long list.

Senator HARRISON. Was that resolution with reference to what you stand for in connection with increased rates on sugar submitted to the various farm units throughout the country that belong to your organization and did it receive their approval?

Mr. OGG. I will answer that in this way. It was not referred later by referendum because the machinery in our organization does not function that way ordinarily.

Our plan of handling those resolutions is this, briefly: The county farm bureaus send delegates to the Farm Bureau convention of the State authorized to represent the county farm bureaus. The State Farm Bureau adopts its policy for its State affairs and sometimes adopts resolutions in regard to national matters. Then each State farm bureau in turn elects delegates to the national convention and they are authorized to represent the State farm bureau in the convention in determining the policies of the national organization. So that by the time the national convention comes around usually all matters of national interest in connection with Farm Bureau matters have had consideration and these delegates representing the various States have a matured idea as to what their people desire.

Senator HARRISON. Can you tell the committee how many States in their convention and in appointing their delegates to the national convention have adopted a resolution instructing their delegates to stand for this increase on sugar?

Mr. OGG. I could not give you that definitely, Senator, but I will be glad to see what I can find out about it and place it in the record, if that would answer your question.

Senator HARRISON. I would like to see it.

Senator SMOOT. I would like to have it go in at this point.

Mr. OGG. I will endeavor to obtain it and insert it in the record.

(The following resolutions were subsequently submitted by Mr. Ogg:)

Resolution adopted by the California Farm Bureau Federation, annual convention, November 12-14, 1928:

"*Be it resolved*, That the situation regarding entry of sugar be brought to the attention of our Congressmen and that we respectfully recommend they use their best efforts to place a limit on the free entry of Philippine and Porto Rican sugars into this country to a point that will afford reasonable protection to the United States sugar industry and that the prevailing duty against Cuba be increased directly or by removing the preferential duty now obtaining in favor of that country."

Resolution adopted by the Utah State Farm Bureau Federation, annual convention, January 27, 1928:

"We indorse the program of the American Farm Bureau Federation for the coming year and stand ready as a State farm bureau to cooperate in putting over this natilonal program."

Resolution adopted by the New York State Farm Bureau Federation, annual ocnvention, November 8-9, 1928:

"We commend the New York State and American Farm Bureau Federations on their work during the past year and pledge our hearty support as county organizations to the officers of both of these organizations in the carrying out of the program for 1929.

"Prominent features of that program should be a continuation of the effort to make the tariff applicable to surplus farm crops as well as to revise upward the rates of duty on farm crops which are forced to meet competition from imported farm commodities."

Resolutions adopted by the Ohio State Farm Bureau Federation, annual convention, February 4, 1929:

"We indorse the resolutions passed by the American Farm Bureau Federation at its last annual session. * * *

"We favor the proper adjustment and revision of tariff schedules so as to provide adequate protection for American agriculture and industry that will maintain the American standards of living.

"We favor increase in tariff rates upon all imported agricultural commodities that come into competition with American products either directly or indirectly.

"We favor more power to the Tariff Commission as to change in rates and power to act when the necessity arises."

Resolution adopted by Washington State Farm Bureau Federation, annual meeting, January 17 and 18, 1929:

"We whole-heartedly indorse the agricultural policy of the American Farm Bureau Federation for control of agricultural surpluses and commend the national board for their stand to the effect that surplus control legislation and agricultural tariffs are companion measures exerting a long-time and permanent influence and can not be treated merely as emergency measures."

Resolution adopted by the Wyoming State Farm Bureau Federation, annual convention, January 12, 1929:

"That we indorse the resolutions adopted by American Farm Bureau Federation at its annual meeting in Chicago in December, 1928, and instruct the secretary to communicate same to the American Farm Bureau Federation. * * *

"That we indorse in particular the resolutions on the subject of tariff adopted by American Farm Bureau Federation. Rates of duty on foreign-grown farm commodities which seek markets in our country must be adequate to permit our farmers to enjoy that profit which guarantees the American standard of living. Various commodities which are directly competitive with our domestic farm crops should carry high rates of duty. The rates of duty should be based on the value of farm crops to the American producers thereof and should be of such nature that as the value increases the rate of duty automatically will increase.

"That we place emphasis on the following commodities, namely:

"(*a*) We strongly urge that the tariff on fresh meat imported into the United States be raised to a flat rate of 8 cents per pound and that a duty of 6 cents per pound on green hides and 15 cents per pound on dry hides be placed on all imported hides, and feel that only by this duty can the industry be kept on a sound basis.

"(*b*) We strongly urge that a limit be placed on the free entry of sugar from the Philippines and Porto Rico to a point which will guarantee reasonable protection to the United States sugar industry; and that the tariff rate against all foreign sugar be increased so as to give adequate protection to this great American enterprise."

Resolution adopted by the New Jersey State Farm Bureau Federation, annual convention, January 15, 1929:

"An increase in tariff rates: Whereas the importation of farm products from foreign countries is seriously impairing the market for New Jersey products, resulting in prices that are below the cost of production; and

"Whereas this serious situation is driving our farmers out of business and greatly impairing the investment in land, buildings, and equipment: Therefore be it

"*Resolved*, That the New Jersey Federation of County Boards of Agriculture petition Congress for an upward revision of the tariff to the point where it will equalize the New Jersey cost of production; and be it

"*Resolved*, That the New Jersey Farm Bureau favor the calling of a special session of Congress in the spring of 1929 to consider tariff matters."

Resolutions adopted by the Nebraska State Farm Bureau Federation, annual convention, January 7 and 8, 1929:

"We indorse and approve the program of the American Farm Bureau Federation especially as set forth in the following resolutions passed by the last annual meeting of the American Federation. * * *

"We indorse the tariff program of the National Farm Bureau.

"Tariff: The crisis which has existed in England the past 10 years, since the corn laws were repealed, has caused the farmers of that country to strive against insurmountable odds. Tariffs are international issues and have for farmers in the United States constantly increasing world-wide significance. International loans by a creditor nation, such as ours has come to be, contained no promise of benefit to agriculture. If our money is marketed abroad, the unavoidable conclusion must be that repayment will be made largely by the importation into our nation of agricultural commodities.

"Our home market is always our best market, both for agriculture and industry, whether the commodity marketed is money for the products of the factory and the farm. This market must be held inviolate for the benefit of our citizens.

"Rates of duty on foreign-grown farm commodities which seek markets in our country must be adequate to permit our farmers to enjoy that profit which guarantees the American standard of living. Various commodities which are directly or indirectly competitive with our domestic farm crops should carry high rates of duty. The rates of duty should be based on the value of farm crops to the American producers thereof, and should be of such nature that as the value increases the rate of duty automatically will increase.

"It is indispensably necessary that flexibility be provided in tariff rates no matter how accurately such rates may be estimated in the writing of a tariff act. Economic conditions change, which require an elasticity which will permit corresponding exchanges in the rates of duty. There must be continuously in the Federal Government a tariff commission under the administration of which this elasticity can be secured. This commission should be nonpartisan and the members thereof should be appointed for such a term of years as will give continuity in the carrying out of the policies of tariff laws and will secure eventually scientific and economic revision of tariff rates, rather than revision of a political nature which has been up to the present time too much in evidence."

Resolutions adopted by the Maryland State Farm Bureau Federation, annual convention, January 9–11:

"We commend the Maryland and American Farm Bureau Federations in their work during the past year and pledge during the coming year our whole-hearted support in assisting the officers in carrying out the program of the two organizations. * * *.

"Tariff: Tariffs are international issues and have for farmers in the United States constantly increasing world-wide significance. Our home market is always our best market. We believe that tariff should be equitable in protecting agriculture in the same proportion as it protects manufacturers and industry. We urge a scientific and economic revision of the tariff rates by a nonpartisan tariff commission as early as practicable."

Due to the fact that we do not have available in our offices in Washington copies of all of the resolutions adopted by all of the State farm bureaus in their annual conventions, there may be other resolutions from other States besides those mentioned above which refer to the tariff policy of the national organization. In the short time available to secure this information for the record it has not been practicable to secure a complete file of all of the State farm bureau resolutions throughout the country during the past year.

Senator HARRISON. Is it your opinion and information that the farmers not engaged in the growing of sugar beets or sugar cane want this increased burden placed upon them?

Mr. OGG. I do not believe that the farmers in our organization are objecting. We have had no evidence so far that they are. We asked the same rates before the Ways and Means Committee, and we have received no protest from our people against these rates. I may add, in further explanation of how this was worked out, the matter of tariff was also considered subsequent to the annual convention by the board of directors at their quarterly meeting, and the legislative committee of the American Farm Bureau was called here to Washington, and they went over it very carefully. The matter of rates as well as the matter of policy was very thoroughly gone into.

The farmers in our organization, so far as we have any means of knowing, are willing and desire that the sugar producers should have adequate protection, because the dairy farmers in our group are asking for protection on the products which they produce, and the livestock producers in our organization are asking for protection on the products which they produce; likewise the vegetable growers in our organization. They all come down to the point of view—I should not say all, but the policy of the organization is that we are all consumers and we are all producers, and that each producing group is entitled to adequate protection on the products which it produces.

Senator HARRISON. If I understand you, then, Mr. Ogg, the groups within your organization that raise various products all want higher protection on their particular products and have just gotten together and have said, "I will fight for you and you fight for us, and we will combine our special influence."

Mr. Ogg. I don't know that they have put it into that exact form, but I think their general attitude is that each farmer or each producer of each particular commodity is entitled to adequate protection, and it is not consistent for one group of farmers to ask for protective rates upon what they produce and then turn around and oppose their brother farmer who is trying to get adequate protection on what he produces just because the first man does not produce that commodity.

Senator Harrison. That is why some of the groups are laying low with respect to their position with regard to the increase on sugar?

Senator Shortridge. That is an assumption, Senator, a pure assumption.

Mr. Ogg. I would not put it that way. But they are not objecting, so far as I know.

Senator Shortridge. The views of the federation were made known to the House committee, were they not?

Mr. Ogg. Yes, sir.

Senator Shortridge. The views of the association were made known to the general membership?

Mr. Ogg. It was, in several different ways.

Senator Shortridge. Have you received any protests from any group within your organization against the rates asked on sugar?

Mr. Ogg. So far as I know, we have not received a single protest from anyone in our organization.

Senator Connally. Are there any cooperative associations of sugar producers belonging to the Farm Bureau?

Mr. Ogg. Yes; there are a number that are affiliated, I believe. In Nebraska, I believe, there is a cooperative beet-sugar organization affiliated with the Nebraska Farm Bureau.

Senator Connally. Is that all?

Mr. Ogg. There are no doubt others.

Senator Connally. Why do you say there are no doubt others if you don't know?

Mr. Ogg. I can not say offhand. I would be glad to get the information.

Senator Connally. So far as you know, then, there is only one cooperative association affiliated with your organization which is in the sugar business?

Mr. Ogg. I will say this, that the Utah Farm Bureau Federation, which is in one of the most important beet-sugar States, is affiliated with our organization, and Mr. Bergeson came here and appeared before the Ways and Means Committee of the House urging the granting of that request; and Mr. Noon, of the Michigan Farm Bureau Federation, which is affiliated with our organization, also came here and appeared before the Ways and Means Committee of the House and requested the rates which we are asking.

Senator Harrison. Are they the only two?

Mr. Ogg. Those are the only two in our organization besides Mr. Gray, who appeared before the committee. But that does not mean that they are the only ones interested, I will say, because Mr. Gray, of course, spoke for the entire organization, just as he did on all of the other commodities on which he made recommendations.

Senator Harrison. Are there any people in your organization who are largely interested in any of these big sugar refineries?

Mr. OGG. No, sir; none that I know of. I have no knowledge of it.

Senator SMOOT. Is there anything else you desire to say?

Mr. OGG. If I might be permitted to just make two or three further statements with regard to sugar without going into any explanation, we also recommend that the imports from the Philippines and from Porto Rico bear the same rates of duty as imports from other countries, and that the Cuban preferential agreement, the treaty with Cuba, be abolished.

I believe our position has been stated very fully before the Ways and Means Committee of the House, and it is in our brief and in Mr. Gray's statement, and unless the committee desires, I will not go into that in detail.

Senator SMOOT. You would say the same as Mr. Gray said in respect of that matter when he appeared before the Agriculture Committee?

Mr. OGG. Yes, sir; I would.

Senator HARRISON. Were those views with respect to asking the importations from our possessions and changing this treaty with Cuba submitted to the various farm groups belonging to your organization in all of the States of the country?

Mr. OGG. That was submitted to the annual convention of the American Farm Bureau Federation, it was considered and it was incorporated as a part of their tariff resolution.

Senator CONNALLY. Would you mind getting us a copy of that resolution?

Mr. OGG. I would be very glad to have it placed in the record.

(Mr. Ogg subsequently submitted the following:)

EXTRACTS FROM RESOLUTIONS ADOPTED BY THE ANNUAL CONVENTION OF THE AMERICAN FARM BUREAU FEDERATION, CHICAGO, ILL., DECEMBER, 12, 1928

Tariff.—The crises of the last 10 years have brought all citizens to realize that agriculture in our Nation is facing conditions similar to those which existed in England when the corn laws were repealed, since which time farmers in that country have striven against insurmountable odds. Tariffs are international issues and have for farmers in the United States constantly increasing world-wide significance. International loans by a creditor nation such as ours has come to contain no promise of benefit to agriculture. If our money is marketed abroad, the unavoidable conclusion must be that repayment will be made largely by the importation into our Nation of agricultural commodities.

Our home market is always our best market, both for agriculture and industry whether the commodity marketed is money or the products of the factory and the farm. This market must be held inviolate for the benefit of our own citizens.

Rates of duty on foreign-grown farm commodities which seek markets in our country must be adequate to permit our farmers to enjoy that profit which guarantees the American standard of living. Various commodities which are directly or indirectly competitive with our domestic farm crops should carry high rates of duty. The rates of duty should be based on the value of farm crops to the American producers thereof and should be of such nature that as the value increases the rate of duty automatically will increase.

It is indispensably necessary that flexibility be provided in tariff rates no matter how accurately such rates may be estimated in the writing of a tariff act. Economic conditions change, which require an elasticity which will permit corresponding changes in the rates of duty. There must be continuously in the Federal Government a tariff commission under the administration of which this elasticity can be secured. This commission should be nonpartisan and the members thereof should be appointed for such a term of years as will give continuity in the carrying out of the policies of our tariff laws and will secure eventually scientific and economic revision of tariff rates rather than revision of a political nature which has been up to the present time too much in evidence.

The sugar industry.—We urge that the situation regarding entry of sugar into the United States be brought to the attention of Members of Congress without delay and we respectfully ask them to use their best efforts to place a limit on the free entry of sugar from the Philippines and Porto Rico to a point which will guarantee reasonable protection to the United States sugar industry; and that the tariff rate against all foreign sugar be increased so as to give adequate protection to this great American enterprise.

Senator CONNALLY. You are also for a tariff on blackstrap molasses, I suppose?

Mr. OGG. Yes.

Senator CONNALLY. Notwithstanding the fact that the farmers use it principally for feed?

Mr. OGG. I was just getting ready to discuss that, and if you do not mind, may I just defer that for a moment until I finish with sugar?

Senator CONNALLY. All right.

Mr. OGG. There has been some suggestion of applying a plan of a sliding scale as to the sugar tariff. We are opposed to applying that plan to sugar. We regard it as an experiment, and if we are going to try out an experiment of that kind we would rather have it tried out on some other products, such as steel or aluminum, for example, rather than on sugar.

Our position mainly is that the grower or the sugar producer under the present system in many of the contracts, I am informed, gets the benefit of the increases in price proportionately—that is, his contract provides for a sliding scale of rates to the grower proportionate to the increase in the price.

Senator HARRISON. Is that generally speaking?

Mr. OGG. I understand it is quite general throughout the West.

Senator HARRISON. And among the beet people?

Mr. OGG. Yes, sir.

Senator HARRISON. Following the tariff of 1922, did the beet grower get an increase for his beets?

Mr. OGG. I can not say off hand what the figures were, but I have been informed that some of the companies during this year are paying somewhat more or are guaranteeing somewhat more to the grower in the hope of getting an increase in the duty.

Senator SMOOT. In 1922 sugar beets were about $5.50—$5 to $5.50 a ton, were they not, and the grower had no interest whatever in profits made by the company? But now the lowest price he gets for beets is $7, and in Idaho it is $7.50, and then he gets one-half of all of the profits that may be made by the company.

Did you understand that to be the fact?

Mr. OGG. I am not familiar with those details.

Senator SHORTRIDGE. Do you mean the provision in these contracts, Senator?

Senator SMOOT. No. He spoke about 1922.

Senator SHORTRIDGE. I know that.

Senator SMOOT. All of the beet contracts are that way.

Senator SHORTRIDGE. I wish to have that information.

Senator HARRISON. Of course, the chairman is not testifying yet or I would ask him some questions on that. So I want to get what you said.

Senator SMOOT. I asked him if he knew it.

Senator HARRISON. I asked if some of the big companies have gone out to the growers of sugar beets and have said, "We are willing to give you an increased price for the sugar beets provided you will stand and work for an increased tariff duty on sugar"?

Mr. OGG. No; I did not say that.

Senator HARRISON. What was it you said?

Mr. OGG. I said I had been informed that the growers are receiving a higher price, a minimum price, under their contract for this year. Perhaps I should not say why that is done because I do not have the knowledge. But my information is that the growers were not receiving enough to stay in the business and they could not afford to keep on producing at the rates at which they have been producing, and the companies, no doubt hoping that they would get sufficient protection to enable them to exist and enable the growers to exist. have said they would pay them a little more in order to get the sugar beets.

Senator HARRISON. Provided the tariff was increased?

I understood that was what the witness said. I want to be clear.

Mr. OGG. I can not testify to anything of that sort because I have no first-hand knowledge of it. All I can testify to is that there is a higher price.

Senator HARRISON. But was the increased price for the beets offered by these companies conditioned upon an increased tariff?

Mr. OGG. I don't know.

Senator HARRISON. There was nothing written into it like that?

Mr. OGG. I don't know. Not so far as I know.

Senator HARRISON. Then I misunderstood you.

Mr. OGG. Not so far as I know.

Senator HARRISON. There was nothing said about the tariff rate?

Mr. OGG. Not according to my knowledge.

Senator HARRISON. They are trying to get an increased price for beets irrespective of the sugar tariff?

Mr. OGG. We are all hoping we will get increased protection.

Senator HARRISON. Is that what I understood you to say, that they were to get an increased price for their beets?

Mr. OGG. As I understand it, the contracts provided a higher minimum than the contracts which they had the preceding year.

Senator HARRISON. Why are they able to give higher prices for the beets with sugar as low as they say it is?

Mr. OGG. As I say, I can not say because I haven't the information. I can not testify to something I do not know about.

Senator HARRISON. You did not understand it was because there was a fight being made for an increased tariff duty on sugar?

Mr. OGG. I think I said this, that we were all hopeful—and I should not testify here under oath that I know it, because I don't know it. I presume these sugar manufacturers as well as the producers are hoping. We have asked for higher rates and hope we will get them. But I can not testify whether or not that was a factor in it, because I have no first-hand knowledge of it.

Senator SHORTRIDGE. I understand you to say that your hope is that by an increase in duty on imported sugar there will be an increase in the price paid to the growers of sugar beets?

Mr. OGG. We hope that will be the result, yes, sir.

Senator SHORTRIDGE. You hope and probably you believe. Of course, that is argumentative. But that is your hope, at any rate?

Mr. OGG. Certainly.

Senator CONNALLY. Didn't you say a while ago that the beet manufacturers, the mill people, or whoever they are, had given these growers an increased price in anticipation? Didn't you use the words "anticipation of an increase in the tariff"?

Mr. OGG. I don't know that I can recall the exact words that I used. The record will show what I said. I haven't any first-hand knowledge as to what negotiations were made between those companies and the growers. If I made such a statement I should not have said that I know that that is true. What I was trying to convey to the committee as best I could was the fact that they have had some increase given in some of those sections, and I heard it was in the hope of an increase in the tariff and we are hoping that the farmer will get a further increase by reason of the tariff.

Senator HARRISON. When did they get this increase?

Mr. OGG. I don't know.

Senator HARRISON. Was it this year?

Mr. OGG. In the current contracts.

Senator CONNALLY. If they were not given in an anticipation of an increased tariff on sugar they were just giving them that because they were robbing the farmer before. Isn't that right?

Senator SMOOT. Have you ever seen one of the written contracts?

Mr. OGG. Yes, sir. I have one here of the Michigan Sugar Co., I believe.

Senator SMOOT. Do you know whether that contract is different than it ever has been before?

Mr. OGG. That contract there?

Senator SMOOT. No; I am speaking of this contract which you present here. For what year was that? Was that for this year?

Mr. OGG. This is 1929, I believe.

Senator SMOOT. Do you know whether there was a word changed in 1929, any change in the contract for 1929 from that of 1928? Was there a word changed?

Senator SHORTRIDGE. Let's get at the facts.

Senator SMOOT. I asked him if he knows.

Senator HARRISON. The chairman does not know all of that surely. This is a concern up in Michigan.

Senator SMOOT. The chairman knows that all of the contracts are written in the same way.

Senator HARRISON. If the chairman was on the witness stand I would ask the chairman why he knows.

Senator SMOOT. Because I have been interested not only in this business for a section in the United States, but it is like every other business in the United States.

Mr. OGG. This contract, Senator, provides:

The company agrees that the minimum price of beets under this contract shall be $7.75 per ton.

Now, I understand that the 1928 contract provided a minimum price of $7 a ton.

Senator SMOOT. But that is the only difference there is in the contract—the price of beets?

Mr. OGG. So far as I know, that is the only difference.

Senator SHORTRIDGE. Are the farmers getting the better price for their beets? That is the point.

Senator CONNALLY. Why, with the same tariff rates, could they give $7 in 1928, but $7.75 in 1929, without a tariff increase?

Mr. OGG. I am not prepared to speak for the manufacturers as to that.

Senator SHORTRIDGE. Well, speak for the farmer, then, who gets the $7.75.

Mr. OGG. I would like to say we are very grateful. The farmers are, at least, very glad to receive the additional amount. Of course, like on every other commodity, the market conditions fluctuate from year to year. They very seldom remain the same from one year to the next.

Senator CONNALLY. Do you know whether or not these contracts in all the States and by all of the sugar buyers are all the same?

Mr. OGG. I don't know.

Senator CONNALLY. Do they get together? Do the manufacturers of beet sugar get together and fix the price throughout the United States and put it down in writing and have the same price all over the country?

Mr. OGG. I don't know.

Senator SMOOT. Have you ever heard that they were exactly the same?

Mr. OGG. No; I have not.

Senator SMOOT. I understand that they are not.

Senator HARRISON. Do you think it peculiarly strange that this particular increase should be given at this time of the year when this tariff increase is up before Congress?

Senator SMOOT. Do you know that it is an increase?

Mr. OGG. Well, I am informed——

Senator SMOOT. I mean in the same territory from whence comes this contract. Do you know that it is an increase?

Mr. OGG. The only thing I know is the data which I just read into the record. That was the information given to me.

Senator SHORTRIDGE. You do not know the motives that prompted it?

Mr. OGG. I do not.

Senator SHORTRIDGE. You do not know what reasons or what motives prompted these increases, if there be an increase?

Mr. OGG. No, sir. As I said, I can not testify of my own personal knowledge.

Senator HARRISON. Now, let me get back to my question again: Do you think there is anything peculiarly strange in the fact that at this particular time in 1929, when the tariff discussion was coming before Congress, that the increase should be given by these people to the beet growers?

Mr. OGG. No, I don't know that it is strange; no.

Senator HARRISON. But it sort of looks like they want to bring a little bigger force to work its influence on Congress for the increase, doesn't it?

Mr. OGG. Of course, you have the privilege of interpreting it that way.

Senator HARRISON. Do you interpret it that way?

Mr. OGG. No, sir; I do not interpret it that way.

Senator HARRISON. I think this contract ought to go into the record.

(The form of contract referred to is as follows:)

SUGAR-BEET CONTRACT CONCERNING RAISING AND DELIVERY OF SUGAR BEETS FOR CAMPAIGN OF 1929

1. The grower agrees to prepare the land for, plant, block, thin, and cultivate during the season of 1929, in compliance with the directions of the Michigan Sugar Co., hereinafter called the company, as may be given from time to time, and thereafter harvest and deliver ________ acres of sugar beets on the following-described lands, situated in section ________, township ______________, county of __________________, and State of Michigan.

2. That the seed used shall be only that furnished by the company, for which the grower shall pay 15 cents per pound, and not less than 15 pounds per acre shall be planted. The cost of the seed shall be deducted from the first payment made for beets delivered. The title to said seed and to said crop of beets from the time when same begins to grow shall be and remain in the company.

3. The grower agrees to deliver to the company, as and when directed, at the factory, or on cars at designated receiving stations of the company, all beets grown by him under this contract.

4. The grower further agrees that all beets grown and delivered by him under this contract shall be properly topped at base of bottom leaf and shall be free from dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun and frost after removal from the ground; but in no event shall the company be held liable in damages for any failure or partial failure of the crop or any injury or damage to beets, or for beets not harvested, or for beets not delivered to the company. The company has the option of rejecting any diseased, frozen, or damaged beets, beets of less than 12 per cent sugar or less than 80 per cent purity, or beets that are deemed by the company to be not suitable for the manufacture of sugar.

5. In case the grower does not give the beets due care, or does not harvest and deliver the crop, then the company shall have the right to enter upon the lands above set forth and to care for, cultivate, harvest, deliver, and retain the crop and charge the expense thereof to the grower.

6. The company shall pay the grower for each ton of beets delivered under this contract by the grower, subject to tare for dirt and improper topping, an amount equal to 45 per cent of the value of the sugar packed from an average net ton of all beets received as paid for by the Michigan Sugar Co., said amount to be determined as illustrated by the following:

Example: If the total net tonnage received by the Michigan Sugar Co. is 500,000 tons and the granulated sugar packed is 125,000,000 pounds, the average extraction per ton of beets will be determined by dividing the total number of pounds of sugar packed by the total net tonnage received; 125,000,000 pounds divided by 500,000 tons equals 250 pounds extraction per net ton of beets; 45 per cent of 250 pounds equals 112½ pounds. If the average net sales price arrived at as stated below is $8 per 100 pounds of sugar, the amount to be paid to the grower for beets would be $9 per ton of 2,000 pounds.

7. The net weight of beets delivered by each grower for this company shall be determined by the net tons registered on the records of the Michigan Sugar Co.

8. The value of the sugar packed per net ton of beets delivered for the purpose of this contract shall be ascertained by multiplying the average quantity of sugar packed per net ton of beets, as defined above, by the average net wholesale selling price of beet sugar for the months of October, November, and December, 1929, and January, 1930.

9. The net wholesale selling price shall be the average net wholesale price realized by the Michigan Sugar Co. during the months of October, November, and December, 1929, and January, 1930, from sugar invoiced by the company during those months.

10. As soon as practicable, a firm of certified public accountants licensed to practice in the State of Michigan, and selected by the Detroit & Security Trust Co., shall verify the figures of the Michigan Sugar Co., as to the net wholesale selling price and the amount of granulated sugar packed per net ton of beets delivered.

11. The company agrees that the minimum price of beets under this contract shall be $7.75 per ton, which amount shall be paid on the 15th of the month

for all beets delivered during the preceding month. Any additional payments that may be due under this contract shall be made on the 15th of February, 1930: *Provided, however*, That the company shall be entitled to deduct from initial payments due hereunder, and from any other amounts that may be due on said contract price for beets delivered under this contract, any and all indebtedness whatsoever which may be owing at any time by the grower to the company. For beets delivered as ordered by the company and unloaded by the grower in beet sheds at the factory an additional $1 per ton shall be added.

12. This contract shall not be valid until approved by an officer of the company or its field manager, and no agent of the company has any authority to change or alter the terms and conditions of this contract.

(Signature of grower) ____________________

Approved:

MICHIGAN SUGAR CO.
(Saginaw Plant),
Per ____________________
Field Manager.

Date ____________ 1929.

Senator SHORTRIDGE. Suppose that were so, that in anticipation of increased duties they could afford to pay the farmer more; is there any objection to that?

Senator HARRISON. I think it is but perfectly natural and they are pursuing it in all of these things.

Senator CONNALLY. And it is working.

Senator HARRISON. And it is working.

Mr. OGG. Our expectation is, of course, that if the tariff is increased the grower will be benefited. If we did not think that we would not be here asking for it.

Senator SMOOT. The grower will be benefited if the company makes any money whatever, because over and above the price he pays for the beets the grower gets half of whatever is made. That is where they are benefited.

Senator CONNALLY. Is that true of sugar beets?

Senator SMOOT. In every contract.

Senator CONNALLY. Throughout the United States?

Senator SMOOT. Throughout the United States.

Senator CONNALLY. They all have the same provision in that respect?

Senator SMOOT. As to the profits, the division of the profits.

Senator CONNALLY. That is what I mean.

Senator HARRISON. Is that in that contract [passing contract to Senator Smoot]?

Senator CONNALLY. They have a little side agreement aside from this contract, have they not, about giving them back the rake-off?

Mr. OGG. I do not know of any.

Senator HARRISON. Do you find anything in this contract about sharing in the profits of the company?

Mr. OGG. As I read that over my understanding of the contract is that it is in there.

Senator HARRISON. I have not read it all. I am just wondering. The Chairman made the statement that it is in all of those contracts.

Mr. OGG. I am not a lawyer, but as I read it that is the way I understand it.

Senator CONNALLY. It provides a minimum price.

Senator HARRISON. This is a new policy with reference to the growers sharing in the profits of the company?

Mr. OGG. I think that policy has been followed for a number of years, but I can not testify as to that.

Senator HARRISON. How many years?

Mr. OGG. I can not testify as to that. I have no personal knowledge of it. I am not a beet producer.

Senator SHORTRIDGE. The written contract speaks for itself.

Mr. OGG. I can not testify as to those details.

Senator SHORTRIDGE. Is that a sample; is it in the record?

Mr. OGG. There are other men who represent the industry who can give you that information much better than I can.

Senator SMOOT. Is that all you have to say, Mr. Ogg?

Mr. OGG. Now, may I pass briefly to the consideration of blackstrap molasses?

We requested a duty of 5 cents a gallon on blackstrap, which would mean a 4-cent rate on blackstrap from Cuba. We are asking for that duty primarily to aid the American corn grower and also the producer of blackstrap.

The imports of blackstrap are sufficient to displace approximately 35,000,000 bushels of corn, if corn were utilized entirely for the production of industrial alcohol. In other words, assuming that we have an importation of 220,000,000 gallons of blackstrap, and that it requires 2½ gallons of blackstrap to produce a gallon of industrial alcohol, the amount of alcohol which that would produce would be 89,000,000 gallons.

And assuming that a bushel of corn will produce 2½ gallons of industrial alcohol, the imports of industrial alcohol are sufficient to displace, on this basis, over 35,000,000 bushels of corn.

Basing the price of corn at 70 cents a bushel on the lower grades, 4, 5, and 6, at St. Louis, it would require a duty of 6.4 cents on imported blackstrap molasses to equalize the advantage which imported blackstrap now has over corn in the production of industrial alcohol.

We have asked for an increase in the rate on corn from 15 cents per bushel to 30 cents per bushel.

If we assume that instead of 70-cent corn we take 90-cent corn as our basis, it would require a duty of 11 cents per gallon against the world and 9.6 cents against Cuba in order to equalize the competitive advantage which blackstrap has over corn, based upon a value of blackstrap at 6 cents per gallon.

A great deal has been said about the effect upon the farmer. And coming back to your inquiry, Senator, we believe that the corn grower will be benefited by placing an increase in the duty on blackstrap, provided the increase is enough to enable the alcohol industry to use corn in place of blackstrap.

We believe, further, if you place an adequate duty on sugar that that will benefit the domestic cane-sugar industry in Louisiana; as a by-product of that industry we get blackstrap, and if we have adequate protection on blackstrap that will make possible a more profitable utilization of the blackstrap in Louisiana which is produced as a by-product of the sugar industry.

I understand a statement was made in regard to the use of blackstrap in feed.

I am informed that the use of blackstrap for feed probably does not exceed 50,000,000 gallons, whereas the use for industrial alcohol amounts to something over 200,000,000 gallons.

Senator CONNALLY. Didn't you hear the man testify this morning that it took 100,000,000 gallons in feed products?

Mr. OGG. I believe the Tariff Commission has estimated that about 50,000,000 gallons are used for feed purposes. Now, if we put an adequate duty on the imported blackstrap, and thereby increase the profitableness of the blackstrap produced in this country, and thereby aid the corn grower by finding an additional market for his corn, and not only for alcohol but also for feed purposes, we are benefiting a very substantial number of farmers.

Passing to the question of maple sugar and maple sirup, the rate on maple sirup was increased from 4 cents to 5 cents and on sugar from 4 cents to 7½ cents per pound in the House bill. We are asking for a rate, or we are recommending a rate, of 9 cents a pound on maple sugar and 6½ cents on sirup.

I would just like to call the attention of the committee to this item. The data gathered by the Tariff Commission and published on page 34 of the preliminary statement of information of the commission, concerning maple sirup and maple sugar, shows a difference of 9.40 cents between the Canadian price and the domestic price of maple sugar. We feel that a 9-cent rate on sugar is reasonable; and if we have a 9-cent rate on sugar we need a 6½-cent rate on the sirup, because there should be the proper relationship between the sirup rate and the sugar rate.

A gallon of maple sugar weighs, I believe, approximately 11 pounds. In that gallon of maple sirup there is anywhere from 7¼ to 8 pounds, although the estimates vary.

Senator SMOOT. The House increased the rate from 4 cents on maple sugar to 7½ cents, and you want it increased to 9? Is that it?

Mr. OGG. To 9, and 6½ cents on the sirup.

Senator SMOOT. Six and one-half cents instead of 5 cents on the sirup?

Mr. OGG. Yes, sir.

Senator HARRISON. We produce about 3,100,000 pounds of maple sugar in the United States, do we not?

Mr. OGG. I do not have the figures before me.

Senator HARRISON. Those are the figures I have here from the Tariff Commission. And we imported 6,954,000. We can not produce enough or we are not producing enough to take care of consumption.

Mr. OGG. One reason for that, in my opinion, is that the rate has been too low on sugar, in my opinion. Under the act of 1922 it was 4 cents a pound on both the sugar and the sirup. Assuming you have 8 pounds of sugar in a gallon of sirup, that means 32 cents duty on the sugar in that sirup, whereas on the sirup at 4 cents and the gallon weighing 11 pounds the duty would be 44 cents, which, of course, would invite the importation of the product in the form of sugar rather than in the form of sirup.

Senator HARRISON. Does your argument there also apply to maple sirup?

Mr. OGG. I was simply trying to explain one reason why the imports of sugar are so much heavier than of sirup.

Senator HARRISON. Let's take the sirup. In the United States we produce of maple sirup 3,183,000 gallons a year and we import only 398,000.

Mr. OGG. Well, I think that just fits in with the explanation I have made, that under the act of 1922 it has been more profitable to the importer to bring the product in in the form of sugar than in the form of sirup; that is, they will boil it down to the form of sugar and bring it in that form instead of bringing it in the form of sirup. That is why I suggested that the rates be correlated, so that can not be done.

(Mr. Ogg submitted the following brief:)

BRIEF OF THE AMERICAN FARM BUREAU FEDERATION

The interest of the American Farm Bureau Federation in Schedule 5 lies primarily in its desire to secure adequate protection for the cane-sugar growers the beet-sugar growers, the producers of molasses, the corn growers, and the maple sugar and sirup producers.

CANE AND BEET SUGAR

The domestic producers of cane sugar, beet sugar, and corn sugar find their principal competition in domestic markets from Cuba and the Philippines.

During the fiscal year ending June 30, 1927, a total of 4,320,000 short tons of sugar was imported into the United States, of which 3,853,000 short tons came from Cuba and 428,000 short tons from the Philippines.

During the same year a total of 1,011,000 short tons of sugar was produced in the United States, of which 964,000 short tons were beet sugar and 47,000 short tons were cane sugar. The production of cane sugar that year was abnormally low as the production in the preceding year was 139,381 short tons and in the subsequent year 77,840 short tons. (See pp. 957, 959, 1129, Department of Agriculture Yearbook, 1927.)

There is no reason why we can not produce our entire supply of sugar except the economic handicap due to the lack of adequate tariff protection.

Under present arrangements sugar from the Philippines enjoys the privilege of free entry into the United States, while sugar for Cuba enjoys a preferential rate of 20 per cent less than imports from other countries. The protection afforded is not high enough to enable domestic sugar growers to prosper.

Sugar producers in the United States, where farm wages averaged $1.91 per day with board, and $2.49 per day without board (Department of Agriculture Yearbook, 1926, p. 1230) must compete with Filipinos with wages ranging from 20 to 25 cents per day (with food) for farm and plantation laborers (p. 29, Trade Information Bulletin 410, Department of Commerce), as there is no protection whatever on sugar from the Philippines.

Primitive conditions likewise prevail in Cuba as compared with the United States, although the imports from Cuba pay duty. The rate on Cuban sugar with the 20 per cent differential which it enjoys, is too low to give American producers adequate protection. A study made by the United States Tariff Commission concerning the costs of production of sugar in Cuba and the United States showed that the duties provided by the act of 1922 failed to equalize the difference in the cost of production for the crop years 1921-22 and 1922-23. Moreover this comparison did not include the growers' cost of production; had these costs been included the disparity undoubtedly would have been much greater, on account of the cheaper conditions of production in Cuba than in the agricultural regions of the United States. (See p. 136 of Report of Tariff Commission to the President.)

If adequate protection could be secured so that we could produce our entire domestic supply of sugar, several million acres now devoted to surplus crops could be devoted to sugar production, with profit to the sugar producers and at the same time decrease the volume of surpluses of other agricultural commodities which now prove so troublesome. The American farmer was promised legislation which would give to him the home market "to the full extent of his ability to supply it." (Excerpt from Republican platform, 1928.) The American sugar-beet grower, corn grower, sugar-cane grower, and maple-sugar producer now ask for the fulfillment of this promise in the tariff legislation now under consideration.

A basic rate of 3.75 cents per pound on sugar testing 95° by the polariscope test is recommended. With the 20 per cent differential allowed to Cuba, this would mean a rate of 3 cents per pound on Cuban sugar testing 95°. The rates in the act of 1922 were 2.16 and 1.728, respectively; in the House bill, 2.40 and 3 cents, respectively.

For each additional degree of sugar as tested by the polariscope an additional rate of 0.15 of 1 cent, and for each degree less of sugar a reduction of 0.07 of 1 cent from the basic rate are recommended. This provides for a higher rate of increase for sugar testing above 95° than for sugar testing below 95° This differential in rates is recommended because of the higher value of the high-test sugars. Most of the imported sugar, however, tests 95° and 96°. Of the 7,401,710,999 pounds imported for consumption in the United States in 1927, 3,048,398,714 pounds testing 95° and 3,819,380,334 pounds testing 96° came from Cuba.

We recommend also that the Cuban preferential privilege be abolished and that imports from the Philippine Islands pay the same rates as imports from other countries. The reasons for these recommendations have been set forth fully in the hearings before the House Ways and Means Committee. (See pp. 3041–3055; 9778–9780.)

BLACKSTRAP

Blackstrap is a low grade of molasses which is used principally in the United States for the production of industrial alcohol and for stock feed.

The importation of 222,680,035 gallons of blackstrap from Cuba in 1926 was a sufficient quantity to produce 89,072,014 gallons of industrial alcohol (based on 1 gallon of alcohol from 2½ gallons of molasses). To produce this amount of industrial alcohol 35,628,806 bushels of corn would have been required (based on 2½ gallons of alcohol from 1 bushel of corn.) In other words, the importation of blackstrap in effect displaced over 35,000,000 bushels of corn which otherwise could have been utilized for this purpose.

Increases in the duties on starches and corn have been requested, all of which would be beneficial to the corn growers. Without an adequate duty on blackstrap, however, the corn growers would still lack adequate protection because of the large displacement of corn by blackstrap for industrial alcohol production.

On the basis of 70-cent corn at St. Louis (on Nos. 4, 5, and 6 in 1926) and blackstrap at 6 cents per gallon at seaboard, with approximately a 3-cent freight rate per gallon on alcohol from the Middle West to the Atlantic seaboard, alcohol made from blackstrap has a competitive advantage of 16 cents per gallon over alcohol made from corn. To equalize this difference a duty of 6.4 cents per gallon on imported blackstrap would be needed. If the price of corn should be increased to 90 cents per bushel by reason of the proposed increase in the duties on corn, starches, and other competitors of domestic corn, a duty of 9.6 cents per gallon on blackstrap from Cuba would be needed in order to equalize its competitive advantage. (See pp. 3063–64, hearings before the Ways and Means Committee, 1929.)

The act of 1922 provided a basic rate of one-sixth of 1 cent per gallon on molasses testing not above 52°, and one-sixth of 1 cent additional for each additional degree of sugar up to but not above 56°. In the House bill this rate was increased to 0.03 of 1 cent per pound of total sugars with the 56° limitation stricken out.

If all imported blackstrap is to be made dutiable at the same rate, it is recommended that a rate of 5 cents per gallon on molasses testing not above 52°, with one-half of 1 cent additional for each degree of sugar above 52°, be granted; if the committee decides to make a difference in the rate on blackstrap for distilling purposes and the rate on blackstrap for stock feed, it is recommended that a rate of 8 cents per gallon be placed on the former and 2½ cents per gallon on the latter.

MAPLE SIRUP AND MAPLE SUGAR

The increases in the rates on maple sirup and maple sugar which are provided in the House bill are commendable. The rate on sirup was increased from 4 cents to 5 cents per pound and on maple sugar from 4 cents to 7½ cents per pound. While these increases are appreciated, it is recommended that these rates be raised to 6½ cents per pound on maple sirup and 9 cents per pound on maple sugar, the amounts which were originally requested from the House Ways and Means Committee.

According to data gathered by the United States Tariff Commission, a duty of 9.40 cents per pound would be needed in order to equalize the difference in price of maple sugar in the United States and in Canada. (See p. 34, preliminary statement concerning maple sugar and maple sirup issued by the United States Tariff Commission, June 18, 1927.) Information and evidence submitted by domestic producers in this investigation indicates that the commission's cost data were too low to be typical or representative of the regions which were studied. Hence a comparison of the competitive prices become more indicative than a comparison of such costs.

It is very essential that a proper relationship be maintained between the duty on sirup and the duty on sugar. Under the present duty of 4 cents per pound on sugar and sirup, it is possible to bring in sugar at a much lower rate of duty proportionately than sirup. It is estimated that a gallon of maple sirup contains from 7¼ to 8 pounds of maple sugar, and that a gallon of maple sirup weighs 11 pounds. The duty of 4 cents per pound on a gallon of maple sirup, therefore, would be 44 cents, whereas the duty on the actual sugar content derived from a gallon of sirup would be approximately 32 cents. In other words, it is much cheaper to convert the sirup to sugar before it is imported in order to take advantage of this lower rate.

The statistics of imports under the act of 1922 reflect strongly this situation as the imports of sugar greatly exceed the imports of sirup.

If the rate on maple sugar is fixed at 9 cents per pound, as recommended, then a proper duty on maple sirup based on the relationship of the sugar content to the sirup would be 6½ cents per pound. It is requested that these rates be provided.

Concerning the interests of the consumer, we desire to file as an exhibit the following joint statement signed by several national farm organizations.

Appendix

THE CONSUMER AND THE PROTECTIVE TARIFF

Present criticism of a proposed tariff on agricultural products is a direct attack on the American protective-tariff system. It is an attack hiding behind the cloak of an appeal to the "consuming public."

Certain interests as yet veiled, but easily identified by their self-evident purpose, say that the "consumer" will pay heavily for certain foods—beef, butter, sugar, bread, fruit, and vegetables—if tariff rates are levied as now proposed by Congress. These foods, the consumer is told, can be produced more cheaply in other countries and he has the right to buy where he can buy cheapest—the Argentines for cheap beef, New Zealand cheap butter, Cuba cheap sugar, Canada cheap wheat, and Mexico cheap vegetables.

This broadside of half truth needs a vigorous all-American analysis. The rest of the truth needs to be told, for every "producer" is a consumer; every "consumer" except the tramp is a "producer."

A tariff on these commodities is justified by a broader principle of fairness and general national interest than that which actuates this narrow selfishness of the critics.

If a foreign country can produce a product at a somewhat lower cost than it can be produced on American farms—take beef for example—then the absence of a tariff on beef would lead to two direct results.

The first would be the flow of a vast amount of American money—consumer's money, if you will—to a place where it can be produced more cheaply—money once sent away never to come back, except as interest and profits, for the rich American capitalist and investor in foreign industry.

The second would be the ruin of the American beef-producing industry—a source of production of natural wealth and of employment of some million men; in fact, the destruction of a national self-sufficiency, indispensable to national defense and national honor. If that is not sufficient, then let it be also understood that these millions of men would cease buying the products of urban industries; automobiles, furniture, carpets, clothing, boots, and shoes, etc., which they would purchase as prosperous producers and would flock into the urban industries, creating a veritable frame of underemployment.

This is the reverse side of these half truths, and it should be shouted from every housetop.

In the campaign of half truth going on the consumer **is very certainly not** reminded of that period following the World War when he paid 30 cents a pound for sugar because he had to, because the foreign sugar producers were in control and temporarily without competition from domestic producers.

The industrial worker wants his job, needs his job, and the present wage or a larger one, or he is ruined. And his interest in that job far exceeds his interest in a cent or two more for even his beef or his fruit or his sugar. And that job and its price is subject to just the same law of supply and demand as the price of the beef or the fruit or the sugar. He needs to know what will happen to the labor supply of the farmers and the men in the plants and factories if a foreign-food invasion, which completes the ruin of these agricultural industries, forces them to seek urban employment.

To summarize: If the consumer-producer would benefit by the maintenance of a steady market for his industry, he necessarily must be a purchaser of the products of others. **For you can not be a consumer and not be a producer or the** dependent of a producer.

The established policy in America to-day, regardless of partisan politics, is for protection through tariff and through restricted immigration. This principle of protection to all classes, for all products, agricultural or industrial, must be applied with even-handed justice, or that same justice, plus the most evident self-interest, demands that all bars of all kinds be let down, and we have a free-trade Nation, without exclusion laws against cheap labor or tariff restrictions against the products of cheap labor.

Without tariff protection, "consumers" would buy steel, tractors, cream separators, and factory equipment more cheaply from Germany, shipping equipment from England, textiles from Czechoslovakia, paper products from Japan and China, sugar and starches from Java (where labor is paid 15 cents a day), crockery and dishes from Belgium and Sweden, dairy products from New Zealand and Denmark, fruits from the Tropics, fuel oil from Mexico, and on down the line, until our "consumers" would each and severally be either out of a job or working at the price of the cheap labor of the rest of the world, and buying nothing because they would not have the money with which to buy.

The American protective tariff has enabled the consumer to be a consumer by making it possible for him to be a producer.

You can not eat your pie and have it. You can not send your beef money to the Argentines and sell your products to American producers. It is impossible to conceive our giving the keys of an American city to a foreign invader and then allow him to use his gunfire to destroy the men, women, and children of that city.

It is equally impossible for a government to invite foreign trade, built upon low standards and costs, into any branch of American industry, agricultural or nonagricultural.

Sugar is a farm product which has been especially singled out for attack in this campaign of half truth, so let us consider closely the difference in cost under a reasonable protective tariff.

Using accepted statistics, the average person's consumption of sugar is 100 pounds of sugar a year, and the proposed tariff would increase the cost 64 cents a year per person. However, this does not mean a direct consumption by each individual of 100 pounds a year or 64 cents a year increase, because included in the 100 pounds is the sugar used in bakery products, candy, soft drinks, ice cream, and the sugar served free to the consumer in hotels and restaurants.

Solely in the household, it has been estimated that the average sugar consumption is from 40 to 60 pounds a year per person. On this basis then, the average cost of the increased tariff on sugar to the individual consumer in his own home is 38 cents a year.

The consumer must know this, and must determine whether this insurance premium of 38 cents a year is worth the guarantee of protection from foreign control of the sugar market in the United States; a control, the absence of which in 1920, cost him 30 cents a pound for sugar, or the rate of 12 to 18 dollars a year per consumer. He must determine whether it is worth 38 cents a year to obtain the security of domestic sugar production at all times, including changes in international relations or trade, or even war, plus the profitable employment of a million farmers and the development of a sugar industry to employ perhaps a million more.

The purchasing power of the farmer determines the success of many factories and of the wage earners in the consuming centers. And the urban consumer depends upon the buying power of farmers.

So it is all an interlocking and interdependent nationwide organization. Plain horse sense shows that any industry wiped out by a foreign competition dangerously damages every other domestic industry, and that American high standards and the welfare of the consuming public depends upon the protection of all domestic industry. The dust storm raised about a few cents on sugar, butter, beef, etc., is not for the benefit of the "consumer" but for the benefit of the importers who collect the toll and of the foreign capitalists whose investments are in these cheap labor foreign fields.

Protection of the farmer is a consumer's guarantee of continued employment, wages and ability to pay, safety from foreign trusts and cartels, and finally a balanced national industrial fabric.

National self-sufficiency is national safety.

You can not be a consumer and not be a producer or the dependent of a producer.

These are thoughts that the consumers of Ameria must know, fight for, and reverence.

Respectfully submitted by the undersigned organizations, representing growers of commodities mentioned in this communication.

FRED BRENCKMAN,
Washington Representative, National Grange.
CHESTER H GRAY,
Washington Representative, American Farm Bureau Federation.
ERNEST A. BURGUIERES,
President Domestic Sugar Producers Association.
C. B. DEUMAN,
President National Live Stock Producers Association.
A. M. LOOMIS,
Secretary National Dairy Union.
C. E. DURST,
Secretary National Horticultural Council.

SUGAR

[Par. 501]

STATEMENT OF HON. W. M. JARDINE

Mr. JARDINE. Mr. Chairman and gentlemen, I will only take a few minutes of your time, and my statement will be more or less general. I have been asked by friends up in the mountains if I would appear in the interest of the sugar grower.

I have a personal interest there as well, and I know a good deal about the industry. I found out a good deal about it while I was Secretary of Agriculture, and I made a good many trips out there, and found out about it. I have grown up in the industry, and am interested in it.

I believe it would be good, sound public policy to maintain the production of sugar in the continental United States at least on its present basis, which can not be done without further protection. I believe we ought to increase our protection, and about what it has to be is about 15.2 per cent on sugar beets, and 1.4 per cent out of cane. I believe it is entirely possible to extend sugar production in the United States. As I said, I have lived and grown up in it, and I have studied it. There have been some unfortunate features which have militated against its extension in the last five years. One of these factors is the lack of sufficient protection, considering labor costs and costs of production, which the sugar-beet folks have to meet as well as other producers.

The automobile producers, of course, took hold of a new industry. and they had wonderful opportunities of refinement and mass production, and through inventions, and so forth, are able to get a lot more out of a single laborer than they were a few years ago, and that explains it—mass production and mass marketing and new inventions. We have not been able to put in a 4-horse cultivator with a man on it to plough four to six rows at a time, and to cultivate four or six rows at a time, as they have been able to work it out in the automobile industry. We have not had an inventive genius capable of that, and we have had to go on in the same old way producing sugar beets just as we did 25 years ago; and if the Government had not encouraged our farmers to go into the business they would not have gone into the sugar-beet business. They have gone into sugar beets because of the encouragement of the Government under our protective system. That industry would not have been here if it had not been fostered and encouraged; so that we have 100,000 farmers producing sugar beets in 17 States. It is a basic crop in a number of those States; absolutely basic. They built their agriculture around it. To-day we want to give those farmers out there some measure of relief. We have had called a special session of Congress to help agriculture. We have been wrestling around with certain artificial means of making the tariff effective. Here is one crop on which you can make the tariff effective, if you want to. You can even put an embargo on it, if you want to, because we bring in the bulk of that which we consume in America.

If you are not going to allow those 100,000 farmers to grow sugar beets, they are going to grow something. They have got to grow something. They owe Uncle Sam $79,000,000 now under the reclamation policy, on unpaid debts, that we loaned them to bring more acres under cultivation. They still owe us $79,000,000. You appropriated $17,000,000 more to help them, and there is $79,000,000 necessary to finish the job. They owe that. Sugar beets is one of the chief crops and can be grown successfully in all these projects. I think we ought to be reasonably consistent.

I am not unmindful of the consumer, but I want to say that any consumer who can get sugar at 6 cents a pound has no kick coming. They had better go on down the line and examine all the articles that they have to buy and consider their prices. You give this increase to the factories out there, and they can pay the farmers $8 a ton or $8.50 a ton in certain regions, and I guarantee you will get plenty of sugar beets. Give them that as a policy that they can rely upon, one year with another.

They had a fly out in that country. I went out there and talked with these farmers. I met thousands of them. That is what has been holding back the sugar-beet industry.

Congress in the last year, at the request of the Department of Agriculture and of the farmers, gave them a much larger appropriation to see if we could not exterminate this menace. We are going to exterminate it. Now, if you were not interested in the sugar-beet business as Congress, why did you appropriate that money to exterminate this pest? They have all the load they can carry now out in that country, but it is going to be done, just as we are going to eliminate the Mediterranean fly down in the South and as we are going to overcome the drawbacks of the corn borer. They are entitled to it. I think it is a good sound government policy for us not to allow the sugar production in the United States to slip out of our hand.

Senator WATSON. Have they overcome that pest in the West?

Mr. JARDINE. The scientists are at work now. We have been working on it for a number of years. Prior to now we have had a little scientist here, we have had a little scientist there, and we have had a little scientist out yonder and they have each been doing their little bit, but they were never getting together. They would make little bits of investigations here and there and God only knows how long it would have taken to handle that problem under that system.

In order to handle agricultural-research problems of that magnitude you have to bring together, not a single scientist here and there, but a group of scientists and get them to map out a definite program.

Senator WATSON. Has that been done?

Mr. JARDINE. We are doing it now.

Senator SMOOT. Before this last year you only had $40,000?

Mr. JARDINE. $30,000, and that would not be a drop in the bucket in a problem of this kind.

Senator HARRISON. When did the pest first make its appearance in the sugar-beet industry?

Mr. JARDINE. We have had about five years of bad experience in connection with that matter. One year it is good; another year it is bad. It is an insect that lives out in the desert.

Senator HARRISON. How much has been appropriated annually to fight this pest?

Mr. JARDINE. We never have had more than $30,000.

Senator HARRISON. And how much has the department requested?

Mr. JARDINE. I requested $300,000.

Senator HARRISON. Did Congress give it to the department then?

Mr. JARDINE. Yes, sir: absolutely; last year they did.

Senator SHORTRIDGE. How much was appropriated last year?

Mr. JARDINE. Around $300,000, I think it was. That was appropriated and being used for the purpose of putting an organization in the field to fight this thing right. You can not handle a thing like that piecemeal. You can, but it would take the course of a lifetime.

Sugar beets in the States which are able to grow them most effectively, and following the usual agricultural products, makes the finest crop to have in rotation. If you want to build up the dairy industry, for instance, you can build it up around sugar beets, because you have right there the crop and you have the by-product.

Then there is another angle to this in connection with why we should encourage production of sugar out there in the Mountain States. It costs about $17.50 an acre to move an acre of sugar beets into the points of consumption. That is a fact. It costs about $95 an acre to move an acre of potatoes into the points of consumption. That is why I could not afford to grow potatoes on my farm in Idaho. I can afford to spend $17.50 an acre to get my sugar beets from the farm to the points of consumption but I could not afford to grow potatoes on that basis of $95 an acre. When I haul these beets into the market I can also haul back to my farm the necessities enabling me to maintain two or three dairy cows. We can not have the large silos out there like you can in the South, because we do not have corn to put into these silos, but we have the substitute for the silage which sells for about $40 or $50 a ton.

Senator HARRISON. Do I understand that if the pest had not invaded the sugar-beet industry that you would not need this increased tariff.

Mr. JARDINE. There are favorable locations in connection with the beet industry as there is in all agricultural enterprises. A tariff can not take care of the lower run of farmer; it is not necessary perhaps for the upper run. But it is necessary to take care of the average producer. We have one or two favorable situations out in our country for the production of sugar beets. I have talked to all the farmers out there and I know what I am talking about. The country that is doing the best is the great western country because it is best adaptable for it. They are making a reasonable profit on their investment but it is very reasonable and I doubt if any of you gentlemen are putting your money into it. All I need to say to you is that notwithstanding the cost of practically everything has gone up 50 per cent as compared with before the war, sugar is selling to-day for less than before the war.

If you want to do something for agriculture, there are a hundred thousand farmers out there that you can help. Why do you raise the tariff on all of these other things? You know very well that if you raise the tariff, 99 times out of 100 it is going to raise the price on that commodity. Why eliminate 100,000 farmers who are trying to grow sugar beets, which is one of the very few crops that we do not produce an exportable surplus of? We want to balance agriculture in this country. This is a good way to do it. If they are not going to grow sugar beets out there we can, of course, produce 75,000,000 bushels of wheat out there. They grow about 30 to 35 bushels to the acre. But that will make it more difficult to dispose of the wheat that they will grow. They can not grow alfalfa and ship it out of the country because the freight rates are prohibitive. Then what are you going to do with the folks out there? The Government has encouraged them to go into the sugar-beet business and they are still encouraging them. They have gone out there and said that it is good to go into the sugar-beet business, and I think it is a good thing for the Government to be in the sugar-beet business. You just let all of the production of sugar slip out of our hands and into the hands of a few that have their capital invested in foreign countries and you will see how much the consumer will receive in the way of price for sugar. We do not want to be entirely dependent upon the outsiders for our sugar supply. All the foreign governments are puttitng on a bigger sugar tariff than we have. England has more than we have.

Senator HARRISON. Do you think we produce enough sugar now to be of importance in relation to the world's supply and demand?

Mr. JARDINE. You bet we do. Absolutely we do. And there is no reason in the world why we should not increase substantially. We have many, many thousands of acres in this country, not in the West alone, that are capable of producing sugar beets, and I know what I am talking about, too, because I have grown them.

Senator HARRISON. I understood you to say there were 100,000 engaged in the sugar-beet industry?

Mr. JARDINE. One hundred thousand in the farming end of it. There are about 800,000 acres, as an average, in sugar beets.

Senator HARRISON. How many are engaged in sugar-cane production in the United States?

Mr. JARDINE. I do not know. But here is what is wrong with that question. We are only producing a few tons as compared with 7, 8, or 9 years ago. This is what Cuba is going to be up against, too. There is a disease that has recently come into the cane-producing section of Louisiana, a mosaic. We have come to the Congress of the United States for appropriations that we might carry on investigations to develop a resistant plant to the mosaic. We have sent men all over the country and all over the world to get the resistant varieties. We have got them now. However, we have been slowed up because of the floods down there last year. The floods washed out all of our new seed. Other Government appropriations were requested and received. We collected what there was and held it in store for the people down there. We have now a resistant variety down there. But give it a chance and it will come back. We eliminated this pest out in the mountains, but give us a breathing spell and I will guarantee you that we will produce an adequate supply of sugar for this country.

Senator HARRISON. Did you have this pest when the last sugar tariff bill was passed?

Mr. JARDINE. No, sir.

Senator HARRISON. That argument was not made at that time?

Mr. JARDINE. At least we did not know what it was. It has simply kept coming on from year to year. One year would be all right and the next year would be bad.

Senator SHORTRIDGE. It seems to come from the desert land?

Mr. JARDINE. Yes. We are now working on new varieties and we are working on every angle of the question at this time.

Senator HARRISON. Yet you are producing less beet sugar now than you did eight years ago?

Mr. JARDINE. Yes. I had a map in connection with that matter, but I have not got it here. In 1911 we produced from beet sugar 611,000 tons; in 1926 we produced 687,000 tons. This last year, or, 1927, we produced 731,000 tons. However, that fluctuates with the different seasons. Sometimes we get 10 tons to the acre, sometimes 7 tons, and sometimes only 4. Last year we had a good year in several of our sections, and we are producing on the average of 800,000 to 900,000 tons of sugar in this country. It has not grown very much, I will grant you that.

Senator HARRISON. I notice in 1923, following the year the Fordney tariff bill was passed giving this increase, that the production in beet sugar fell off from 1,020,000 tons to 689,000 tons.

Mr. JARDINE. In 1922 the production of sugar was 930,000 tons; in 1923, 657,000; in 1924, 817,000; in 1926 it was 687,000 tons; 1927 it was 731,000 tons. In sugar produced in 1922 it was 675,000 long tons; this is the beet-sugar production in the United States I am reading.

Senator HARRISON. You were including both in the first statement?

Mr. JARDINE. No.

Senator HARRISON. Are those long tons?

Mr. JARDINE. According to this statement, which is correct, in 1922 we produced 1,020,000 tons, and in the next year we produced 675,000 tons; the next year, 881.

Senator SHORTRIDGE. What year?

Mr. JARDINE. 1923-24 and 1924-25, 1,090,000 tons.

Senator HARRISON. I notice in 1926 it went up to 1,091,000 tons.

Senator SMOOT. They do not have the fly every year. It only happens when it is a damp year.

Mr. JARDINE. I had a map which showed the factories which went out of business. That fluctuation is due to our factories being put out of business.

Senator SHORTRIDGE. Do I understand that you have now succeeded in getting a resistant cane?

Mr. JARDINE. Yes, sir. We are increasing the planting of the seed. We are getting in more commercial acreage now. I think we are going to be able to put in a great deal more with this variety. But it takes a little time. We only tackled the matter vigorously last year and this year is practically the first full year we have been putting it into practice.

I believe it is a good, sound public policy to maintain the production of a reasonable amount of sugar in the United States and much more than we are doing now. It is an industry that can increase very substantially if given reasonable encouragement. You just give the farmer $8 to $8.50 and I will show you that we can handle this pest and I will show you sugar coming in.

Senator SHORTRIDGE. In what sections of the country?

Mr. JARDINE. In the western 17 States.

Senator SHORTRIDGE. But they raise it in Michigan, too, don't they?

Mr. JARDINE. Surely, and I can raise it in a lot of the little valleys along the Atlantic seacoast here, too.

Senator HARRISON. You did not agree with Mr. Costigan, of the Tariff Commission——

Mr. JARDINE. I do not think I ever agreed with Mr. Costigan on all of his things.

Senator HARRISON. And you did not agree with Mr. Coolidge.

Mr. JARDINE. We have built up our prosperity on the basis of the tariff, right or wrong. That is why we are prosperous. That is why the automobile people have a wonderful market in America, is because we are prosperous.

These sugar-beet folks keep the railroads going out West. They spend $120,000,000 for the stuff that they use in the production of the beets, all of which material practically is bought in the East. I have got the statistics here, if you want to have them, showing how much cotton goods they use, how much coal they use, how much coke they use, how much lumber they use, and the railroads haul it all in at different times of the year.

Senator HARRISON. But they do not mean as much to the railroads as the wheat producers out there and the corn producers, do they?

Mr. JARDINE. Well, it all depends. I do not know. There is not the same back haul from sugar beets——

Senator HARRISON. There are more people engaged in wheat production and in corn production out there, are there not?

Mr. JARDINE. Not out there.

Senator SMOOT. The railroads get as much per ton on a ton of beets for a few miles of haul as they do on a much longer haul in connection with wheat.

Mr. JARDINE. You talk about the consumers eating sugar. They also eat cheese, they drink milk, and they eat a lot of other things. Those folks out there have to buy all of this stuff from somebody. They are not complaining about that. All they are asking for is that you take care of them, too. These folks down East here can not have their pie and eat it, too, and expect everybody else to go on short rations. I am for the whole business.

Senator HARRISON. It looks to me as if they have been treated very fairly.

Mr. JARDINE. I know you are going to treat them fairly, too. I did not come here because I thought you would not do so, but I wanted to go on record as being in favor of it. I think it is a good industry, and it ought to be supported. I think the House schedule is all right. Some wanted a lot more than that, and they wanted me to help in urging it, but I would not.

Senator HARRISON. Do you know of any other industry that has received larger increases in the last 10 or 15 years in connection with tariff rates than the sugar-beet industry or the sugar-cane industry?

Mr. JARDINE. Of course, the sugar-beet industry under the Underwood bill would have been a ruined industry. It got no protection.

Senator SMOOT. Why do you not ask the Senator if he knows of any other item with no tariff that is selling for less than it ever did before?

Senator HARRISON. I know of no industry where the production should fall off and then cost the American people more money if the tariff is put on.

Senator CONNALLY. You are in favor of protecting all the American agriculturists with a tariff, are you not?

Mr. JARDINE. Yes, sir; those that are capable of expansion, and I feel like we ought to maintain that policy as a good, sound public policy.

Senator CONNALLY. Of course, as to crops of which we produce a surplus, a tariff would not be effective?

Mr. JARDINE. No, sir.

Senator CONNALLY. Have you studied the export debenture system?

Mr. JARDINE. Yes, sir; I have studied that.

Senator CONNALLY. Are you favorable to it and do you think it is in the interest of agriculture?

Mr. JARDINE. I want to fight for the plan we have here first. I am convinced this is going to do some good. I want to give that a chance first and then when that is settled I will take off my coat and get after something else.

Senator CONNALLY. You have made a study of the plan, you say. Do you think it is sound to give an export debenture on crops of which we produce a surplus if it is sound to give a protective tariff to the manufacturers and others?

Mr. JARDINE. I say that that is one of the ways that you can make the tariff effective, provided you can guarantee to me it will go back to the farmer. You have not shown me that yet.

Senator CONNALLY. You are here trying to relieve some of the farmers, are you not?

Mr. JARDINE. I am here trying to make an industry for the Government.

Senator CONNALLY. Would that not work back to the farmer like your sugar plan works back to the sugar farmer?

Mr. JARDINE. That present plan is not going to help the sugar farmer.

Senator CONNALLY. I am talking about the tariff. If we give you an increase——

Mr. JARDINE. It will help the sugar farmer by raising the tariff. You do not need a debenture. You have got a good way out.

Senator CONNALLY. I am asking you if it is not fair to help the other farmer that is not in the sugar business by the debenture like you want to help the sugar farmer with your plan?

Mr. JARDINE. That is, provided you have a better way and give it to the others, too.

Senator CONNALLY. This present farm relief bill is practically your bill.

Mr. JARDINE. I am not saying anything about that. It will do a lot of good.

Senator CONNALLY. It is the same thing which you propose?

Mr. JARDINE. Yes, sir.

Senator HARRISON. How many farmers are there in the country?

Mr. JARDINE. About six and a quarter million.

Senator HARRISON. Now, if you give this increase to these sugar-beet people, that would naturally give an increase in the cost of sugar to the other six and three-quarter million or whatever the number is, would it not?

Mr. JARDINE. It ought to, but if everybody is going to go crazy in the world and try to outdo everybody else in producing sugar, conditions will not improve very rapidly. They are going crazy trying to produce sugar and as a result there is now too much sugar produced.

Senator SHORTRIDGE. If we should become dependent upon the foreign countries for our sugar and had to look to the foreigner for our sugar, do you think we would get sugar any cheaper?

Mr. JARDINE. Of course, we would not.

Senator SHORTRIDGE. By developing our own industry——

Mr. JARDINE. We are already getting it below the cost of production. They are not getting enough for sugar in Cuba and these other places to maintain the industry on a sound basis and it is because everybody is putting everything they have into sugar.

Senator HARRISON. As a matter of fact they all ought to curtail the production of sugar?

Mr. JARDINE. Yes, sir; and particularly those countries.

Senator HARRISON. Of course, you do not include the American sugar growers in that statement?

Mr. JARDINE. Not as long as we are spending from $350,000,000 to $360,000,000. I think we ought to produce a little more of it as a sound public policy.

Senator SHORTRIDGE. We have got the soil and the climate and the men and women, the energy and the brains, have we not?

Mr. JARDINE. Yes, sir. We are trying to balance our agriculture to-day; grow less wheat and less of some of the other commodities and more of the products we have to bring into this country. It is just good sound policy, that is all there is to it.

Senator SHORTRIDGE. Do you think we can produce enough sugar to supply the country?

Mr. JARDINE. The per capita consumption of sugar has gone up to 112 pounds. That is 25 or 30 tons more than it was five or six years ago, while the consumption of wheat has gone down and the consumption of corn meal has gone down. We are, on the other hand, increasing our population about one-half million a year and I think we will do pretty well to keep up with it. That is going to mean a lot more sugar from year to year. It all depends upon the encouragement which is given to the sugar-beet farmers.

Senator SHORTRIDGE. You do not think we will do that within any reasonable time, do you?

Mr. JARDINE. Well, I think probably the labor problem will be involved there when it comes to that. We are capable of doing so as far as the soil and climate is concerned, if you want to give them the encouragement they should have, but labor will be one of the limiting factors. That is all I have to say.

Senator CONNALLY. You are speaking particularly for the beet men?

Mr. JARDINE. I am interested in the cane men too. They are in the same predicament down there.

Senator CONNALLY. But your principal interests are with the beet men?

Mr. JARDINE. My interest is with all of them.

Senator HARRISON. I think you did a great work in bringing those other species of sugar cane down into Louisiana.

Senator SMOOT. And that same species has been brought into Cuba and Hawaii, as well as Java, and that is what is the matter with the overproduction.

STATEMENT OF STEPHEN H. LOVE, SALT LAKE CITY, REPRESENTING THE UNITED STATES BEET-SUGAR ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LOVE. Our association comprises practically all the beet-sugar producers in the United States.

Mr. Chairman and gentlemen, in the tariff bill adopted by the House of Representatives on May 28 the sugar schedule fixed a duty of 2.4 cents per pound on Cuban raw sugar imports. That rate was requested by the domestic sugar industry including hundreds of thousands of American sugar cane, sugar beet, and corn-sugar producers. They supply half of the 6,000,000 short tons of sugar annually consumed in the United States. The other half, entering from Cuba, pays the existing tariff of 1.76 cents per pound.

Opposed to the increased tariff are, mainly, the Cuban raw sugar producers and American owners of Cuban sugar mills. Their attack on the proposed tariff is headed by the Cuban Government and by Wall Street interests with Cuban holdings, promiment in which is the National City Bank of New York. They do not deny that sugar production in the United States can exist only under a protective tariff. The real issues involve primarily (1) the desirability of encouraging domestic sugar and (2) the amount of tariff to be levied. With these and other questions introduced in the debate on the sugar tariff this statement of fact proposes to deal frankly and fearlessly.

Beet sugar is a product of the American farm. Two great national farm organizations and numerous bodies of beet and cane farmers are on record in support of this idea and of the proposed tariff. The American Farm Bureau Federation, with a membership of 1,000,000, states:

> The principal reason for an increase in the duty on sugar is to stimulate the production of domestic sugar crops as a substitute for other crops of which a surplus is produced.

The National Grange, whose membership is 800,000, stated:

> The grange is in favor of increasing the duty so that sugar imported from Cuba would be required to pay a tariff of 2.4 cents per pound. If this is not sufficient to encourage domestic production we favor a higher rate.

Beet farmers from Michigan, Colorado, Wisconsin, South Dakota, Utah, Indiana, Idaho, Montana, North Dakota, Wyoming, and Ohio testified at the hearings of the House Ways and Means Committee in support of the proposed rate of duty on sugar or a higher one. Representatives of cane-sugar growers in Louisiana and Florida advocate it. Interested, too, are the other domestic-sugar producers in Porto Rico, Hawaii, and the American corn-sugar industry. About 40,000,000 bushels of corn, nearly one-sixth of the receipts of America's primary markets, are now used in corn-sugar manufacture and the industry with adequate tariff protection is capable of great expansion.

Increased sugar production would aid solution of farm surpluses.

Beet-sugar production with proper tariff protection could be materially increased in the Western and Middle Western States now adding to surpluses of grain and potatoes. Cane-sugar output could be greatly expanded in the Gulf and Southeastern States, relieving the cotton surplus. Easily 2,000,000 acres could be devoted to sugar-cane culture in the United States, according to unrefuted testimony. More than 1,000,000 acres of corn now devoted to the corn-sugar industry could be doubled with a like increase in corn-sugar production.

On this subject President Coolidge, as recently as 1926, said:

> The American farmer receives advice on every hand to diversify his crops. He proceeds to do so by going in for sugar-beet culture, protected from the competitive impact of cheap Cuban labor by a tariff duty of 1.7648 cents per pound on Cuban raws. The American farmer is thus in process of building up a great home agricultural industry which at once improves the farmer's soil, enables him to diversify his crops and tends to release the American people from dependence upon the foreigner for a major item in the national food supply. The farmer is entitled to share along with the manufacturer direct benefit under our national policy of protecting domestic industry.
>
> It is most important that as a Nation we should be independent as far as we may of overseas imports of food. Further, it is most important that our farmers by diversification of their production, shall have an opportunity to adjust their crops as far as possible to our domestic rather than foreign markets, if we would attain higher degrees of stability in our agriculture.
>
> I am informed by the Department of Agriculture that the land in our country which could be planted with sugar beets if protection to the industry is continued, is capable of producing quantities of sugar far in excess of our domestic requirements. While we can not expect to arrive at complete direct or in-

direct displacement of our excessive wheat acreage by an increase in sugar-beet planting, yet in so far as this may be brought about, it is undoubtedly in the interest of American agriculture and, therefore, to our people as a whole. Furthermore, such diversification with sugar beets has great technical values in agriculture for its gains to fertility and other advantages.

Senator CONNALLY. Are you still reading from President Coolidge?

Mr. LOVE. Yes.

Senator CONNALLY. It is a mighty long quotation from a man who is out of office. Why do you not quote Hoover? What does Mr. Hoover say about it? If you are going to quote Presidents, I want you to tell us where Mr. Hoover stands on this sugar tariff and other tariffs.

Mr. LOVE. He will probably tell us later on.

Senator CONNALLY. You are here to tell us. What is his idea about it?

Mr. LOVE. I do not know. I have not talked with him about it.

Senator CONNALLY. I think we ought to have the President quoted here instead of Mr. Coolidge.

Mr. LOVE. Yes. I do not know, except that I heard Mr. Hoover say in the last three months that he was very much interested.

Senator CONNALLY. Did he say that to you?

Mr. LOVE. Yes; he said it to me personally.

Senator CONNALLY. You were talking to him about this tariff on sugar?

Mr. LOVE. Not about this particular tariff.

Senator CONNALLY. You were talking about the tariff on sugar?

Mr. LOVE. Yes.

Senator CONNALLY. And you heard him say that he was very much concerned?

Mr. LOVE. Very much interested in protecting the domestic sugar industry.

Senator CONNALLY. Did he indicate any rate?

Mr. LOVE. He did not.

Senator CONNALLY. Did you tell him any rate?

Mr. LOVE. No, sir.

Senator CONNALLY. Was this over at the White House that you saw him, or on a fishing trip?

Mr. LOVE. No; I saw him out in Utah, and I have seen him once in the last three months.

Senator CONNALLY. You said within the last month.

Senator HARRISON. No; he said three months.

Senator CONNALLY. That was in Washington, you say, not outside?

Mr. LOVE. That was in January.

Senator CONNALLY. Did you go to see him about sugar? Was that why you went to see him? How did you come to see him?

Mr. LOVE. I know him personally.

Senator CONNALLY. Oh, you were one of the President's war cabinet?

Mr. LOVE. I was a member of the sugar-distributing committee during the war, handling the beet sugar. I know Mr. Hoover personally. I think I can call on him once in a while.

Senator CONNALLY. Yes; you have a perfect right to call on him. These remarks Mr. Hoover made to you were not before November 5?

Mr. LOVE. Before November 5. The talk I had with him in Salt Lake City was before November 5.

Senator SHORTRIDGE. That was before the tragedy you refer to?

Senator HARRISON. And it was then that he referred to this tariff on sugar?

Mr. LOVE. No; he did not say anything about it. He was there only half a day.

Senator HARRISON. You read from Mr. Coolidge and you indorse his remarks, do you?

Mr. LOVE. In a general way.

Senator HARRISON. In a general way. Do you indorse Mr. Coolidge's stand in reference to the tariff on sugar?

Mr. LOVE. Yes.

Senator HARRISON. Did you indorse his stand when he did not accept the report or recommendation of the Tariff Commission?

Mr. LOVE. This was the reason he did not accept it—what he said here. He evidently considered the report of very little value, and that is what he said.

Senator HARRISON. He did not say it recommended an increase under the present law?

Mr. LOVE. No, sir.

Senator HARRISON. That recommendation was to reduce the tariff under the present law?

Mr. LOVE. Yes.

Senator SHORTRIDGE. Well, that is sound doctrine. Read on.

Senator CONNALLY. From your experience with Mr. Hoover, you think that he favors an increase in the sugar tariff?

Mr. LOVE. Yes; I do.

Senator CONNALLY. That is all right.

Mr. LOVE. He has not expressed just what rate he favors, but I am satisfied that he favors an increase.

Senator SHORTRIDGE. You are not assuming to speak for him, at all?

Mr. LOVE. Oh, no; not at all.

In Europe the people have long since learned the lessons of crop rotation and diversification as a means of improving yields and bettering the condition of farm. There sugar beets are accepted as a necessity. Governmental policies for generations have been directed toward encouragement of beet culture. England is changing from the turnip, a noncash crop, to sugar beets, which affords farmers both large revenues and by-product feedstuffs for livestock with resultant manure for maintenance of soil fertility. Incidentally, practically every important sugar-consuming nation engaged in sugar production has adopted measures of protection for their home producers which, in most cases, are far above that proposed in the present tariff bill.

Senator HARRISON. Now, Mr. Love, I will ask you this question, because I imagine you want to be absolutely fair, and we want to get the facts about it.

Mr. LOVE. I do.

Senator HARRISON. Is it not a fact that in a great many instances, and in a great many countries, they can not impose an income tax because there is no great income on the part of the citizens and that there these are revenue measures, and that they are forced to levy these high-tariff duties on sugar to raise the revenue to run the government?

Mr. LOVE. That may be true in some cases. On the contrary, I think it is the very opposite in others.

Senator HARRISON. That may be true, that it is the opposite in others; and true in some.

Mr. LOVE. A great deal has been said here about the Latin Americans. You take every country south of here and it has a duty very much higher than that imposed by us.

Every country south of here in the Latin-American territory has tariff rates higher than the rates proposed by this bill.

Senator SMOOT. Their sugar tariff runs higher than that?

Mr. LOVE. Yes, sir; it runs all the way from 3 cents in Mexico up to around 16 or 17 cents in Brazil. Now, those countries produce sugar, and a lot of it.

Senator CONNALLY. Does Mexico produce more sugar than she consumes?

Mr. LOVE. Mexico ships some sugar out.

Senator CONNALLY. Do they import some?

Mr. LOVE. They import some sugar.

Senator CONNALLY. Do they produce as much as they consume?

Mr. LOVE. I do not hardly think so. I do not think they do.

Senator SHORTRIDGE. What are the rates in Brazil?

Mr. LOVE. The rate in Brazil is 16 or 17 cents, and Brazil produces nearly as much sugar as we produce in the United States; that is, beet-sugar production.

Senator HARRISON. With that sort of tariff they ought to produce it all.

Senator WATSON. Do they produce enough for their entire consumption?

Mr. LOVE. They produce around 840,000 tons. I do not know their consumption.

Senator HARRISON. Do you know that their production is not nearly as great as the consumption in Brazil?

Mr. LOVE. No.

Senator HARRISON. Do you know that there is any of those countries in South America that have this high tariff that produce as much as they consume?

Mr. LOVE. I know South America ships out some sugar. When they ship it up here they must have more than they need, otherwise they would not ship it here.

While I am on that subject I just want to say out of the Cuban crop of 1927, which was 4,216,000 long tons, or about that, there were shipped into the United States 3,256,000 tons, and to all of the South American countries they shipped less than 2,500 tons; to all of Europe there were shipped less than 750,000 tons. Is it fair that Cuba should ship every pound of her sugar into this country? She shipped 78 per cent of her crop into the United States in 1927.

Senator HARRISON. Do you know of any other country that consumes as much sugar as the United States?

Mr. LOVE. Yes, sir.

Senator HARRISON. What country?

Mr. LOVE. Denmark and Australia. That is, per capita. Australia consumes more sugar per capita than the United States. Australia produces more sugar than she requires. But in Australia the Government fixes the price of sugar there at 10 cents a pound, and they see to it that no sugar comes in from any other country. And you talk about the candy men or these people coming in here and objecting to the tariff. They have the largest confectionery institution in the world in Autsralia. I talked to the man personally who is the head of that concern. He said he would not want the price of sugar to come down below the present price, because he considers that a good thing.

Senator SMOOT. The per capita consumption of sugar, taking the whole world, is 50.04, while the consumption in the United States is 112.21.

Senator WATSON. What is it in Australia?

Senator HARRISON. That does not bear out the statement of the witness very much.

Senator SMOOT. You were talking about South America.

Senator HARRISON. He is talking about the world. The sugar business just permeates the world.

Mr. LOVE. We are dealing with a world commodity.

Senator SMOOT. In Australia it is 118 pounds, even more than ours. It is 118.61 pounds.

Mr. LOVE. I would not willingly make a misstatement.

Senator HARRISON. We are just trying to get the facts.

Senator WATSON. Of that 118 pounds how much was used in the form of candy?

Mr. LOVE. I do not know. They have the largest producer of confections——

Senator SHORTRIDGE. In sum total?

Mr. LOVE. Of the whole world. The largest single concern in the world is located over there.

Mr. McPherson Robertson, the head of that concern, was over here last year and he was entertained in the town where I live.

Senator WATSON. You mean they produce more candy than we produce in the United States or that they have the largest single candy-producing establishment?

Mr. LOVE. Yes; they have the largest single candy-producing establishment. And they have grown to that size under sugar prices far above our prices.

Senator CONNALLY. They protect the candy, too, I suppose?

Mr. LOVE. Yes; they very likely do.

Aside from the mass of scientific data which proves the value of sugar beets in crop rotation throughout a large portion of the world's Temperate Zone, the testimony of practical American farmers is available in abundance on this point. Dr. John A. Widtsoe, nationally known farming and irrigation authority, says:

> Successful agriculture of an intensive character, the kind that will determine ultimately the persistence of our Nation, requires a rotation of crops. In the rotation a crop like the sugar beet is indispensable for the maintenance of soil fertility and the cleansing of the soil from weeds and other pests. There are few such crops in existence, and none that so well fit a large part of our country lying under a temperate climate. Besides it is one of the best cash crops now grown by farmers anywhere.
>
> I am not half as much concerned about the beet-sugar industry as I am about our agriculture as a whole. The sugar beet is a determining crop in our agricultural prosperity over a large part of the country. Instead of eliminating it from our agricultural practices by prohibitive legislation, we should rather see to it that it is extended far and wide.

Otto W. Wegner, a Michigan farmer, testified before the House Ways and Means Committee:

> Sugar beets diversify farming, improve the mechanical condition and tilth of the soil, and the crop that follows beets is benefited thereby. But when a farmer finds out that it costs him more to produce this crop than he is getting out of it he simply quits growing beets. I respectfully recommend that the provisions of the present tariff be changed to such an extent as will afford us sufficient protection against foreign and insular produced sugar to enable us to continue to engage in production of sugar beets in this district.

Only in a few localities exceptionally favored by climatic conditions, good markets, and lack of competing crops has the beet-sugar industry been able to survive the ruinously low sugar prices of recent years without serious impairment. In Michigan, Wisconsin, Ohio, California, Utah, Idaho, and South Dakota the industry is facing extinction as the result of Cuban raw sugars being dumped in the United States below cost of production.

Senator HARRISON. Now, you mentioned certain States where the industry is facing extinction. In what States is it not facing extinction?

Mr. LOVE. Colorado.

Senator HARRISON. Why the difference?

Mr. LOVE. Well, one reason for Colorado being as it is is that Colorado extends along the eastern base of the Rocky Mountains. They built up the industry there through a system of scientific farming. The Great Western Sugar Co. has been a very great aid to the farmers of that part of the country. They have encouraged them in every way. They have spent lots of money in scientific research.

Senator HARRISON. That is because they have made a lot of money?

Mr. LOVE. Yes; they have done very well. They have not made a lot of money compared with the amount of money they have invested in their business.

Senator HARRISON. You do not think a concern that starts in in 1905 with a capital of $15,000,000 and that has since then increased it to $184,000,000 has done very well?

Mr. LOVE. That is not a fair statement.

Senator HARRISON. It is not?

Mr. LOVE. No, sir.

Senator HARRISON. What is a fair statement?

Mr. LOVE. There is a Great Western official here who will testify.

Senator HARRISON. But you said that was not a fair summary of it. Now, what is your idea about it?

Mr. LOVE. My idea is this: I happen to know something about the Great Western Sugar Co.

Senator WATSON. Do you have stock in it?

Mr. LOVE. No; I tried to buy some but it was too high. I will say this in that respect——

Senator WATSON. Where do they operate?

Mr. LOVE. They operate in Colorado, in Nebraska, in Wyoming, and in Montana.

Senator SHORTRIDGE. You were about to give the reasons why Colorado was in a better situation.

Senator HARRISON. I want him to give the other reasons first.

Mr. LOVE. I am not doubting the figures, Senator, but you know what you can do with figures. You can construe figures most any way and create any kind of a picture you want.

Senator HARRISON. They do not fit in with your contention here, do they?

Mr. LOVE. No, sir; they do not.

Senator HARRISON. Consequently you suspect them a little bit?

Mr. LOVE. I do suspect them.

Senator CONNALLY. Why did you want to buy stock in that concern if it was such a bad thing?

Mr. LOVE. I did not say it was a bad thing. Six or eight years ago I thought of buying a little stock in the Great Western Sugar Co. I looked up the quotations and they were around, as I remember it, $40 a share, or something like that. I just don't remember exactly the figures.

Senator WATSON. What was the original value of the shares?

Mr. LOVE. I do not know the original value of the shares. I only know this, Senator: The Great Western Sugar Co. has some 21 refineries, as I remember it, 21 wonderfully equipped plants; they have a railroad; they have farms; they have other things of value; and, in my opinion, the value of the Great Western Sugar Co.'s holdings to-day is mighty close to $100,000,000. When a company only makes $3,500,000 in one year, which it did year before last, and something that——

Senator HARRISON. How much?

Mr. LOVE. I have not got last year's figures.

Senator HARRISON. I have them.

Mr. LOVE. Something like $7,000,000 last year, and two years prior to that it was $3,500,000.

Senator HARRISON. In 1928 it was $5,970,000, in 1927 it was $5,850,000, in 1926 it was $5,850,000, and so on down the line.

Senator SHORTRIDGE. What document are you reading from?

Senator SMOOT. That is Doran's statement.

Senator HARRISON. I want to see it combatted.

Senator WATSON. Is there any other institution situated like the Great Western Sugar Co., or is it the one great sugar institution?

Mr. LOVE. I have in my office here in Washington the last three years' statements of every beet-sugar company in the United States, including the Great Western.

Senator HARRISON. Will you furnish them to us, so we can put them into the record?

Mr. LOVE. I will be very glad to. That shows that there is only one sugar company in the United States, of all the domestic beet-sugar companies in the United States, reporting to us—there are one or two companies that have not reported—out of all that number the Great Western Sugar Co. is the only one showing net earnings in the last three years.

Senator HARRISON. Is it not a fact that there are about six of them that at least have shown appreciable earnings?

Mr. LOVE. No; that is not a fact, not during the last three years. I am lumping them, excluding the Great Western, and putting the rest of their figures into a lump sum.

Senator HARRISON. Let us not put them in a lump sum. Are there not some other concerns engaged in the manufacture of beet sugar that have made money outside of the Great Western Sugar Co.?

Mr. LOVE. Not in the last three years.

Senator HARRISON. That is your statement?

Mr. LOVE. If you pick out individual companies——

Senator HARRISON. That is what I want to know. Are there not individual companies that have made money?

Mr. LOVE. Yes, sir.

Senator SHORTRIDGE. Note the question.

Mr. LOVE. They have not made any decent showing.

Senator SHORTRIDGE. I know; but note his question and answer it.

Senator HARRISON. I understood you to say that about six or eight years ago you tried to buy some stock in the Great Western Sugar Co. Is that the time they were asking for this 1.76 cents a pound on Cuban sugar?

Mr. LOVE. That had nothing to do with it.

Senator HARRISON. That was around six or seven years ago, was it not?

Mr. LOVE. In 1922 we asked for an increase in the tariff. We asked for 2 cents, and we got 1.76 cents. Had we received our 2 cents, the industry would have been in a very much better condition to-day.

Senator HARRISON. You did not consider buying some of that stock in that year on the theory that the tariff was to be increased at that time?

Mr. LOVE. Oh, no.

Senator HARRISON. That had nothing to do with it?

Mr. LOVE. Not at all. I was looking for a little investment.

Senator HARRISON. Would you have wanted to buy some of that stock if the tariff of 1922 had not been increased?

Mr. LOVE. That had nothing at all to do with it, one way or the other.

Senator HARRISON. Do you believe they could have made the same earnings and have made as much money without that increase in 1922 as they did make?

Mr. LOVE. No; I do not think they could.

Senator HARRISON. So it would not have been as good an investment?

Mr. LOVE. No; it would not have been as good an investment.

Senator HARRISON. Yet that had no effect upon your action?

Mr. LOVE. None whatever. As a rule, when we make investments we do not go as far as to look into the question of a tariff to see what is going to happen to us. We ought to, but we do not. If I had been as careful about my investments in the Utah-Idaho I would have been a lot better off. I invested in Utah-Idaho at $9 a share and the stock sold recently at $1.30 a share.

Senator SHORTRIDGE. Is that a sugar company?

Mr. LOVE. That is the company I am connected with. That is one of the largest companies in the United States.

Senator SHORTRIDGE. All right.

Mr. LOVE. Ten years ago, or 12 years ago, I bought stock and paid $9 a share for it. To-day you can buy all you want for $1.50, and it has been down as low as $1.30. That is the condition that most of the beet-sugar companies are in in the United States. I know the executive officers of all the companies and I know their condition.

Senator HARRISON. You are the president of the Utah-Idaho Sugar Co.?

Mr. LOVE. No; I am president of the United States Beet Sugar Association.

Senator HARRISON. You are an officer of the Utah-Idaho Sugar Co.?

Mr. LOVE. Yes, sir; I am a member of the executive committee and sales manager.

Senator HARRISON. You are not sorry about that, are you?

Mr. LOVE. No; I am not apologizing for it. They are the finest bunch of people I was ever associated with.

Senator HARRISON. When was that company organized?

Mr. LOVE. It was organized a good many years before the Great Western was organized. I should say, 10 years before the Great Western was organized.

Senator HARRISON. About 1895?

Mr. LOVE. It is one of the pioneers.

Senator HARRISON. The Great Western was organized in 1905.

Mr. LOVE. The Utah-Idaho was organized, if my recollection is correct, about 10 years before the Great Western.

Senator HARRISON. What was the capitalization?

Mr. LOVE. I do not remember.

Senator HARRISON. Well, can you furnish it to the committee? We want the amount of capitalization paid in at the time and since that time, year by year the dividends that have been paid, the new stock that has been issued, and so on. We want sort of a history of the Utah-Idaho Sugar Co.

Mr. LOVE. Yes; I can do that if you want me to.

Senator HARRISON. Is that allied with the Great Western Co. at all?

Mr. LOVE. Not in any way, shape, manner, or form.

Senator HARRISON. Who are the largest stockholders in the Utah-Idaho Sugar Co.?

Mr. LOVE. In the Utah-Idaho Sugar Co., Mr. W. H. Wattis, I think, is the largest single stockholder.

Senator HARRISON. Does he own a controlling interest in it?

Mr. LOVE. No, sir.

Under the rates in the Fordney-McCumber Tariff Act the industry has barely held its own in output, although in the seven years since passage of that law most of the beet-sugar companies of the country have steadily lost ground financially. Only one important company in the entire beet-sugar industry is paying dividends. Practically all of the other companies are unable to pay any return on investment. The farmer, facing increased costs, would like higher payments for beets, and where tonnage per acre is too low they are unable to grow the crop profitably at present prices.

Senator CONNALLY. Is that because of the superior management of this Great Western Sugar Co., or why is it?

Mr. LOVE. I started to explain that situation a while ago, but I was interrupted.

Senator SHORTRIDGE. Go ahead and explain it.

Mr. LOVE. The Great Western is located in one of the favored spots in the beet-sugar section of the United States. They have great stock feeding operations in connection with their industry; they feed up most of their molasses and their pulp and everything close to the plant. They have in years gone by, but not so much now—little competition. Their plants were established first in Colorado, then in Wyoming, then in Montana, then in Nebraska. They distributed a very large portion of their product locally. They had the best territory in the United States for beet-sugar distribution. In the early days, the way I see it now, they were favored as no other sugar company has been favored.

Senator CONNALLY. Well, they had sense enough to get in the right place and do business in the right way.

Mr. LOVE. Well, there is something in that, too.

Senator SHORTRIDGE. He is trying to assign the reasons why they succeeded and the others have not succeeded.

Mr. LOVE. Also, they have been free from pests, the things that ex-Secretary Jardine spoke of yesterday. There has been no infestation by the fly in any of the Colorado districts or in any of the Great Western territory that I know of. They have been able to take care of all of those things that the smaller companies are not able to do by reason of their great organization and the way that they handle their business.

Senator HARRISON. Is the Utah-Idaho Sugar Co. almost as large as the Great Western?

Mr. LOVE. No; nothing like it.

Senator HARRISON. I am wondering if, in your opinion, these figures are approximately correct, that in 16 of the leading sugar-producing companies in Cuba they lost last year 1.5 per cent on their money invested; 4 of the largest in Porto Rico made 13.7; 17 of the largest in Hawaii made 11 per cent; 6 of the largest domestic in this country in the beet variety, net worth $131,495,000, made a net profit of nine million plus and made 6.9 per cent or nearly a 7 per cent return. Are those figures approximately correct, do you think?

Mr. LOVE. I do not know anything about the figures in Cuba or, as a matter of fact, any of the figures that you have mentioned. But I will submit for your information, Senator, as you request, a statement showing the earnings of every company in our organization and then you can judge for yourself whether you think they have been prosperous or not.

Senator HARRISON. Bring that down through a period of years.

Mr. LOVE. I will go back to the last three years.

Senator HARRISON. Couldn't you get it for the last 15 years?

Mr. LOVE. Yes, I could; if you will compare it along with the Cubans in the same way.

Senator HARRISON. These gentlemen will compare it, do not worry about that. There will not be any trouble on that score.

Senator SHORTRIDGE. Can you furnish the figures back for say 10 years?

Mr. LOVE. I think so.

Senator SHORTRIDGE. That might be useful and helpful.

Mr. LOVE. I think I can do that.

The only beet-sugar company with a profit record worth mentioning, the Great Western of Colorado, under unusually favorable growing and tonnage conditions has been able to earn a dividend upon moneys invested and continuously used in the business in the past 10-year period.

Beet-sugar companies in the United States with more than $150,000,000 invested—exclusive of the Great Western—have, taken as a whole, lost money in the last three years. Including the Great Western net profits on approximately $250,000,000 in the beet-sugar industry of the country in the three years have averaged less than $2,000,000 annually. This is less than 1 per cent return on capital actually invested in the business.

Senator HARRISON. How about the four years previous thereto?

Mr. LOVE. I can not give it to you. I will get it for you.

Senator HARRISON. What is your opinion about it? Did they lose money during the preceding four years?

Mr. LOVE. No. We had a high price for sugar. I think you asked a question yesterday about the increase in production of beet sugar in 1923. In 1922, 1923, and 1924 the price of Cuban raw sugar was almost double what it is now. If you can put the price up why you increase the production in the United States. I want to tell you——

Senator HARRISON. The facts as handed to me indicate that in 1922 the production of beet sugar was 1,021,000 and in 1923 it had fallen off to 690,000, following the passage of the tariff bill.

Mr. LOVE. Follow now with the next year.

Senator HARRISON. In 1924 it was 882.

Mr. LOVE. Well, at the close of the war we had a $12 beet contract that was put on us by the Government. They asked us to pay $12 for the beets.

Senator HARRISON. How much had you been paying before that?

Mr. LOVE. About $5.

Senator HARRISON. So the Government made you put on this increase?

Mr. LOVE. No. They were anxious to get sugar and they asked us, being in control of the Cuban crop and our crop, that we pay $12 for beets and we would produce more sugar. That was the object. So we paid $12.

Senator HARRISON. You agreed to that as a member of the sugar branch of the Food Control Administration?

Mr. LOVE. Yes; I agreed to that. I was one that agreed to it, with the idea in view, of course, that we would be able to sell our sugar that we made out of the $12 beets at a profit.

What was the result? When the war was over there was shipped into this country 800,000 tons of sugar from countries that had absolutely no business to ship us a pound of sugar only by reason of the high prices. Cuba put the price of sugar inside of three months from 6½ cents up to 23 or 24 cents. And then Mr. A. Mitchell Palmer, who was in charge of the situation at that time, sent out an S O S to ship sugar here and 800,000 tons of sugar came in and inside of six months sugar went down to 5 cents a pound and my own company lost some $6,000,000 by that transaction.

Senator HARRISON. What was it they were getting when he sent out this S O S? What were you getting a pound in the United States?

Mr. LOVE. The price of sugar was up.

Senator HARRISON. How high did it reach?

Mr. LOVE. Around 28 cents.

Senator HARRISON. Was it not higher than that?

Mr. LOVE. I think it did go higher than that in some parts of the country.

Senator HARRISON. How high did it go?

Mr. LOVE. The highest price for raw was about 24 cents, but the price of refined in some sections of the country went pretty close to 30 cents.

Senator HARRISON. And because Mr. A. Mitchell Palmer sent out an S O S to try to reduce the price a little bit you complain?

Mr. LOVE. I do not complain.

Senator HARRISON. You were complaining?

Mr. LOVE. I am telling you what happened. Of course, what every practical sugar man in the United States service suggested—that that was the proper thing to do in view of the fact we had gone in with the Government on this thing honestly and with the idea of keeping down the price of sugar—was not done. Sugar in the United States did not during Mr. Hoover's administration go above 10¼ cents, and the rest of the world was paying three times that price, in some places four times that price for sugar. But as soon as the war was over and they let down the bars it left us with a $12 contract on our hands.

Senator HARRISON. Is it not a fact that during the year sugar leaped up above 30 cents and that they put people on rations and we had to get some sugar from somewhere else?

Mr. LOVE. No; sugar went up after the war was over.

Senator SMOOT. It was controlled during the war. These people that imported the sugar in here, just as soon as the sugar fell in value, for every pound or every ton they had on hand and on which they had paid a duty, came to Congress for a refund of that duty and it was granted.

Senator HARRISON. And the Senator voted for it?

Senator SMOOT. Yes. I voted for it, because I thought it was right.

Senator HARRISON. These people were acting under the suggestion of Mr. Palmer. They brought the sugar in and lost on it in transit.

Senator SMOOT. The sugar fell, as the witness already stated.

Mr. LOVE. There was no suggestion about making good our losses by Government officials or otherwise.

Senator HARRISON. You did pretty well, your industry did, during 1920 and 1921?

Mr. LOVE. No; we did not.

Senator HARRISON. Why didn't you?

Mr. LOVE. Because the price which the Government established for the sugar—I am talking about my own company—was not sufficient to pay our regular dividends which we were paying, 8 per cent. and we had to go down into our reserve to the tune of about $1,750,000 to pay our regular dividends, and the next year——

Senator HARRISON. What year was that?

Mr. LOVE. At the close of the war; in 1920 and 1919.

Senator HARRISON. What did you do in 1920?

Mr. LOVE. That is when we had the big loss.

Senator HARRISON. In 1920?

Mr. LOVE. Yes, sir.

Senator HARRISON. How about in 1918?

Mr. LOVE. I say during the two years we were under Government control, that is. 1918 and 1919; part of the year 1917, over the year 1918, and over the year 1919—we had to go into our reserves and take out of our reserves something like $1,750,000 to pay the dividend that we had been paying prior thereto, which was 8 per cent, as I remember.

Senator HARRISON. What happened immediately after the hand of the Government was lifted?

Mr. LOVE. Sugar went down to 5 cents a pound, and we had a beet contract on our hands where we paid $12 for beets. And we sold that sugar for just about 5 cents a pound.

Senator SMOOT. Wasn't that the time when Cuba made a pool on sugar and put the price of sugar up so high they would not allow a single ton of sugar to come into the United States?

Mr. LOVE. I do not know that they actually made a pool, but there was a story that came up from Cuba and published in the American papers that the Cubans intended, with the sugar that they had left, to make a pool and demand 30 cents a pound. They had been getting around 24 cents for it. That was the time that Mr. A. Mitchell Palmer sent out the S O S I mentioned to get some sugar together at a fairly reasonable price to bring down the pool of this particular foreign country. I am not complaining of the action of A. Mitchell Palmer.

Senator SHORTRIDGE. What was the effect of that S O S, as you call it, upon our industry in America?

Mr. LOVE. Let me explain to you something about it.

Senator SHORTRIDGE. Just in a word.

Mr. LOVE. Let me explain to you something of the arrangement that was in effect at that time.

There were two agencies for the handling of sugar during the war. One was the beet-sugar distributing organization. The other was the Sugar Equalization Board, I believe they called it. That was a corporation established by the Government itself. The Government issued stock and the Government owned and held all of the stock in that company.

We went into an agreement with the Government that we would sell our sugar at the price fixed by the Sugar Equalization Board.

Senator SHORTRIDGE. And they fixed the price?

Mr. LOVE. Yes.

Senator SHORTRIDGE. At what?

Mr. LOVE. And we followed it.

Senator SHORTRIDGE. And what was the price they fixed?

Mr. LOVE. The first year, I think, they fixed a price of something between $7 and $8. The next year it was between $8 and $9. The wholesale price of sugar was around $10. They allowed the merchants, I believe, to make about $2 a bag on sugar at that time.

After the war was over all of the practical sugar men met in New York. I was one of them who was there at the time. We tried to get the Government to continue the operation of that committee, or of those two committees, until we could get back to normalcy.

Professor Taussig was a member of the Equalization Board, and he was the only man who stood out against it. I suppose he represented the wishes of President Wilson, but I don't know.

But I was present when several telegrams were sent to the President endeavoring to get him to continue the operations of those committees for another year. And, by the way, all of the refiners in New York, all of the beet-sugar people, and every beet-sugar man in the United States who had a practical knowledge of sugar.

thought that that was the proper way to do it. But the Government said no.

At that time we already had an option on the Cuban crop at 6½ cents a pound for that year. Of course, the Cubans could not hold that option open forever. They were appealing to us to take action, but we could not take action because we had to hear from the President before we could.

Senator WATSON. When you say "we had an option," whom do you mean?

Mr. LOVE. The Equalization Board, the people who were handling the sugar business.

I was present when the last telegram was sent to the President. We got no reply back. The only reply we got back was a telegram from a man named Foster, who said he was the executive secretary, and in that reply he said it would be presented to the President at the first opportunity.

I think within three days from that time the Cubans notified us that they would not hold the option open any longer. So we then sent out word to all of our people that the deal was off, so far as the Cuban sugar was concerned.

Inside of three months from that time Cuban sugar on which we had an option at 6½ cents was put up from 6½ cents to 24½ cents. That was within six months.

Senator HARRISON. Yours go up, too?

Mr. LOVE. No; ours did not, because ours was practically all sold under Government regulation.

Senator HARRISON. If it was not sold, why did the price of sugar go up?

Mr. LOVE. They would not permit us to put our price up. We were under Government control and we had to go on and sell our sugar at the price fixed by the Government when we did.

The Great Western Sugar Co., a company about which all of this offensive stuff has been put out, during all of that time when everybody else was getting prices around 25 to 30 cents for sugar, never sold a pound of sugar above 12 cents. My own company's average for that year was 11 something.

Senator HARRISON. Who was the head of the Food Board at that time?

Mr. LOVE. A. Mitchell Palmer. It was under his jurisdiction.

Senator HARRISON. Who was the Attorney General at that time?

Mr. LOVE. When Mr. Hoover went out his duties were put under the direction of the Attorney General, and a man by the name of Figg—who did not know a fig about the sugar business—was brought in here to Washington to handle the sugar business.

Senator HARRISON. Who was the head of the Food Administration at that time?

Mr. LOVE. After the war Mr. Hoover was relieved of his duties, and I think such duties were taken over by the Attorney General, as I remember it. I know that all of those things happened while Mr. Palmer was in charge.

Senator HARRISON. I want to ask you about that $12 that they raised on sugar beets during the war. You increased the price to the beet grower from $5 to $12 during the war?

Mr. LOVE. No; not during the war. It went up, 5, 6, 7, 8, 9, 10, and up to 12.

Senator HARRISON. It finally went up to $12.

Mr. LOVE. Yes.

Senator HARRISON. What is it now?

Mr. LOVE. An average for the country is about 7½.

Senator HARRISON. Seven and one-half.

Mr. LOVE. Yes.

Senator HARRISON. So it has gone back to nearly the pre-war basis?

Mr. LOVE. Oh, no.

Senator HARRISON. Fifty per cent?

Mr. LOVE. No; the pre-war basis was $5. We are 50 per cent above the pre-war basis.

Senator HARRISON. Do all of them pay about the same for the sugar beets?

Mr. LOVE. Practically the same. They differ in different localities. The farmer is paid for his beets upon the basis of the sugar content of his beets and the final net which the company gets for the sugar. But he is given a guarantee in order to get him to plant beets in the spring, and we give him a contract which provides a guarantee, in some places of $6, in some places $7, in some places $7.50, and in some places $7.75.

Senator HARRISON. A great deal has been said about the labor cost. What labor do you employ in this sugar beet growing?

Mr. LOVE. We employ all kinds of labor. In some sections of the country the labor in the beet fields is done principally by the farmers and their children. In other sections, where they have large acreages and where the population is small, they have to bring in labor. They bring in all kinds of labor from wherever they can get it, practical beet growers originally from Europe, in some cases Mexicans, and some Japanese are used.

Senator HARRISON. Isn't it true that about 60 per cent of the labor is Mexican?

Mr. LOVE. Absolutely untrue.

Senator HARRISON. That is not true?

Mr. LOVE. Absolutely untrue.

Senator HARRISON. A statement was made by a Congressman to to this effect:

> Our American labor does not do this kind of work. I never in my life have known of any member of organized labor going into a sugar-beet field. The American laboring people will not get down on their hands and knees in the dirt and pull weeds and thin these beets and break their backs doing that kind of work.

Mr. LOVE. Well, I think it is a very foolish statement, if you want my opinion.

Senator HARRISON. Then, another statement made by the vice president of the Mountain States Beet Sugar Growers Association. Who is that? Do you know? He said:

> I want to state to you that there is not a white man of any intelligence in our country that will work an acre of beets. I do not want to see the condition arise again when white men who are reared and educated in our schools have got to bend their backs and skin their fingers to pull these little beets.

You do not agree with that statement?

Mr. LOVE. No; and you do not.

Senator HARRISON. I don't know anything about it. I understand in Michigan and in some of these other States they use a great many Mexicans.

Mr. LOVE. Yes; they do.

Senator HARRISON. All they can get.

Mr. LOVE. No; not all they can get.

Senator WATSON. They use a good many in Colorado?

Mr. LOVE. Yes; they use a good many in Colorado. There is a wrong impression even there.

Senator SMOOT. Why do you have to use them?

Mr. LOVE. Beets have to be thinned within a period of two or three weeks. You have to thin them within that period. The labor in thinning beets is not [illegible] you would think it is from what this fellow says [illegible]

As a matter [illegible] Mexicans can thin three-quarters [illegible] thinning consists of blocking. T[illegible] planted i[illegible] drill, and they go along with [illegible] out thi[illegible] [illegible], and they do not get d[illegible] a[illegible] es in [illegible] as stated. A fellow ch[illegible] ou[illegible] and wi[illegible] other hand he leaves o[illegible] or to[illegible] inches [illegible] They become expert a[illegible] good m[illegible] acre a day, and so[illegible] been k[illegible] and they are paid a[illegible] th[illegible] They earn more m[illegible] elsewh[illegible]

The [illegible] the be[illegible] because he can get [illegible] 5 per [illegible] n h[illegible] by working on the r[illegible] during t[illegible] e. [illegible] out and get them, and [illegible] them [illegible] m wh[illegible] nd them. But when you [illegible] int[illegible] ico and [illegible] ns here, that is a lot of bunk [illegible] ything of [illegible]

Senator HA[illegible] it that. As I understand it, at this p[illegible] when they have to dig or cut these beets, th[illegible] exicans, and they come in for two or three weeks and finish up this job, and then they go ahead and go to some other place, and they may go into another State and finish up that job.

Mr. LOVE. They get a contract with the farmers themselves. The companies assist in procuring this labor for them, because the individual farmer could not go out and do it. The only way in which it could be done successfully is to have it done in the way indicated.

Senator WATSON. Are there American farmers engaged in it?

Mr. LOVE. Thousands of them. In the States of Utah and Idaho there is not 5 per cent of the work done by Mexicans.

Senator SMOOT. In what length of time must this thinning be done?

Mr. LOVE. It must be done within 30 days. It must be done within that time.

Senator HARRISON. You have a great deal of faith in the report of the Department of Labor, have you not?

Well, you ought to have if you have not.

Mr. LOVE. I ought to have if I have not.

Senator SHORTRIDGE. Well, I don't think it is necessary to bring that out.

Senator HARRISON. The report of the Department of Labor says this, and I want to know if you agree with this:

According to the report of the Department of Labor in 1927, 75 to 90 per cent of the workers in the beet fields of Ohio, Michigan, Minnesota, and North Dakota were Mexicans. Do you agree with that?

Mr. LOVE. I do not.

Senator HARRISON. Well, they are just wrong about it?

Mr. LOVE. I do not agree with that at all.

Senator SMOOT. Does it say how long they were employed?

Mr. LOVE. My duties carry me into nearly all of those districts, and I have never seen any such number of people as indicated by that report working there. Along in the fall the harvest has to be done in a short time——

Senator SHORTRIDGE. What is this additional? Make it perfectly plain to everybody.

Mr. LOVE. I will make it plain if I can.

Senator SHORTRIDGE. It is very simple, but I want it for the record.

Mr. LOVE. We could have a contract put in.

Senator SHORTRIDGE. We have a contract in. Just state it in a few words.

Mr. LOVE. We have a contract which gives the farmer a guaranteed price for beets, say $7 per ton.

Senator SHORTRIDGE. That is the minimum price?

Mr. LOVE. Yes; that is the minimum price.

Now, that contract is made in January, we will say. The grower grows the beets during that year. There is no sugar made from that contract until the next fall.

Senator SHORTRIDGE. From those beets.

Mr. LOVE. Yes. In October we begin to sell from the sugar out of those beets. From the 1st day of October of this year, 1929, we will say, until the 1st day of October, 1930, whatever price develops in the United States, if the price goes up, he get something beyond the $7 minimum price per ton, he gets that regardless of whether the sugar company is making a profit or not.

Senator SMOOT. What is the percentage of increase that he gets?

Mr. LOVE. Whatever it happens to be.

Senator SHORTRIDGE. Does he get 40 per cent, or 20 per cent, or what per cent of the increase?

Mr. LOVE. He gets all of it.

Senator SHORTRIDGE. He does?

Mr. LOVE. Yes, sir. That is fixed right in the contract. If you get a 16 per cent beet and a $6 price net for sugar, he would get, under our contract, about $7.96. That would be 46 cents above his guaranteed price of $7.50. If sugar went to $6.50 he would get $8.56 for his beets. If it went to $7 he would get $9 or $10 for his beets.

Senator SMOOT. I thought wherever there was a profit made over and above the amount paid for the beets, and based upon the saccharide of the beet, that the farmer received half of that, over and above the price he was annually paid.

Mr. LOVE. No; the contract is built up upon the theory that it is a division of 50-50. This contract is supposed to be scientifically worked out by technical men. But in addition to that he gets a guarantee of $7 of $7.50 per ton of beets.

Senator CONNALLY. But those guarantees are based upon the theory of the Senator from Utah?

Senator SMOOT. Just exactly. That is what I said yesterday. And that is as I have always undestood it.

Senator HARRISON. Your contracts now fix the price of 6 cents, you say?

Mr. LOVE. No; our contract is $7 in Utah.

Senator HARRISON. I understand. But if they get a certain amount over a certain retail price or wholesale price of the sugar, then they get an increase, as I understand it?

Mr. LOVE. Under the present price of sugar there is no chance of the farmer in the United States getting more than $7.50. But if sugar should go up so that our company would get $6 net for sugar, then the farmer would get about 50 cents more added to the price of his beets, and if it went beyond that he would continue on up.

Senator HARRISON. Since 1922, has there been any time when the beet grower has come in for any increase over the amount of the contract?

Mr. LOVE. Yes; a number of times.

Senator HARRISON. What year?

Mr. LOVE. 1923, 1924, and 1925, I think, they were paid. I know we paid as high as $8.50 for beets.

Senator HARRISON. But you haven't in the last five years?

Mr. LOVE. No; we have not in the last three years. The sugar price has been such that we could not do it. And I will say further that in the event this price should continue at the present level we could not continue those guarantees. Our own company last year lost $143,000 or $145,000, and the year before that we lost a big wad, and this year we will lose a whole lot more because of the price of sugar. And I want to say this, not for publication, but when we get together at New York this fall and try to get enough money to pay for the beets coming up we will have a hard time convincing our banking friends that we will be able to pay them back——

Senator SMOOT. Particularly the National City Bank?

Mr. LOVE. Yes.

Senator HARRISON. Why the National City Bank?

Mr. LOVE. I did not say the National City Bank.

Senator HARRISON. The Senator from Utah did.

Senator SMOOT. Because they have the money in Cuba.

Senator HARRISON. Then I understand you do not do business with the National City Bank?

Mr. LOVE. No; I would not do business with them.

Senator HARRISON. You would not do business with them?

Mr. LOVE. No.

Senator SHORTRIDGE. Perhaps they would not with him.

Mr. LOVE. I am not doing business with my enemies, if I know it.

Senator SHORTRIDGE. Please resume and finish your formal statement.

Mr. LOVE. When sugar prices are low as at present the guarantee involves a loss for the great majority of the factories. A small increase in sugar prices may not entitle the farmers to payments in excess of the guarantee because at such a time the farmers are already receiving in their initial guaranteed payment; all—or more—that the sugar market will bear.

In about the same way as the thinning, you have to start in to harvest beets about the 1st of October, and if you let it go beyond the 15th of November you will run the chance of having your beets frozen in the ground.

Senator CONNALLY. Do you plow them up?

Mr. LOVE. They are lifted up by a plow. They are lifted up and then they are topped. A fellow sticks a hook into them and tops them [indicating].

Senator SHORTRIDGE. All of that is very interesting; but as applied to the subject of tariff, what further do you wish to say?

Mr. LOVE. The farmers asked Congress for higher rates of duty than the proposed 2.4-cent rates. They stated they would profit from any increase in sugar prices arising from a higher tariff.

Senator SHORTRIDGE. You say so, too, do you?

Mr. LOVE. Absolutely.

Senator SHORTRIDGE. All right.

Mr. LOVE. The beet growers are paid according to the net price realized by the manufacturer from the sales of sugar. Contracts made with the farmers before the crop is planted assures them a minimum guaranteed price per ton of beets. This guaranty is generally fixed at a high point in order to stimulate plantings and insure the factories maximum tonnage, which is essential to capacity operation and low costs.

When sugar prices are low, as at present, the guaranty involves a loss for the great majority of the factories. A small increase in sugar prices may not entitle the farmers to payments in excess of the guaranty, because at such a time the farmers are already receiving in their initial guaranteed payment all or more that the sugar market will bear.

Senator HARRISON. What about the statement that was made yesterday about the sugar-beet industries are now sharing the profits with the beet producer?

Mr. LOVE. I am just telling you about that.

Senator HARRISON. That is this year's policy?

Mr. LOVE. That has been the policy for seven or eight years.

Senator HARRISON. Always?

Mr. LOVE. Or for 10 years.

Senator HARRISON. That is universal in that industry?

Mr. LOVE. Yes, sir; absolutely. It is not the profit. He shares in the price which is obtained in the sale of sugar. If the company does not make a cent of profit the farmer shares in the final price if it runs above the guaranty.

Senator CONNALLY. If sugar goes up, he gets more for his beets?

Mr. LOVE. Surely.

Senator SHORTRIDGE. He gets a certain guaranteed price? That is it, isn't it?

Mr. LOVE. Yes.

When the net price obtained by the manufacturer for his sugar reaches a point where more than the guaranteed minimum is warranted, the grower, under his contract, receives substantially half of the increment.

Moreover, beet manufacturers in recent years have, in order to encourage beet plantings, paid farmers an increasing percentage of the net sugar proceeds.

The relationship between grower and manufacturer is thus cooperative in a real sense. No crop of general application and grown on a large commercial scale has such a favorable contractual relationship as that of sugar beets. In a very direct and practical way the farmer and factory are partners in the price obtained for the finished product.

Notwithstanding the high value of sugar beets in crop rotations and the close tie of the farmers with the net sugar-proceeds development of the domestic beet-sugar industry has been relatively slow. This is explained principally by inability of manufacturers to pay sufficiently attractive prices to farmers for beets, due to low sugar prices and to a tariff policy which has clearly been more favorable to development of sugar production in lands with lower living standards and wages.

Senator HARRISON. Did you appear before the Ways and Means Committee of the House in 1922?

Mr. LOVE. No; I did not.

Senator HARRISON. Or 1921?

Mr. LOVE. No, sir. I was here in 1921 and 1922.

Senator HARRISON. Did another representative of your organization appear before them?

Mr. LOVE. Yes.

Senator HARRISON. Did they ask for a greater increase than they got at that time?

Mr. LOVE. Yes; we asked for 2 cents.

Senator HARRISON. Did that representative state at that time that if you got the increase there would be a greater production of beet sugar?

Mr. LOVE. Yes; we made that representation.

Senator HARRISON. You believed it at that time?

Mr. LOVE. We believed it. If we had gotten what we asked for there would have been an increase. There is no question in the world about that.

When the Dingley Tariff Act of 1897 was passed, which gave the first great impetus to domestic sugar production, approximately 85 per cent of the sugar imported into the United States paid full duty. Within six years beet-sugar output increased over 400 per cent.

Senator HARRISON. What was it at the time of the passage of the Dingley tariff law?

Mr. LOVE. What was the rate?

Senator HARRISON. To the producer in the United States.

Mr. LOVE. I haven't the figures. It was small then.

Senator HARRISON. Very small?

Mr. LOVE. Yes. It was just starting out.

Senator HARRISON. Consequently any increase would show up big?

Mr. LOVE. Yes; surely.

But after Hawaii was annexed and we assumed control of the Philippines and Porto Rico we allowed sugar from these islands free admission to our ports.

Practically all nations having so-called colonies protect the sugar industry of the mother country either by levying full duty on imports or allowing colonies a preferential. In addition, we granted Cuba 20 per cent preference under our full duty sugar rates.

The flood of free and concessionary sugar has been growing larger and larger each year until at the present time they furnish over 99 per cent of the sugar entering our ports.

In other words, concessions to our island Territories and to Cuba have resulted in less than 1 per cent of our current sugar arrivals paying full duty, as against 86 per cent in 1901.

Senator HARRISON. Do you oppose that preferential to Cuba?

Mr. LOVE. Yes; I oppose it.

Senator HARRISON. You think Cuba ought to be treated just like any other country?

Mr. LOVE. Yes, sir. I have not openly opposed it. I have not gone out and opposed it, but I can not see any reason why Cuba should be given any preference in duty treatment; absolutely no reason for it in the world. She never made use of it. She never used it except to corner the American market; that is all.

Senator CONNALLY. May I ask a question right there? You can not compete with the Cuban producer now?

Mr. LOVE. Absolutely not.

Senator CONNALLY. How about the Filipino and the Hawaiian? Can you compete with them?

Mr. LOVE. We can compete fairly well with the Hawaiians. We can not compete with Porto Rico nor with the Philippines.

Senator CONNALLY. Then the tariff, instead of helping you, just leaves you about where you are and costs the consumers more money?

Mr. LOVE. Unless the Filipinos voluntarily restrict their shipments into the United States or unless the Government restricts them by law the Philippine situation, in my opinion, is a real menace to the domestic producer.

Senator CONNALLY. I agree with you in that respect. But will not the tariff, if you increase it against Cuba, simply stimulate the Philippines to produce more?

Mr. LOVE. It will have that tendency.

Senator CONNALLY. And offset any advantage by reason of protecting you against the Cuban competition?

Mr. LOVE. No, sir. My judgment is that it would not offset it, but it would tend to stimulate the production.

Senator CONNALLY. You say you can not compete with the Philippines?

Mr. LOVE. No; we can not.

Senator CONNALLY. If that stimulates the Philippines will they not raise more and more sugar, and will you not be in as bad a fix as before, if not worse?

Mr. LOVE. No; I don't think so.

Senator CONNALLY. You say they are going to increase.

Mr. LOVE. Well, they have to get American capital.

Senator SHORTRIDGE. He has admitted your contention.

Mr. LOVE. They have to get American capital to open up the industry in the Philippines, and this agitation that has gone on for restriction I think will have a very decided effect upon the people who are thinking about making investments in the Philippines. If they think there is going to be a tariff put on or restrictive measures adopted they will hesitate to go there and increase production.

If you want to know my opinion about it, I think it is a mighty poor brand of statesmanship which permits the Philippines to go on unrestricted. That is my judgment about it. If I had my way I would put a restriction on in a hurry.

Senator CONNALLY. On sugar?

Mr. LOVE. On sugar.

Senator CONNALLY. And everything else?

Mr. LOVE. On everything that comes into competition with our American farmer.

Senator CONNALLY. How about freeing them?

Mr. LOVE. I would free them.

Senator CONNALLY. And turn them loose?

Mr. LOVE. Yes; I would turn them loose. I would do that. I could never understand what we wanted with the Philippines. Despite this handicap the production of beet sugar in the United States has increased 350 per cent in the past 28 years. But Cuba's increase has been nearly 700 per cent. She has just completed a sugar-grinding season with one of the largest outputs in her history, estimated at 5,200,000 long tons of raws. On this great production she forces 70 to 80 per cent on the American market regardless of cost.

If we are to keep this enormous amount of sugar from being dumped on our markets at prices ruinous to the domestic industry the remedy is to increase the sugar tariff. This method of equalizing costs is customarily used by sugar-producing nations in order to protect home industry. Twenty-eight other countries have a higher rate of duty on raw sugar than our existing tariff.

The beet-sugar industry owes its existence to government policy. It is unthinkable that, having aided in its establishment, the Government will now abandon the industry in the face of the worst competition it has ever known. Permit the domestic industry to decline and it is not difficult to imagine a few men in control of foreign supplies exacting any price they see fit to name.

National defense, independence of foreign sources of supply is case of need, prompts the encouragement of a strong domestic sugar industry. A self-sustaining agricultural policy was of tremendous significance in the World War. Army and Navy authorities in the United States give sugar a place in the forefront of military rations. Civilian morale also is dependent to a large extent on an adequate sugar supply.

Present domestic production within continental United States is approximately 1,250,000 short tons per annum, or about 15 to 20 pounds per capita. A conservative national policy which would increase this to 30 or 35 pounds per capita could hardly be considered as other than sound. Every nation that can possibly produce sugar indicates by its tariff policy at this time the desire for self-sufficiency in this commodity.

Against such a rational course what arguments are urged by opponents of the proposed tariff? Widest currency has been given to four criticisms:

1. It is an indefensible added tax on consumers.
2. It would injure Cuba.
3. It is not justified by the difference in costs.
4. The benefits of the higher tariff would flow mostly to our insular possessions.

That the cost of living of the average American family will be raised is one of the principal charges brought against the proposed 2.4 cents per pound sugar tariff. The same claim was made in 1921 and 1922 when sugar rates were increased. Yet sugar is selling to-day at relatively the lowest price in history.

On the one hand it is claimed that the increased duty will ruin Cuba, and on the other it is charged that the American consumer will bear the burden. Certainly, if Cuba absorbs the increase, the housewife here does not pay it. And if the tariff is passed along to the consumer it can not affect Cuba unfavorably in this manner.

Actually, the advance over the present rate of 1.76 cents is only sixty-four one-hundredths of 1 cent per pound. Moreover, about one-half of the sugar annually consumed in the United States is in the form of manufactured products, the retail price of which would not be affected by the proposed tariff change.

Consequently the greatest amount that could be added to the individual consumer would be approximately 32 cents a year, total average consumption being about 100 pounds per capita.

Consumers were forced to pay that much per pound in 1920 by foreign producers, or, in other words, $32 instead of 32 cents. Against a similar experience, a strong domestic sugar industry would afford consumers cheap insurance.

The concept of consumers as distinct from producers does violence to common sense. City workers in protected industries are no more consumers exclusively than the cane, corn, and beet sugar farmers are exclusively producers. The essence of the protective tariff principle is equality between the various elements of our people, and if the things the sugar producers consume have a tariff on them it is only fair that the consumers of sugar submit to an adequate tariff on that commodity.

In an effort to enlist sympathy, the present serious financial and industrial conditions in Cuba are painted by opponents of adequate protection for domestic sugar. So-called moral and material obligations on the part of the United States to deal justly with Cuba are stressed.

There is more of an obligation to consider the needs of the American beet, cane, and corn sugar farmers and of American investors in sugar production in the United States. It is doubtful that any obligation rests upon Congress to encourage the type of agriculture and industry existing in Cuba in competition with the domestic sugar industry of the United States. The Cubans try to live 12 months of the year on the product of the work of a 4-month sugar crop. The Cuban rural population lives submerged in misery, in houses of palm leaves, lacking even the most elementary things of modern life. Conditions of the sugar plantation workers there, according to observers, approach slavery.

Cuba has a remedy in her own hands—less sugar production and more diversification in her agriculture and industry. Yet in the face of declining prices she has just completed, as I said before, one of the largest sugar crops in her history. She has still a further remedy. Under the reciprocity treaty Cuba enjoys a monopoly of the Ameican market except for the sugar produced under our own flag. The treaty gives Cuba a preference of 44 cents per hundredweight under the full foreign rate of duty on sugar. The proposed

House schedule would make this preference 60 cents. Cuba could turn all or a large part of this preferential to her own account in the American market. Certainly Cuba can not insist that Congress shall ruin American citizens in order to accomplish for Cuba what she refuses to do for herself.

Congress has before it the sugar report of the United States Tariff Commission to President Coolidge, of July 31, 1924. It is often cited to prove that the existing sugar schedule of duties is ample.

That report was not the finding of a real majority of the commission. Only three of the six commissioners favored a reduction from the duty of 1.76 cents per pound against Cuba. Two found the difference in costs merited a slightly higher duty. The sixth commissioner was disqualified from participation in the investigation because his wife had a small interest in Louisiana sugar production.

Two of the three commissioners who favored a reduction—Messrs. Lewis and Costigan—were well-known low-tariff advocates. They had supported President Wilson in his free-trade sugar program.

Senator CONNALLY. Wait a minute. How about the others being high-tariff fellows?

Mr. LOVE. I think some of them were.

Senator CONNALLY. Why do you not say that in your statement? Why do you not be fair and tell both sides of it?

Mr. LOVE. I will say that I think two of the others were. I do not know about the other one.

Senator CONNALLY. He had an interest in sugar; he was also that way, for high tariff on sugar, was he not?

Mr. LOVE. I do not know. He did not vote.

Senator CONNALLY. I know he did not vote, but you are citing him there.

Senator SHORTRIDGE. His wife owned some stock.

Mr. LOVE. He had some interest—of his wife.

Senator CONNALLY. The only thing I am concerned in is that you did not state both sides of it. You ought to be fair and state both sides.

Senator SHORTRIDGE. I think that is right, too.

Senator CONNALLY. You stated as though these men were prejudiced and did not give it fair consideration.

Mr. LOVE. If you will read the report, I think you will agree that they were prejudiced.

Senator CONNALLY. How about the other side; they were prejudiced, were they not?

Mr. LOVE. No; I do not think they were prejudiced.

Senator CONNALLY. Of course, if they agreed with you they would not be prejudiced, but if they disagreed with you they would be prejudiced, would they not? Is not that the idea?

Senator SHORTRIDGE. Do not turn from that, now.

Senator CONNALLY. I just want the witness to be fair.

Senator SHORTRIDGE. I think you are quite proper in your criticism, Senator.

Mr. LOVE. What was the question? If you think that I am prejudiced, I want to be fair.

Senator SHORTRIDGE. You mentioned two of those men as being prejudiced in favor of a low tariff, and the Senator very properly asked you that question.

Mr. LOVE. They were well-known low-tariff advocates.

Senator SHORTRIDGE. Two of them favored an increase, is the question, and that invites your answer.

Mr. LOVE. He asked me what I thought the others——

Senator SHORTRIDGE. They might have been a little prejudiced in favor of high tariff?

Mr. LOVE. I said that.

Senator CONNALLY. No; you did not.

Mr. LOVE. I said I thought two of them were, but I did not know about the other two.

Senator SHORTRIDGE. But you had not stated it in your prepared statement. That is what Senator Connally said.

Senator CONNALLY. You said you thought the other two were prejudiced, and you did not inquire about the other.

Mr. LOVE. No; you are putting words in my mouth now, Senator. I did not say that. I did not say the others were prejudiced on the other side, but I said I thought they were.

Senator CONNALLY. I did not understand you that way.

Mr. LOVE. The domestic industry did not accept or approve of the trio's method of conclusions because the data obtained in the investigation was incomplete.

Senator SHORTRIDGE. That was in 1924?

Mr. LOVE. Yes; that is, much of it was not.

Senator SHORTRIDGE. All right.

Mr. LOVE. Much of it was not gathered by the commission itself, and originally was obtained for purposes foreign to the sugar industry. Too small a percentage of the Cuban production was covered by the data to furnish a proper basis of comparison. Failure to include actual agricultural costs upon which differences between the domestic and the Cuban sugar industry could be predicated was a vital error.

Attention of Congress is called to the danger of accepting a biased opinion of low-tariff advocates founded on incomplete data respecting differences in costs of production. Moreover, since the report was made conditions have changed materially. Cuban costs have decreased; costs in the domestic industry have increased. When the tariff law of 1922 was signed the listed refined-sugar price in New York was 6.25 cents per pound. To-day it is 5 cents, and the last big sugar move was on a 4.75 cents per pound basis.

Cuban raw sugar prices also have declined markedly since 1922. Including the 1.76 cents per pound duty raw sugars sold in New York in September of that year at 4.76, or 3 cents cost and freight without duty. To-day the duty-paid price is 3.46, or 1.70 cents per pound cost and freight.

Cuban raw-sugar-mill owners pay the cane growers according to the average price realized for the sugars delivered at the Cuban ports. Accordingly, the lower raw-sugar prices fall, the less the mill owners pay for the cane. In the beet-sugar industry of the United States the factories pay a minimum guaranteed price per ton of roots delivered by the farmers, regardless of the selling price of the refined sugar. Since 1922 the average guaranteed price per ton of beets has been increased.

Leading Cuban companies, representing a material percentage of the island's total sugar output, are reliably reported to have produced raw sugars in the season now coming to a close at an average cost of about 1.5 cents per pound. American beet-sugar factories in the minimum guaranty assured farmers pay an average of 3.5 to 3.75 cents per pound for the sugar in the beets before the addition of milling cost or overhead or interest on the investment.

I want you gentlemen to get this point. American beet-sugar factories in the minimum guaranty assured farmers pay an average of 3.5 to 3.75 cents per pound for the sugar in the beets before the addition of milling cost or overhead or interest on the investment. In other words, we pay the farmers 3½ cents for a pound of sugar in the beets, while these people down in Cuba are paying 1½ cents a pound for a pound of sugar in the cane.

Senator SHORTRIDGE. The Tariff Commission spent years getting all those facts.

Senator HARRISON. I was not in here, I was temporarily out, when you discussed the increased cost item. Did you put into the record what the increased cost by virtue of this rate, the present rate, would be to the American consumer?

Mr. LOVE. Yes.

Senator HARRISON. What was the total?

Mr. LOVE. I say that about 50 per cent of the sugar that is consumed in the United States goes into the manufacturing business.

Senator HARRISON. I am trying to get just approximately the total amount, in dollars.

Mr. LOVE. The total amount in dollars would be about $40,000,000.

Senator HARRISON. The increase carried in the House bill would be about $40,000,000?

Mr. LOVE. Yes.

Senator HARRISON. Now, add the increase carried in the House bill to the tariff already carried, and how much would it be on the sugar?

Mr. LOVE. Of course, if you want to figure it that way, then every tariff schedule that is in existence would have to be figured in the same way.

Senator HARRISON. I am not arguing all that.

Mr. LOVE. You can figure it. It is $2.40, and there are 6,000,000 tons. That is easily figured.

Senator HARRISON. What does that come to?

Senator SHORTRIDGE. Multiply it. But you do not admit that that would result in an increased price to the consumer?

Mr. LOVE. Why, no.

Senator SHORTRIDGE. Of course not.

Senator HARRISON. Let me get this total amount. I am not up on this stuff like you gentlemen, and it takes me some time to get it, and I would just like to know how much the whole tariff, carrying out these figures in the bill, would be on American consumers.

Senator SHORTRIDGE. If you do not see what the learned gentleman from Mississippi is endeavoring to get at, exactly—if you do not see it—I do.

Senator SMOOT. Not only that; if we do not get this tax from sugar, who is going to pay it? We have got to get money for the Government.

Senator HARRISON. That was a simple question that I asked you, and these gentlemen seem to want you to answer it.

Mr. LOVE. I answered it; $2.40 per hundred on 6,000,000 tons.

Senator HARRISON. Did you figure that out?

Mr. LOVE. No; I did not.

Senator HARRISON. Can you give us, roughly, what that is?

Mr. LOVE. It is $288,000,000, as I figure it.

Senator SMOOT. Yes.

Senator HARRISON. That is not very much. Then, if the total amount of the tariff on sugar in carrying out the increase proposed in the House bill, according to your figures, is $288,000,000——

Mr. LOVE. Just a minute. I may not be right. I am not a very good mathematician, myself, along that line.

Senator HARRISON. It is $288,000,000, as I understand.

Mr. LOVE. Yes; and the amount you obtain from the duty at $1.76 is $130,000,000. It would only be about half of that.

Senator HARRISON. Your concern has never had any controversy with the Government about fixing the prices of sugar too high?

Mr. LOVE. The Government fixing the prices?

Senator HARRISON. Yes.

Mr. LOVE. When did the Government ever fix the price?

Senator HARRISON. I was just asking you. Your concern never had any controversy with the Government about fixing the price too high?

Mr. LOVE. No.

Senator HARRISON. And none of your associates ever had?

Mr. LOVE. No, sir.

Senator HARRISON. Nor you never have had?

Senator SHORTRIDGE. They have not fixed the price at all. They did during the war, of course.

Mr. LOVE. Yes; we had some trouble with the Government at that time.

Senator HARRISON. What was that trouble?

Mr. LOVE. When the Cuban price was put up to 24.8 cents per pound we had a small quantity of sugar left, I think about 70,000 or 80,000 bags of sugar left on our hands, and we were facing financial ruin, and the domestic sugar that was coming in was following the Cuban price, and we put our price up to the regular market price, which was at that time 22½ cents a pound.

Senator HARRISON. What happened?

Mr. LOVE. We had some trouble with the Government.

Senator HARRISON. What kind of trouble?

Mr. LOVE. We were indicted.

Senator HARRISON. Whereabouts?

Mr. LOVE. In Utah and Idaho. Afterwards the law was declared unconstitutional.

Senator SHORTRIDGE. What did you say? I did not hear that last.

Mr. LOVE. I say the law was declared unconstitutional—the price-fixing law. Of course, we contended that the Government had no right to say what we should sell our sugar for after the war was over.

Senator HARRISON. So that the trouble was that you had violated the law and you were charged with that?

Mr. LOVE. That was the charge made. The court declared the law unconstitutional.

Senator SMOOT. Yes.

Mr. LOVE. Yes. Of course, we were trying to keep from going into bankruptcy on the little bit of sugar we had left.

Senator CONNALLY. Was that case decided or was it dismissed?

Mr. LOVE. It was dismissed. All of those cases were dismissed.

Senator HARRISON. I do not understand that they were tried, but on a technicality the law was held unconstitutional. It did not go to trial on the facts.

Senator SHORTRIDGE. Senator, you would not regard that as a technicality, would you?

Senator HARRISON. Not exactly.

Senator CONNALLY. The court held the law unconstitutional.

Senator HARRISON. In some other case; not in those cases?

Mr. LOVE. Not in our case. There were a number of cases. When the Cubans put up the price of sugar that fall, in California, Hawaii, and I suppose Porto Rico and some of these other companies that were not under the food control, they followed the regular market, as they always do in selling sugar. We went along until we saw bankruptcy staring us in the face, trying to carry out the Government's instructions, and we finally decided that we could not go any longer; they would not relieve us of the obligation, so that we decided to go out and take the market price for our sugar, the same as everybody else was doing, on whatever sugar we had left. At least 98 per cent of all the domestic production in the United States—that is continental United States—was sold at the Government's price.

Senator HARRISON. Were any of these other sugar-beet organizations indicted at the same time?

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

Senator HARRISON. Just yours?

Mr. LOVE. I think our own company was the only one.

Senator CONNALLY. What year was that, do you remember?

Mr. LOVE. It must have been 1920.

Senator CONNALLY. Was it not in 1921, after Mr. Daugherty came in as Attorney General?

Mr. LOVE. I do not remember. There was a case tried in St. Louis, and that was taken up to higher courts.

Senator SHORTRIDGE. It was carried to the Supreme Court?

Mr. LOVE. No; I do not think so. I do not think it went to the Supreme Court, but it may have done so.

Under these changed conditions, the report of three members of the Tariff Commission, based on a sketchy investigation of costs in the years 1917 to 1923 is without value for tariff-making purposes to-day.

Senator CONNALLY. What kind of an investigation?

Mr. LOVE. Sketchy.

Senator CONNALLY. Sketchy?

Mr. LOVE. Yes; sketchy.

I just want to call your attention to one thing in the report. The Tariff Commission used one year when they only collected data on 5 per cent of the Cuban production, and another year when they collected only 14 per cent, and another year 7 per cent; and some of the material that was in that report showed that the Cubans had used, in one case, more than $4 per ton of sugar produced for sanitation and welfare work in Cuba. That is one of the reasons we objected to the report.

It would seem that a sugar tariff which aided production under the American flag would be the proper course for Congress to adopt. But the Cubans claimed rights in our tariff policy to the exclusion of domestic producers. They argue that the tariff would help our insular possessions rather than the sugar industry of continental United States. Cubans seem to ignore the fact that the Island is foreign soil.

Interwoven with Cuba's argument is the plea that she is an important customer of the United States. How her trade compares with the domestic trade of 20 sugar-beet raising States, Louisiana and Florida, Hawaii and Porto Rico, is not worthy of comment. The issue is intriguing, because at present international policy is concerned with foreign trade. We need foreign trade, but we must not acquire it at the price of injury to our domestic agricultural industry in any of its branches.

Cuba herself is taking steps in keeping with the position of the American domestic sugar producers. About two years ago the Cuban Government initiated an economic program to bring about diversification in her agriculture, and by a protective tariff to establish local manufactures. This is in part responsible for the decline in American exports to Cuba.

She would perpetuate her mistake in sugar overdevelopment by insisting on prior rights to the American market whilst pointing at the danger to the continental sugar industry from Philippine overproduction. The domestic sugar industry desires both Cuba and the Philippines be restrained from ruining American farmers and manufacturers of sugar.

The arguments and claims made in opposition to the sugar tariff reek with musty propaganda against the protection principle. When the increase in the sugar tariff was discussed in 1921, Cuba broadcast the same "ruin" talk. But within two years her production increased 40 per cent. The "consumer pays" was heard in 1922, but sugar to-day is cheaper. Disaster was predicted to our foreign trade and international complications of the worst type were indicated, but our country's foreign business and relations with other nations have been steadily strengthened.

No amount of propaganda can convince the farmers and residents of beet and cane producing communities in the United States that they should use a shorter yardstick to measure the protection they enjoy compared to other citizens and industries in this country. No amount of Cuban propaganda can convince them that they, as American citizens, have less right to expect fair and just treatment in tariff matters before Congress than residents and investors in foreign countries.

The facts are unrefuted that a serious, critical condition exists in the beet and cane sugar industry of continental United States; that sugars are being dumped on the American market below production cost; that the present tariff is inadequate to protect the domestic industry under any just principle of rate making; that Cuba is both producing too much sugar for its own good and is attempting to market too large a percentage of its output in the United States to the detriment of the American sugar industry; that the expansion of sugar acreage in the United States fits into the need for more diversified agriculture in this country, with promise of aiding in the relief of the farm surplus problem; and that the domestic industry is distinctly worth preserving.

In closing I desire briefly to mention features of the beet-sugar industry which seem to have been overlooked in the controversy raging around the sugar schedule. They relate to the industry's value to the railroads of the country, to the reduction of our farm surplus crops, thus aiding farm relief, the close tie between beet growing and livestock production, and the great importance of sugar beets on the western reclamation projects of our Government.

For every acre of sugar beets harvested the railroads receive from $35 to $40 gross revenue in freight charges on beets, coal, sugar, molasses, pulp, limerock, and other supplies used in the process.

This does not include the revenues realized by the carriers from the tremendous livestock-feeding operations centering in the sugar-beet raising districts. The pulp and beet tops together with alfalfa hay, corn, beet molasses, barley, and cottonseed cake make an excellent fattening ration for lambs and steers. A conservative estimate places at 2,500,000 lambs and 300,000 steers the livestock annually finished for market with beet by-products in the sugar-growing districts of the United States. The value of the resultant fertilizer for maintenance of soil productivity hardly need be pointed out, nor the market thus afforded to growers of livestock and of alfalfa hay.

These side lines of the beet industry and the acreage of beets make a material contribution to the reduction of grain tonnage of which the country produces a surplus. The West is at a terrific disadvantage to grow grain. If beet production should not be encouraged to expand and present sugar acreage should be thrown into grain growing, with the latter encouraged by any debenture or similar plan, the West would tend toward increased wheat output. The movement of grain, hay, and vegetables, due to their bulky character, is uneconomical for the West due to freight rates.

Agricultural economists continually advise our western farmers to produce more concentrated commodities which can stand the freight cost of reaching the more populous eastern markets. Sugar production fits in admirably with this idea, since the cost of shipping sugar East is a smaller fraction of the value of the refined product than is the freight on wheat to its value. And the beet itself, of course, could not be hauled any long distances because of its perishable nature and the necessity of slicing it as soon as possible after being dug.

The irrigated reclamation projects of the West are founded on this principle of diversification of crops and production of high-value products of relatively small bulk. Without sugar beets many of the projects would be worse off than they are today, and even now the irrigation farmers on the Government lands are in need of higher prices for their sugar beets in order to carry on against increased costs and depressed markets for their other products.

Senator SMOOT. In answer to the question as to the present duty placed by Germany on sugar, the duty now is 2.70 on refined sugar. On raw sugar it is 2.37.

Senator HARRISON. It is 17 cents in Brazil, as I understand.

Senator SMOOT. It is?

Senator HARRISON. Yes; and it sells in Brazil for 6 cents. That was in 1928; that was a merely nominal duty—a prohibitive duty, in other words.

Senator SHORTRIDGE. Yes. Of course they keep foreign sugar out of Brazil.

Senator HARRISON. That was their idea, to keep it all out, and they could produce enough there. The United States can not do that.

Senator SHORTRIDGE. Yes; we can.

Senator HARRISON. I have heard that every time that we have had a tariff on.

Senator SHORTRIDGE. You just keep out foreign sugar, and we will produce a sufficient quantity of sugar in America.

Senator HARRISON. Have you given any thought to a sliding scale on this sugar schedule?

Mr. LOVE. I have; a great deal.

Senator HARRISON. What is your opinion about it?

Mr. LOVE. I will say, Senator, that our organization has considered it very carefully, and up to the present time they are not convinced it would be better for them than the 2.40 rate in the House bill. It is a new proposition, and the industry is in such an awful condition that we are afraid to accept any new idea in a tariff measure. It may be the finest thing in the world, but there is no one connected with our industry who knows enough about it to say whether it would be or not.

Senator HARRISON. You would think if it was going to be proposed by the majority of this committee, that at least they ought to have some expert testimony here in the hearings, would you not?

Mr. LOVE. My suggestion would be that if it is going to be considered by the committee, the scale ought to be prepared first, and then it ought to be submitted to the representatives of the various interests, and have them go over it and shoot it full of holes, if it can be shot full of holes, before it is given final approval by the committee.

Senator HARRISON. You have not seen any draft of any such amendment?

Mr. LOVE. I have not seen any draft of anything that is proposed to be submitted to the committee. I do not know that there is one ready to be submitted to the committee. I have seen 15 or 20 different sliding scales, but I have not seen any one yet that the domestic industry is willing to accept.

Senator HARRISON. You have not anything drafted of your own?

Mr. LOVE. Oh, yes; we have made out a lot of scales, simply for information of our own people. We have taken different ideas that have been proposed, and gone through them, and made them up, and called in what we considered experts, from some of the departments around here, and some people from New York, and from the Commerce Department, and places like that; but have not agreed on any scale.

Senator HARRISON. Would you mind telling the committee what that tentative draft was?

Mr. LOVE. As I say, we have had a great many ideas——

Senator HARRISON. Well, just give us the idea.

Mr. LOVE. The most concrete idea that has come up is this, that the tariff should be adjusted so that when the price of sugar went up the tariff would slide down, and when the price of raw sugar went down the tariff should go up; the figures that have been mentioned ran from a 1-cent tariff up to a 3-cent tariff against Cuba.

Senator HARRISON. Would that be satisfactory to you?

Mr. LOVE. It would depend on what would be in the body of the scale, where it would start and where it would end.

Senator HARRISON. Where would you want it to start, if it did start?

Mr. LOVE. My contention is this: The beet-sugar industry is not in good condition. Under the present tariff it is not improving; it is going back; and I say to you with frankness that it is only a question of a year or two when we will be out of business, or most of the companies will be out of business. There will be one or two that will stay in, but the great bulk of them will be off the map.

Now, the average price of sugar for the past seven years under this tariff has been 6.30 in New York; that is, the refined product. That is the average, taken from Willet & Gray's figures. The beet-sugar people net about 50 cents a hundred under the New York base price for their sugar. That is brought about by the fact that we sell our sugar 20 cents under them, and there is a 2 per cent discount; and then we have to absorb freight in order to reach the market, so that when sugar is selling in New York at 6.30, our price, the average price for the United States is about 5.80, and we are going downhill under the average price of 5.80; so that if a sliding scale were adopted, in my opinion, if it was found that that was the proper thing to do, it should start so as to net the beet-sugar people about 6 cents for their sugar. That would give the farmer about $8 a ton for his beets. If we can pay our farmers $8 for beets, we will get a big increase in acreage.

Senator HARRISON. You want 6-cent sugar?

Mr. LOVE. Six-cent sugar; yes, sir. That is 6 cents net to the company.

Senator HARRISON. Of course, that would swell the profits of the Great Western Sugar Co. considerably?

Mr. LOVE. Probably it would.

Senator HARRISON. They have been able to pile up this big surplus under present conditions, and if they get this arrangement, they will be able to increase their profits considerably?

Mr. LOVE. I will ask you to ask the representative of the Great Western Sugar Co. about those dividends and profits. I think the Great Western Sugar Co. is a great institution, and while they have been piling up a lot of money for themselves, they have been distributing hundreds of millions of dollars to the people of Colorado and to the railroads and to the people that live out there, and if it was not for the Great Western Sugar Co. in Colorado—well, I do not know what would happen to Colorado.

Senator HARRISON. It is a very efficient company?

Mr. LOVE. It is the backbone of Colorado.

Senator HARRISON. It is better managed than your concern?

Mr. LOVE. No; I did not say so.

Senator HARRISON. They have made money under the same conditions?

Mr. LOVE. No; not under the same conditions; no. The conditions are not the same. You can go over here in Baltimore and start a manufacturing concern. If you have the whole city of Baltimore, where the population is large, to buy your product, why, you have got an edge on the man that goes out to Podunk, where only a few people live, to start a manufacturing concern.

Senator HARRISON. In the end the question of location is with the personnel of the organization, and it is the employment of good, sound judgment?

Mr. LOVE. The sugar-beet industry is like anything else. It has come up through a system of evolution. People do not know when they go into a new industry where the best part of the United States to operate in is. The Utah people had the first shot at it. They were the pioneers, and it is always costly to do the pioneer work in any effort.

Senator SHORTRIDGE. When did we commence to raise sugar beets?

Mr. LOVE. In about 1887. Of course, they raised some sugar beets over in California and made sugar, but not in marketable quantities.

Senator SHORTRIDGE. Mr. Clyde Spreckels went over to Germany and brought over German chemists who were familiar with that industry in an endeavor to establish the same in California.

Senator SMOOT. We had beet-sugar manufacturers in Utah in 1854.

Senator HARRISON. You do think that if this committee contemplates putting in one of the sliding scales of duty that they ought to get some experts in here during the hearing to tell us about it, do you not?

Mr. LOVE. I think the sugar people, who are more vitally interested in it than anyone else, should at least have an opportunity to go into it. I do not imagine Senator Smoot or anybody else would introduce a sliding scale without giving us an opportunity to see it.

Senator HARRISON. Why do you mention Senator Smoot?

Mr. LOVE. Because he happens to be chairman of the committee.

Senator SMOOT. I want to say to the Senator from Mississippi that I have been trying to work out a sliding scale. It is only tentative, however. I am not going to be put in the position here of simply saying it must be this or nothing else. If there is a sliding scale that can be worked out, the result of which will be fairly protective, I am perfectly willing to do it. The sugar-beet industry of the country does not care to make fabulous profits. They never have, even during the war, and they do not want to do it now. All they want to do is to live and give the farmer $8 a ton for his beets.

Senator HARRISON. Of course, the chairman makes a very good witness.

Senator SMOOT. The chairman has not talked quite as much as the Senator from Mississippi.

Senator HARRISON. I have been asking questions.

Senator SMOOT. Formed in the way of a speech.

Mr. LOVE. There seems to be an impression that the sugar-beet industry made fabulous prices during the war. If you will look back at the price of raw sugar prior to the war you will find that Cuba's average for two years before the war runs between 2½ and 3 cents. The first rattle out of the box the Government gave them 5 or 5½ cents for their sugar. They gave them 5 cents, I think, the first year and 5½, then went up to 6½, the option price. On the other hand, the beet-sugar people were held down. We are not complaining about that, but those are the facts.

Senator SHORTRIDGE. Before we adjourn I would like to ask you this: You have covered it, perhaps. During the war days the Government controlled the industry, did it not?

Mr. LOVE. Yes, sir.

Senator SHORTRIDGE. During the war period and when the Government controlled the industry, about what was the price of beets to the growers?

Mr. LOVE. To the sugar-beet grower?

Senator SHORTRIDGE. Yes.

Mr. LOVE. The grower of beets?

Senator SHORTRIDGE. Yes. What was the price per ton during that period?

Mr. LOVE. I think about $10, $11, and $12.

Senator SMOOT. There was a fixed price, however, of $12, was there not, to be paid to the farmer?

Mr. LOVE. No; the price was not fixed by the Government.

Senator HARRISON. They suggested it?

Mr. LOVE. A mere suggestion. The suggestion was made to us, and, of course, we were anxious to get all the beets we could get hold of, and we encouraged the farmers to raise beets, and we went the limit. Of course, we were hurt very badly when the price went back to 5 cents, and we had a $12 contract on our hands.

Senator HARRISON. I desire to say this, as a member of the minority, who perhaps will not have anything to do with the writing of the provision on the sugar proposition, because you will not listen to me——

Senator SHORTRIDGE. I am going to listen.

Senator HARRISON. When you frame your bill you will not.

Senator SHORTRIDGE. We will agree in many things.

Senator HARRISON. But on sugar it does seem to me, since we are having public hearings, that if the majority of this committee contemplate anything touching a sliding scale we ought to have it before the full subcommittee now, so that we can have hearings on it and get at the facts of the proposition.

Senator SHORTRIDGE. I agree with you.

Senator HARRISON. So that it can be gone into now and not after the hearings are closed.

Senator SMOOT. There has been no sliding scale agreed to by anybody that I know of.

Senator SHORTRIDGE. I have not agreed to any, and I fully agree with Senator Harrison that both the minority and majority members should have the fullest information in regard to that feature of the problem.

(Mr. Love submitted the following brief:)

BRIEF OF THE UNITED STATES BEET SUGAR ASSOCIATION

FINANCE COMMITTEE OF THE UNITED STATES SENATE:

Two undenied facts stand out preeminently in the testimony of the sugar schedule.

1. Sugar is agriculture.
2. The domestic industry should be protected.

There was no disagreement on these two propositions. Opponents of the proposed schedule subscribed to them, including Cuban representatives, refiners of foreign sugars, and members of different political parties.

Testimony was unanimous, too, that sugar prices have reached abnormally low levels. The industry of sugar production throughout the world is in a depressed state.

SUGAR IS AGRICULTURE

In the hearings before both branches of Congress representatives of national and local farm organizations appeared on behalf of the proposed rates of duty. They pointed to large possibilities of farm relief in substitution of sugar production in the United States for acreage now swelling surplus crops. Diversification, rotation of crops, and feeding of livestock were stated to be fundamental in any program for a more prosperous national agriculture. The sugar beet in unrefuted testimony was shown to have marked advantages in such a plan to rehabilitate American farming.

SUGAR TARIFF IS AN AGRICULTURAL TARIFF

The production of beet sugar is essentially a farm enterprise. Factories which slice the roots are of necessity located in and close to the beet-growing districts, serving as adjuncts to the farms.

Between farmers and mills exists a cooperative arrangement unique in American agriculture covering the sale of the finished product and payment of the growers. The farmers enjoy a participating contract with the factories by which they are paid for their sugar beets according to the net price obtained for the extracted sugar. This is universal in the American beet-sugar industry, division of the net proceeds being generally on a 50-50 basis. In addition the contract fixes a guaranteed minimum price per ton of beets.

This arrangement in effect makes the farmer a partner of the beet-sugar mills. He is certain to share in any benefits arising from tariff action. The sugar tariff is an agricultural tariff.

HOW MUCH PROTECTION NEEDED?

Agreement upon the desirability of the largest feasible measure of self-competency in sugar was a feature of testimony before the Senate Finance Committee and the House Ways and Means Committee. Differences of opinion arose primarily over the rates of duty to accomplish this objective. This issue involved Cuba, our insular possessions, the welfare of the consuming public, and differences between costs of production here and in Cuba.

The American Farm Bureau Federation, the National Grange, organizations of beet farmers, and other producers of domestic sugar supported the rates of duty adopted by the House, increasing the existing rates only sixty-four hundredths of a cent per pound against Cuba. Many farmers desired a higher rate. All demanded restriction in some form on the duty-free entry of Philippine sugars.

THE SLIDING SCALE

Out of consideration of the problems surrounding the degree of protection have come suggestions for a sliding scale sugar tariff. Roughly the plan contemplates a scale of duties varying inversely with the price of raw or refined sugars. As the price goes up the tariff goes down, and vice versa.

No sliding scale finally approved by any competent government authority or tariff-making body in Congress has been presented to date. Therefore, our association is in no position to make known its views. It seeks adequate protection. It is on record in favor of a world rate of 3 cents and a rate of 2.4 cents against Cuban raw sugar. Arguments and evidence in support of this position are before your committee. Such rates would only afford the domestic sugar industry of our country the minimum protection required under existing serious conditions.

Without expressing any opinion relative to the sliding scale, the association quite naturally, with conditions as critical as at present, fears any scheme that has never been tried or proven practical, or under the operation of which the necessary protection for our industry might be dubious. Sliding scale proponents plead no more than faith or expediency in behalf of its adoption.

THE SUGAR CONSUMER PROTECTED BY DOMESTIC SUGAR PRODUCTION

The domestic sugar industry is no less desirous of protecting the consumer than are advocates of the sliding scale. Any arrangements that would protect American sugar consumers against extortionate prices would be welcomed by the domestic industry. However, the public will remember its experience in 1920 when, with the American market under foreign domination, prices went to 30 cents a pound or more.

Freedom from unduly high sugar prices can only be assured if the country has a domestic source of supply. Cuba's output is capable of price control. Ownership of Cuba's sugar production is vested in Wall Street.

CONSUMER AND THE SUGAR TARIFF

It should be obvious to Congress and the public that there is great inconsistency in the opposition to the sugar tariff on the plea that it would increase prices, tax the consumers, and "ruin" Cuba.

Mr. Shattuck, Cuba's representative, testifying before your subcommittee, said: "We want a good price for sugar. Speaking on behalf of the Cuban companies which I represent, and in a friendly way for the nation of Cuba, I would like to see a higher sugar price. Cuba will do her utmost in bringing about a better situation in the sugar industry. Cuba needs a lifting of the price."

Any impression that these opponents of the proposed increase in the existing flat-rate sugar tariff want no increase in sugar prices is wrong. If sugar prices were profitable to the Cubans and to the domestic producers there would be no sugar-tariff question before Congress to-day.

Everyone agrees that present prices are too low for sugar producers. Continuation of present unprofitable levels would force a drastic curtailment of production, with a subsequent violent price reaction upward. The interests of consumers in having fair sugar prices would be better served if producers were placed upon a basis which permitted them to maintain their industry on levels above cost.

Editorial attacks on the sugar schedule in the pending bill are not to be taken as the views of the average consumer, who is obtaining sugar to-day at virtually the lowest price in history. Misleading propaganda that the sugar tariff adds hundreds of millions to the public sugar bill must fail when the consuming public understands the true situation.

The proposed increase in the sugar tariff is opposed not by consumers but by interests who fear they themselves may absorb the increase. Their concern over the "consumer" is merely a pose to hide selfish motives. This is illustrated in the propaganda spread by the Cuban producers that the duty is invariably added to the price the consumer pays. If so, Cuba would not suffer from the increased tariff.

Distressed conditions in the Cuban and the American sugar industry is the result not of tariffs but of overproduction on the island. Cuba has just completed making 5,650,000 short tons of sugar, the largest crop in her history. Cuban sugar receives preferential treatment or protection in the United States market to the extent of 20 per cent of the full duty, or 44 cents per hundredweight. The proposed schedule would increase this preference to 60 cents, giving Cuba an even stronger monopoly on the sugar consumed in the United States not produced under our own flag.

The United States consumes about 6,200,000 short tons, a trifle over 3,000,000 tons being domestic output. Cuba's great tonnage leaves her with an excess which can not be entirely marketed to advantage in other countries. This oversupply is pressed for sale in the United States with the inevitable economic result that Cuba absorbs a portion of the import duty if she insists on entering this market with the excess.

Similar conditions in the world's sugar market frequently offset tariffs. This is illustrated by the history of prices since the increased duties levied in the act of 1922. Refined sugar now moving to the distributing trade was purchased at 4.85 cents a pound as compared with the price of 6.25 cents in 1922. The decline in the United States has exceeded the world's price decline.

TARIFF COMMISSION'S SUGAR INVESTIGATION OF 1923–24 NOT APPLICABLE TO TARIFF MAKING TO-DAY

Opponents of the proposed sugar tariff failing to justify their appeals to popular prejudice and passion revert to the sugar costs investigation by the United States Tariff Commission transmitted to President Coolidge on July 31, 1924. It is advanced as a "scientific" basis for attacking the pending schedule. Much is attempted to be made of the finding of three members of the commission at that time, showing the difference in costs between Cuban and domestic sugar was 1.23 cents per pound.

The report was based on data covering foreign crops as far back as 1917. It included high costs not since duplicated.

The plain intent of the flexible provisions of the tariff act of 1922 was to consider in such an investigation only current costs. Debate in Congress during consideration of the law proves the legislature's purpose was to equalize only current differences in costs.

On August 11, 1922, the day after section 315 was taken up in the Senate, the President in a letter to Senator McCumber stated:

"It has seemed to me that the varying conditions in the world and the unusual conditions following the World War make it extremely essential that we have this means of adapting our tariffs to meet the new conditions."

In the report of the Committee on Finance accompanying bill H. R. 7456 (67th Cong. 2d sess., S. Rept. No. 595, p. 3) it was stated that section 315 was inserted in accordance with the suggestion of the President in his message of December 6, 1921, in which he expressed the hope that a way would be found "to make for flexibility and elasticity so that rates may be adjusted to meet unusual and changing conditions which can not accurately be anticipated."

The report stated that the amendment authorized the President to modify tariff rates "so that the rates may at all times conform to existing conditions."

What had the data in 1917 and 1921 to do with an investigation which was only requested on November 16, 1922? The inquiry itself was not ordered by the commission until March 27, 1923. Some of the data collected before the passage of the flexible provisions was gathered with no purpose even remotely connected with the investigation of 1923–24.

FALLACIES OF APPLYING OLD INVESTIGATION TO EXISTING CONDITIONS

By any other interpretation of section 315 the commission and the President would have the right to change an act of Congress based on conditions preceding passage of that act, whereas Congress had existing conditions in mind.

In 1922 Congress passed a tariff law equalizing what it then found were existing differences in costs. Following the war world economic conditions were in a state of flux. Congress in its wisdom decided that with changes likely to be rapid and far-reaching a fact-finding commission should be instituted to keep pace with this problem.

Low pre-war costs were quite obviously no fair basis for fixing rates of sugar duties in 1923–24. Nor were high costs during the war. The only logical basis was the difference in costs at the time the commission made its inquiry into the sugar industry.

Only one Cuban crop in that period was covered by the investigation with any degree of completeness—the 1922 crop. Data on domestic output in that season was much more complete. Comparatively little competent evidence was obtained by the commission for the other Cuban crop years used in its findings.

The weighted difference in costs of production between the United States and Cuba for the year 1922 was found by the majority report to be 1.8126 cents per pound. Since that time Cuban costs have declined and domestic costs have increased. Moreover, sugar prices are materially lower, increasing the need of added protection for the domestic sugar industry.

DO ADVOCATES OF TARIFF COMMISSION FINDINGS ACCEPT ALL OF ITS REPORT?

The commission found the 6-year average, 1917–1922, cost of production of the beet-sugar industry in cents per pound of raw sugar f. o. b. mill was 5.8286, or nearly 6 cents per pound.

Will the opponents of the proposed sugar schedule, who so enthusiastically indorse the commission's findings on differences in costs, support a protective tariff which will enable the domestic beet-sugar industry to recover these costs and a fair profit?

ACCURACY OF COMMISSION DATA DOUBTFUL

The possibility that Cuban cost figures were "padded" is expressly shown by the following. On May 17, 1923, at the height of the investigation, the Cuban Association of Planters and Colonos sent to all mill owners in Cuba a confidential message, saying:

"This association has decided, on account of the visit to this Republic of Dr. J. Bernhardt, official representative of the United States Tariff Commission, and the explanations given by said Doctor Bernhardt concerning the purpose of his mission, to address the planters, as it is doing in this way, in order to set forth to them some considerations; thus carrying out one of the purposes of the organization, that of assisting the members as far as possible. * * *

"The American companies located in the United States owning sugar works in this Republic are obliged to supply the American Government with these data; but Cuban companies and individuals are not. Each of these owners may proceed as he thinks best for his interests."

In the preliminary report of the commission of December 1, 1923, reference was made to data for the calendar year of 1921 covering 35.53 per cent of the Cuban crop. They included an item of $14,312,311.29 for "repairs and maintenance," or at the same rate of $40,282,328 for the whole Cuban crop. Evidently the vast amount of new equipment purchased that year was charged to that one year's cost of production instead of being distributed over a series of years as it rightfully should be.

In the 1917 data, "sanitation and welfare work," in the Cuban crop costs of that year is carried in at $2.48 per ton of sugar produced. This represents an increase of 800 per cent over 1913–14 figures.

Again in figures submitted for the 1918 crop appeared both an unduly high increase in "labor" costs and $4.64 per ton of sugar produced for "sanitation and welfare work." That was 82 cents per ton more for "sanitation and welfare" than the entire cost of labor in producing the sugar. At the same rate per ton it meant that over $18,000,000 was expended by Cuban sugar companies for "sanitation and welfare" work. Anyone familiar with the bestial labor conditions existing in the Cuban cane fields will smile at such data as a basis of tariff making.

A LOOK BEHIND THE SCENES OF THE COMMISSION'S SUGAR PROBE

In the course of the Senate's investigation of the Tariff Commission (see pp. 1256–1257, testimony of Tuesday, January 25, 1927, by William Burgess, a member of the commission at the time of the commission's sugar inquiry) a memorandum of Mr. Whitehouse, a Tariff Commission investigator, was introduced in testimony. It says:

"On May 2, 1923, Mr. Fisher and I arrived in Cuba and proceeded with the investigation, working upon the assumption that 1921–22 figures only were desired. A week later Doctor Bernhardt arrived with Mr. Nye, divided the island into two sections, and organized three crews, with a commission man in charge of each, to cover each of the three sections. Several conferences were held in Habana, and Doctor Bernhardt repeatedly specified that we were to concentrate on gathering cost data for the crop year 1921–22. He clearly stated several times that we were to take cost figures for years prior to 1921–22 only when such figures were easily obtainable, and that there would be no necessity for expending effort in gathering detailed statements for such prior years as they were to be used only as 'background figures.' The work in my section was carried out upon that basis, and I am certain that the other crews were similarly handled. Clearly, then, it is unfair and unreasonable to use the data for those back years in this report.

"II. *Cuban unwillingness to submit data.*—The Cuban producers displayed no willingness to cooperate with us in our work, and for the most part gave the impression that we were unwelcome. At a meeting of the Sociedad de Hacendades y Colonos, which Doctor Bernhardt and the other commission men attended, speeches were made to the effect that while it could do no harm for the producers in the high-cost areas to submit figures, it would be unwise for the low-cost producers to present their data.

"Whenever a Cuban mill owner in my territory did submit costs, those costs were almost invariably produced in typewritten form, and in most cases I was not allowed access to the books to check the accuracy of the typed reports."

"MAJORITY" REPORT BIASED, MANIPULATED

It is our well-considered opinion that after the three partisans on the commission discovered the 1922 cost figures favored a higher protective duty for the domestic-sugar industry they deliberately sought additional figures to prove the reverse. Hence they dipped into the high-cost Cuban crops from 1916–1921. Because these figures were incomplete, they most naturally obtained the returns of high-cost Cuban companies. Such producers would be among the first and the most anxious to put in their figures.

The investigation by the so-called "majority" was biased, and the results were manipulated. Our opinion is based on the attitude of the three commissioners in the conduct of the hearings, on the "inside" history of the investigation as disclosed in the Senate probe of the commission, and on the flagrant disregard by the three commissioners of factors which, like agricultural costs, would have forced them to arrive at a larger difference between Cuban and United States costs.

WHAT, THEN, ARE TO-DAY'S PROBABLE DIFFERENCES IN PRODUCTION COSTS?

If opponents of the sugar-tariff increase are desirous of making the tariff coincide with actual differences in costs existing to-day they would not devote so much attention to figures from 6 to 13 years old. There are means of making more modern comparisons. Our opponents may not desire to use them, because the results would show the domestic industry is actually entitled, on this basis, to a higher protective tariff than we are asking.

Cuban companies have completed their last season with costs averaging 1½ cents per pound. Average prices of Cuban raw sugars delivered at New York have been 1.8 cents per pound. Using this latter as a basis, and adding 1 cent per pound for refining costs to make these raws comparable with refined beet sugar, you have 2.80 cents per pound as the Cuban refined cost at New York before payment of duty.

The weighted average cost of production for the past five years for 90 per cent of the domestic beet-sugar output was 5.23 cents per pound. The weighted average transportation cost by rail from the principal sugar-beet States to New York is 1.026 cents per pound, which added to 5.23 is 6.256 cents per pound. The difference on this basis is 3.45. The association is asking only 2.4 cents per pound protection against Cuba.

Any fair comparison of existing differences in costs between Cuba and the domestic sugar industry in continental United States will demonstrate the ridiculousness of using the old "majority" finding of the Tariff Commission.

A FAIR TARIFF POLICY

The tariff policy of this country must recognize that the States where sugar beets and sugar cane are produced, as parts of the United States, are entitled to an equal chance with foreign countries in the principal sugar markets in the United States. If the domestic sugar industry is not to be singled out and flagrantly discriminated against, it must be given such tariff protection as will permit it to put its sugar into the leading markets of this country on a basis of equal opportunity with the imported foreign sugar. We are not asking special favors; we are asking merely for equal opportunity and fair treatment.

Congress is constantly reminded of what the American people owe the Cubans and the Filipinos. It is our opinion that they owe the American people a great deal more. An obligation rests upon Congress to protect American citizens engaged here at home in the production of an essential food commodity as the result of the agricultural and fiscal policy of our own Government. American producers are suffering from low sugar prices just as much as the Cubans. The distress of our citizens is caused by Cuban overproduction. Cuba must set its own house in order before she can justly ask our citizens to make further sacrifices on her account.

The United States is under no obligation to assure Cuba a market for more sugar than Cuba ought to produce at the expense of American beet, cane, and corn sugar farmers. Cuba already enjoys a monopoly in the United States for the sugar not grown under our own flag. By no tenable theory of foreign relations are we bound to increase this preference to the injury of American producers at home. Already our tariff policy has stimulated Cuban production more rapidly than domestic sugar production. American capital has poured into the island instead of being invested in the United States to expand our home industry.

In the worst crisis that has ever faced the domestic industry it relies upon Congress to continue the principle of the protective tariff on behalf of the hundreds of thousands of farmers and factory workers engaged in sugar production in 20 States of the Union. No rate of duty less than those proposed in the pending bill will protect it.

The sugar beet, an agricultural crop, has real promise of expansion in this country under an adequate tariff. Farm relief would be incomplete without protection of the domestic sugar industry. Therefore we earnestly solicit your support on the sugar schedule.

DEPLORABLE FINANCIAL CONDITION OF BEET-SUGAR COMPANIES SHOWN IN REPORTS OF PAST 10 FISCAL YEARS' OPERATIONS

We append, in reply to requests of the subcommittee during the public hearings, a report of Robert Hamilton Smith, certified public accountant, on the capital structure and operating results of beet-sugar companies of the United States in the past 10 fiscal seasons.

The 19 companies reviewed represent 98 per cent of the total annual beet-sugar output of the country. The accountant prepared his report from individual official reports of the companies. In the tables submitted the corporations are named merely by code letters of the alphabet. That the committee may know what companies are included, we name them herewith. "E" company is the Great Western, which gave the committee its report through W. D. Lippitt, vice president and general manager, a witness at the hearings. The serious financial condition of many of the other companies, if made public, would adversely affect their credit and operations in general.

In addition to the Great Western the corporations included in the report are Union Sugar Co., Springville-Mapleton Sugar Co., Michigan Sugar Co., Continental Sugar Co., Holland-St. Louis Sugar Co., Amalgamated Sugar Co., Holly Sugar Corporation, American Beet Sugar Co., Utah-Idaho Sugar Co., Los Alamitos Sugar Co., National Sugar Manufacturing Co., Toledo Sugar Co., Spreckels Sugar Co., Mount Clemens Sugar Co., Layton Sugar Co., Gunnison Sugar Co., Columbia Sugar Co., and Menominee River Sugar Co.

As repeatedly sworn to in the hearings, the Great Western is practically the only important beet-sugar company in the United States whose earnings over the past decade have been at all satisfactory. Reasons for its condition were stated in testimony. A more comprehensive picture of the condition of the industry, therefore, is obtainable when the Great Western is separated in the statistics from the other 18 corporations. This the accountant has done in his report.

The average net income for all 19 companies over the last 10 years, figured in percentage of average invested capital, was 3.37 per cent.

With the Great Western ("E") eliminated, the average of the 18 other companies was fifty-two one-hundredths of 1 per cent.

In other words, on $127,348,983 invested capital the 18 corporations earned about one-half of 1 per cent. Half of these companies showed a net loss in their last decade of operations.

The committee should consider that this showing was made since 1922 under a tariff of 1.76 cents per pound against Cuban sugar imports; also that sugar prices during the entire 10-year period ruled generally higher than obtain to-day. Hence the need of relief for the industry through a higher duty on foreign sugar imports is imperative.

Respectfully submitted.

United States Beet Sugar Association,
Stephen H. Love, *President*.

STATISTICAL DATA OF 19 BEET SUGAR COMPANIES, UNITED STATES BEET SUGAR ASSOCIATION, FOR THE 10-YEAR PERIOD ENDED FISCAL YEAR 1928–29

ROBERT HAMILTON SMITH, C. P. A.,
Washington, July 13, 1929.

UNITED STATES BEET SUGAR ASSOCIATION,
National Press Building, Washington, D. C.

GENTLEMEN: In accordance with your instructions we have carefully examined the certain statistical statements furnished you by 19 beet-sugar companies showing the capital structure and operating results of such companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, and have constructed therefrom the following exhibits submitted herewith:

Exhibit A.—Statement of 19 beet-sugar companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, setting forth invested capital, renewal value of property, capital stock liability, net income, dividends paid, and rates of return earned on capital investment.

Exhibit B.—Statement of 19 beet-sugar companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, setting forth in the aggregate by years invested capital, renewal value of property, capital stock liability, net income, dividends paid, and rates of return earned on capital investment.

Summarizing briefly from Exhibit A hereof, the following table shows the comparative capital investments and average yearly rates of per cent earned thereon by the companies grouped on a 19 and 18 company basis, respectively, Company E being eliminated from the latter grouping:

	For 19 companies		For 18 companies	
		Per cent		*Per cent*
Average invested capital	$189,718,441	3.37	$127,348,983	0.52
Average renewal value of property	250,322,562	2.55	160,322,562	.41
Average capital stock	119,904,988	5.33	90,315,988	.73

Exhibit B hereof has been compiled for the purpose of showing the trend of average yearly rates of per cent earned on the aggregate capital investment of the companies over the 10-year period, such companies being grouped, as in Exhibit A, on a 19 and 18 company basis, respectively, with Company E eliminated, as before, from the latter grouping.

The following table shows in condensed form the comparative capital investments and average rates of return earned thereon for the years of 1920 and 1929:

	19 companies			
	1920		1929	
		Per cent		*Per cent*
Average invested capital	$192,963,896	13.02	$192,452,921	4.33
Average renewal value of property	245,351,673	10.24	253,621,107	3.28
Average capital stock	122,894,340	20.45	119,951,561	6.94

	18 companies			
	1920		1929	
		Per cent		*Per cent*
Average invested capital	$120,856,966	10.48	$126,679,597	0.42
Average renewal value of property	155,351,673	8.76	163,621,107	.33
Average capital stock	94,264,340	14.44	89,951,561	.60

Yours very truly,

ROBERT HAMILTON SMITH.

Exhibit A

Statement of 19 beet-sugar companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, setting forth the invested capital, renewal value of property, capital-stock liability, net income, dividends paid, and rates of return earned on capital investment

	Average invested capital per year	Average current renewal value of property per year	Average capital stock per year	Net income for 10 years	Net loss for 10 years	Dividends for 10 years	Average rate per cent earned per year on—		
							Invested capital	Renewal value of property	Capital stock
Company "A"	$11,961,517.60	[1] $11,317,332.61	$11,039,792.80		$728,161.62	$2,877,518.19	−0.61	−0.64	−0.66
Company "B"	26,283,701.53	[1] 35,714,311.75	19,923,555.71	$2,498,605.07		4,647,220.34	.95	.70	1.25
Company "C"	4,114,293.30	[1] 5,503,032.00	3,333,456.50		594,077.48	1,014,520.80	−1.44	−1.11	−1.78
Company "D"	4,266,863.00	4,266,863.00	2,936,642.00		488,999.01	289,606.00	−1.15	−1.15	−1.67
Company "E"	62,369,457.45	[1] 90,000,000.00	29,589,000.00	57,324,637.87		52,524,338.25	9.19	6.37	19.37
Company "F"	[1] 1,957,589.45	[1] 2,073,155.77	[1] 1,075,000.00		1,279,736.71	0.00	−6.54	−6.17	−11.90
Company "G"	3,094,530.00	3,094,530.00	2,125,840.00		19,337.22	532,835.00	−.06	−.06	−.09
Company "H"	8,606,975.82	19,400,010.88	4,047,894.00	3,043,697.93		2,261,650.00	3.54	1.57	7.52
Company "I"	1,477,844.85	[1] 1,536,400.00	880,000.00	1,666,934.35		1,016,000.00	11.28	10.85	18.94
Company "J"	1,340,129.72	1,250,000.00	1,000,000.00	1,107,991.77		1,550,000.00	8.26	8.86	11.08
Company "K"	2,240,903.99	3,516,164.40	2,007,370.20		664,241.42	982,725.00	−2.96	−1.88	−3.31
Company "L" [2]	14,091,711.23	[1] 15,820,179.00	12,127,825.00	1,982,009.53		4,145,437.75	1.41	1.25	1.63
Company "M"	[1] 507,070.00	[1] 1,200,000.00	[1] 600,000.00		864,543.34	0.00	−17.05	−7.20	−14.41
Company "N"	1,138,269.38	[1] 2,485,000.00	750,000.00		1,073.45	172,500.00	−.01	−.01	−.14
Company "O"	6,499,970.84	10,663,537.02	[1] 5,000,000.00		955,838.06	1,850,000.00	−1.47	−.89	−1.91
Company "P"	1,065,917.98	956,150.77	690,512.00	23,035.65		228,458.20	.21	.24	.33
Company "Q"	1,536,356.10	[1] 2,705,895.24	458,900.00	95,403.78		.00	.62	.35	2.08
Company "R"	3,719,952.50	[1] 6,820,000.00	2,833,600.00	1,083,496.41		1,890,011.20	2.91	1.69	3.82
Company "S"	33,445,386.62	32,000,000.00	19,485,600.00	727,558.23		6,422,437.20	.22	.23	.37
Total net income for 10 years				69,553,370.59	5,596,608.31				
Total dividends for 10 years				63,957,362.18		82,425,257.93			
Average year for 19 companies for 10-year period	189,718,441.36	250,322,562.44	199,904,988.21	6,395,736.23		8,242,525.79	3.37	2.55	5.33
Deduct Company "E" average year	62,369,457.45	90,000,000.00	29,589,000.00	5,732,463.79		5,252,433.83			
Average year for 18 companies for 10-year period	127,348,983.91	160,322,562.44	90,315,988.21	663,272.44		2,990,091.96	.52	.41	.73
Average per company per year for 19 companies	9,985,181.12	13,174,871.71	6,310,788.85	336,617.70		433,817.15	3.37	2.55	5.33
Average per company per year for 18 companies	7,074,943.55	8,906,253.41	5,017,554.90	36,848.47		166,116.22	.52	.41	.73

[1] Estimated average based principally on 1928–29 figures.

[2] For fiscal year 1918–19 to 1927–28.

Statement of 19 beet-sugar companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, setting forth, in the aggregate, by years, invested capital, renewal value of property, capital-stock liability, net income, dividends paid, and rates of return earned on capital investment

	Fiscal year 1919–20	Fiscal year 1920–21	Fiscal year 1921–22	Fiscal year 1922–23	Fiscal year 1923–24	Fiscal year 1924–25
Invested capital:						
For 19 companies	$192,963,895.98	$204,956,993.39	$176,145,583.64	$174,094,103.68	$189,981,632.84	$202,108,467.54
Deduct company E	63,106,930.21	59,446,987.48	48,498,559.50	55,145,623.29	63,699,927.03	68,427,200.68
For 18 companies	129,856,965.77	145,510,005.91	127,647,024.14	118,948,480.39	126,281,705.81	133,681,266.86
Rate per cent earned:						
For 19 companies	13.02	4.18	−18.45	5.11	12.53	9.17
For 18 companies	10.48	2.93	−18.33	1.69	9.40	5.95
Current renewal value of property:						
For 19 companies	$245,351,673.20	$246,093,483.79	$245,642,901.05	$245,794,237.15	$251,059,058.24	$253,084,470.68
Deduct company E	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00
For 18 companies	155,351,673.20	156,093,483.79	155,642,901.05	155,794,237.15	161,059,058.24	163,084,470.68
Rate per cent earned:						
For 19 companies	10.44	3.48	−13.23	3.62	9.51	7.32
For 18 companies	8.76	2.71	−15.01	1.29	7.37	4.88
Capital stock:						
For 19 companies	$122,894,340.00	$123,658,200.00	$124,567,790.00	$116,971,335.00	$116,395,428.00	$124,059,869.47
Deduct company E	28,630,000.00	28,630.000 00	28,630,000.00	30,000.000.00	30,000,000.00	30,000,000.00
For 18 companies	94,264,340.00	95,028,200.00	95,937,790.00	86,971,335.00	86,395,428.00	94,059,869.47
Rate per cent earned:						
For 19 companies	20.45	6.94	−26.09	7.61	20.51	14.94
For 18 companies	14.44	4.46	−24.39	2.31	13.74	8.46
Net income:						
For 19 companies	$25,127,130.44	$8,583,860.01		$8,895,791.40	$23,879,981.95	$18,535,315.53
Deduct company E	11,507,994.41	4,344,157.27		6,879,113.79	12,004,303.74	10,577,273.65
For 18 companies	13,619,136.03	4,239,702.74		2,016,677.61	11,875,678.21	7,958,041.88
Net loss:						
For 19 companies			$32,500,663.83			
Deduct company E			9,094,327.98			
For 18 companies			23,406.335.85			
Dividends:						
For 19 companies	14,246,526.36	13,611,168.67	3,757,068.81	2,640,063.50	6,958,970.00	10,822,155.85
Deduct company E	8,004,088.25	8,004,100.00	1,854,100.00	1,602,050.00	3,450,000.00	5,850,000.00
For 18 companies	6,242,438.11	5,607,068.67	1,902,968.81	1,038,013.50	3,508,970.00	4,972,155.85

[1] Estimated.

Statement of 19 beet-sugar companies for the 10 fiscal years 1919–20 to 1928–29, inclusive, setting forth, in the aggregate, by years, invested capital, renewal value of property, capital-stock liability, net income, dividends paid, and rates of return earned on capital investment—Continued

	Fiscal year 1925–26	Fiscal year 1926–27	Fiscal year 1927–28	Fiscal year 1928–29	Average year
Invested capital:					
For 19 companies	$195,279,783.55	$184,730,415.26	$184,470,617.13	$192,452,920.60	$189,718,441.36
Deduct company E	69,001,342.77	66,517,056.04	64,077,623.79	65,773,323.67	62,369,457.45
For 18 companies	126,278,440.78	118,213,359.22	120,392,993.34	126,679,596.93	127,348,983.91
Rate per cent earned:					
For 19 companies	0.63	−0.94	1.94	4.32	3.37
For 18 companies	−4.10	−4.31	.05	.42	.52
Current renewal value of property:					
For 19 companies	$253,846,626.24	$254,160,538.77	$254,571,528.40	$253,621,106.88	$250,322,562.44
Deduct company E	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00	[1] 90,000,000.00
	163,846,626.24	164,160,538.77	164,571,528.40	163,621,106.88	160,322,562.44
Rate per cent earned:					
For 19 companies	0.49	−0.68	1.41	3.28	2.55
For 18 companies	−3.16	−3.11	.04	.33	.41
Capital stock:					
For 19 companies	$117,558,601.89	$116,305,125.33	$116,687,631.38	$119,951,561.03	$119,904,988.21
Deduct company E	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	29,589,000.00
For 18 companies	87,558,601.89	86,305,125.33	86,687,631.38	89,951,561.03	90,315,988.21
Rate per cent earned:					
For 19 companies	1.06	−1.48	3.08	6.94	5.33
For 18 companies	−5.91	−5.91	.08	.60	.73
Net income:					
For 19 companies	$1,246,182.54	...	$3,595,678.13	$8,326,149.28	$6,395,736.22
Deduct company E	6,424,142.09	...	3,530,567.75	7,785,699.88	5,732,463.79
For 18 companies	...	...	65,110.38	540,449.40	663,272.44
Net loss:					
For 19 companies	...	$1,732,063.17	...	...	...
Deduct company E	...	[2] 3,365,713.27	...	...	...
For 18 companies	5,177,959.55	5,097,776.44	...	...	...
Dividends:					
For 19 companies	8,869,736.53	7,607,872.69	6,795,375.52	7,116,320.00	8,242,525.79
Deduct company E	5,850,000.00	5,850,000.00	5,970,000.00	6,090,000.00	5,252,433.83
For 18 companies	3,019,736.53	1,757,872.69	825,375.52	1,026,320.00	2,990,091.96

[1] Estimated.

[2] Net income of company E.

STATEMENT OF W. D. LIPPITT, REPRESENTING THE GREAT WESTERN SUGAR CO., DENVER, COLO.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WATSON. Whom do you represent?

Mr. LIPPITT. I represent the Great Western Sugar Co. I am vice president and general manager of the Great Western Sugar Co.

Senator WATSON. When was the Great Western Sugar Co. organized?

Mr. LIPPITT. January, 1905.

Senator WATSON. Tell us something about its growth from the time it was organized up to the present time.

Mr. LIPPITT. That is exactly what I should like to do, Senator.

The Great Western Sugar Co. operates in four Western States—Colorado, Nebraska, Montana, and Wyoming. The Great Western Sugar Co. has been fortunate enough to make a reasonable profit on its investment, and I presume as a result of that has been subjected to considerable attack in connection with the consideration of the pending tariff bill.

Senator WATSON. What was its original capitalization?

Mr. MCBRIDE. I intend to answer that, Senator. I have a brief statement here I should like to read in order to be strictly accurate.

Senator WATSON. Very well.

Mr. LIPPITT. The Great Western Sugar Co. was incorporated under the laws of the State of New Jersey in 1905, when it took over the properties and working assets of various beet-sugar companies then operating in northern Colorado.

The capital stock authorized upon its formation consisted of 100,000 shares of preferred stock of a par value of $100 per share and 100,000 shares of common stock of like par value. There was issued at the outset preferred stock of a par value of $7,421,000 and common stock of a par value of $6,921,000 in the acquisition of the above-mentioned properties and assets.

In 1906 the authorized capital stock of the company was increased from $20,000,000 to $30,000,000, represented by 150,000 of each preferred and common shares, all of the par of $100 per share.

Senator SMOOT. That was not made from profits during that year, was it?

Mr. LIPPITT. No; it was not.

Senator SMOOT. That was paid for?

Mr. LIPPITT. That was paid for.

Senator HARRISON. I understood you to say authorized. How much was paid in?

Mr. LIPPITT. I am coming to that in just a moment.

Subsequently preferred and common stock to the extent of the total amount authorized was issued for the purchase of properties, and for cash, and in permanent capitalization of accumulated earnings. No preferred or common stock was ever sold for less than its par value nor were preferred shares ever accompanied by common stock as a bonus. The common stock has in recent years been split up so that to-day each share represents only one-twelfth of each original common share.

Dividends upon the outstanding preferred stock at the rate of 7 per cent per annum have been paid since 1905, but prior to the year 1910 no dividends were paid upon common.

During that period earnings in excess of preferred-stock dividend requirements were retained by the company and reinvested.

Since 1910, in addition to payments of dividends on the preferred stock, dividends have been paid intermittently and at varying rates on the common stock of the company. The policy followed by the company of reinvesting all earnings in excess of dividend payments resulted, particularly during the earlier years, when no dividends whatever were paid to common-stock holders, in the accumulation of a surplus represented, as was the original capital, by actual material property such as plants, equipment, supplies, working capital, etc. The capital thus reinvested is obviously exactly similar to capital originally put into the business, even though it may not be represented by the issuance of additional stock.

As a result of this policy of reinvesting earnings in the expansion of the company's operations, the accompanying statement shows that at the close of the fiscal year of 1918–19 the net assets aggregated $59,600,000, notwithstanding that the nominal capitalization was only $28,630,000.

All of these assets were actually used in the conduct of the company's business, regardless of the fact that part had been derived from the original subscription of stockholders and part from the "plowing back," so to speak, of subsequent earnings. While the reinvestment of earnings might have been evidenced by the issuance to stockholders of additional capital stock of an equivalent face value, an unusual provision in the charter of the company, relating to the relative status of preferred and common stockholders, made it difficult to effect this without almost a complete rearrangement of the capital structure. The action was not deemed of sufficient importance to warrant the rearrangement, and as a consequence the nominal value of the capital stock represents in effect only a partial capitalization of assets.

This apparent undercapitalization is a matter of no practical significance, the capital stock evidencing merely the rights and interests of the stockholders in the organization and, as pointed out, does not reflect the capital actually invested and employed in the business and has no bearing on the rate of profits earned by the corporation or received by its stockholders.

At the close of the last fiscal year on February 28, 1929, the net assets of the company, all representing physical property and working capital and all actually employed in the business of manufacturing sugar, aggregated $65,773,000. And that, by the way, is at a quite conservative valuation. Our policy has been to keep these valuations conservative. That represents undoubtedly less than the actual replacement value of the entire property.

Senator WATSON. What is the entire property? Tell us that.

Mr. LIPPITT. We have 21 manufacturing plants, 20 so-called beet plants, similar to those in other parts of the country, and one refinery where we handle the molasses from all of the other plants. The refinery that operates 12 months out of the year under a new process which was developed in Europe. It is the first time it has ever been used in this country.

Senator WATSON. What do you make there?

Mr. LIPPITT. White sugar, the same as the sugar from our other plants. We have also a railroad, lime rock quarries, and lands.

Senator WATSON. How much land; how many farms?

Mr. LIPPITT. Some 10,000 or 12,000 acres, approximately.

Senator WATSON. Where?

Mr. LIPPITT. In Colorado, Nebraska, Wyoming, and Montana; scattered around. Those farm properties were largely acquired during the war in order to produce beet seed. We produced practically our entire requirement of beet seed during the war, when it was very difficult, or in some cases impossible, to get it abroad.

Senator WATSON. Do you raise enough beets to supply your various factories?

Mr. LIPPITT. No, sir; we do not.

Senator WATSON. Where do you get the others?

Mr. LIPPITT. We purchase them from farmers in the surrounding territory.

Senator WATSON. In those States?

Mr. LIPPITT. In those four States.

Senator WATSON. What do you say is the total aggregate investment of that company in all of those properties?

Mr. LIPPITT. $65,773,000.

Senator HARRISON. In that time, how much in dividends have you paid out? What is the total, if you have the figures there?

Mr. LIPPITT. I have those figures to come later, if it will be all right to put it that way.

Senator HARRISON. Very well.

Mr. LIPPITT. These assets I am speaking of, this $65,000,000, comprise the investment in factories, real estate, machinery, manufacturing supplies, and working capital.

The business is seasonal in character, and during the manufacturing period of three or four months of each year large disbursements are required for the purchase of raw material and for the processing of sugar. The total capital invested in the business is insufficient to meet these maximum requirements, and it is usually necessary to borrow heavily during the period of the year when the crop is being worked up. Borrowings vary of course from year to year, largely in relation to the size of crops. In one of the years reviewed on the attached statement the total exceeded $33,000,000, and a year ago the published statement showed notes payable of over $20,000,000. The need for periodical, outside borrowings is cited as conclusive evidence that the money actually invested in the business is continuously and actively employed and that it is frequently necessary to supplement it from outside sources to cover the volume of operations handled.

The capital structure and earning record of the company are shown clearly and in detail in the accompanying statement not only as they exist at the present time but for a period of the past 10 years. It should be remembered that for various reasons the earnings of any single year can not be used as a criterion. In common with that of all other agricultural enterprises the seasonal character of the beet-sugar business permits only one annual turnover of product. It frequently happens that in a given fiscal year the total sugar sold may be greater or less in volume than the product manufactured during that particular year. Moreover there is a wide difference in costs of production because of variation in the sugar content and yield of different crops. These fluctuations, of course, are more or less ironed out by combining and averaging the operations over a period of years, as has been done in the statement mentioned.

From this it will be seen that during the 10-year period under review the Great Western Sugar Co. has actually had capital invested carrying in different years from $48,500,000 to $69,000,000. In that time the average annual earning calculated upon money invested and continuously used in the business has been at the rate of 9.24 per cent. Dividend payments to stockholders out of this earning during the same period have been, as is shown, at the rate of 8.46 per cent on capital invested. Earnings in excess of dividend payments have been retained in the business and have been used in expanding manufacturing facilities, improving and replacing equipment, and for additional necessary working capital.

The company has continuously endeavored to maintain its properties and operations at the highest efficiency, and as it has succeeded in introducing economics and reducing costs, these advantages have been shared with the farmers who furnish its beet supply, by giving them an increasingly higher proportion of the returns from the sale of the finished product. The company purchases its entire beet supply under a contract with growers which provides that payment for beets shall be upon a basis which takes into account volume and quality of the crop and net returns realized in the sale of the sugar. Under this established form of contract any increase in the selling price of sugar in the American market resulting from an increase in the import duty to an adequate basis will automatically result in a higher rate of payment to farmers for their beets.

Senator WATSON. How much of undistributed surplus, if any, do you carry?

Mr. LIPPITT. The surplus shown on our statement is $35,000,000, approximately. I have the figures here accurately.

Senator WATSON. You say at the present time you have money borrowed from the banks?

Mr. LIPPITT. We have none at the present time. Our borrowing comes during the fall period. We are getting along now to the end of our selling season, and these loans have been repaid. We have none now.

Senator WATSON. But you did say, as I recall it, that you had at one time $20,000,000 borrowed?

Mr. LIPPITT. That was a year ago. Our annual statement showed some $20,000,000.

Senator WATSON. At the same time did you carry an undistributed surplus?

Mr. LIPPITT. Yes; we carried an undistributed surplus. That surplus, of course, was represented by actual, physical property, and not by cash.

Senator WATSON. That is what I wanted to understand. You did not carry an excess of capital at the same time that you were borrowing money?

Mr. LIPPITT. Not an excess of cash.

Senator WATSON. That is what I wanted to know. No undistributed surplus in cash?

Mr. LIPPITT. No.

Senator WATSON. Did you have any cash on hand?

Mr. LIPPITT. We had some cash, of course.

Senator WATSON. Oh, of course.

Mr. LIPPITT. But largely made up of the cash that we had borrowed from the banks.

Senator WATSON. What is the aggregate of the dividends that have been paid? Senator Harrison had some lists that he read the other day. Did you hear those lists read?

Mr. LIPPITT. I think not.

Senator SHORTRIDGE. You have just stated it.

Senator WATSON. But he gave the percentage. I wanted the aggregate of the dividends during that time.

Mr. LIPPITT. Approximately $84,000,000 since the beginning of the company.

Senator WATSON. From 1905.

Mr. LIPPITT. From 1905 up to the last dividend payment.

Senator WATSON. Have you mentioned the earnings in the past, what in the aggregate has beer reinvested over your dividend payments? You say in excess of your dividend payments you reinvest that money?

Mr. LIPPITT. Yes.

Senator WATSON. What does that amount to, over that period of years from 1905 up to the present time?

Mr. LIPPITT. Substantially the present surplus of the company, $35,000,000. I think that actually represents the reinvestment.

Senator WATSON. Is there a difference in the sugar content of the beets over a series of years?

Mr. LIPPITT. Yes; it will vary considerably. We have had beets, I think the lowest in our history, of only 13.6 or 13.7. We had beets last year, for instance, unusually high in sugar content; 16.7 approximately. I am quoting these figures from memory. That varies as much as 3 per cent within a period of perhaps five years. It all depends on the weather and soil conditions, and it is largely beyond the control of the grower.

Senator SMOOT. 1928 was an unusual year.

Mr. LIPPITT. It was quite favorable. We extracted more sugar last year per ton of beets than we normally do.

Senator WATSON. What proportion of your beets for your own consumption do you grow, and what per cent do you buy?

Mr. LIPPITT. We grow a very negligible proportion; I think 1 or 2 per cent. Practically all of our beets are bought from independent growers.

Senator SMOOT. What is your contract this year with the farmers?

Mr. LIPPITT. The contract is on a sliding-scale basis. It pays a minimum price of $7 per ton in Colorado and Nebraska and $7.50 per ton in Wyoming and Montana.

Then incorporated in the contract is a sliding scale based upon the quality of beets; net returns realized from the actual sale of the sugar, and in our case, volume of operation, and depending upon the outcome of those three factors, further payments may be made over the definite guaranteed amount.

Senator SHORTRIDGE. How many holders of preferred stock do you have? Is that in your statement?

Mr. LIPPITT. I do not know, Senator. Our total number of stockholders in the company is a little over 9,000. That was, I think, some two or three months ago, when I last heard about the figures. I do not recall what the difference is between the preferred and common. I think the common is in excess of the preferred, but not greatly so. I think it was about 3,000 preferred stockholders and about 6,000 common—between 3,000 and 4,000 preferred stockholders.

Senator SHORTRIDGE. The stock held generally by people scattered throughout the country?

Mr. LIPPITT. Over the whole United States. There is no single large interest represented in the company to-day; that is, there is no majority interest. There are large stockholders and small stockholders.

Senator SMOOT. Is there something in the articles of incorporation which would prevent you from paying more percentage upon the common stock than upon the preferred?

Mr. LIPPITT. No more than on our preferred.

Senator SMOOT. I have heard the statement several times that that was the case; that it was a part of the articles of incorporation that at no time should there be a greater percentage paid to the common stockholders than to the preferred stockholders.

Mr. LIPPITT. No; that is not correct. There is a provision in our articles of incorporation which is a little unusual, that in the event of liquidation of the company, and only in that event, the preferred stockholders shall be paid par for their stock and the common stockholders shall be paid the original par value; and that additional assets shall be distributed ratably between the two; that is the reason we are required to retain that old par value in our statements.

That is rather an unusual provision, and makes it difficult to capitalize this excess without the issue of new stock to both classes.

Senator SMOOT. That is the only institution in the United States that requires that; is it not?

Mr. LIPPITT. I can not say that. I know it is an unusual provision.

Senator SMOOT. I have never heard of it anywhere else.

Senator SHORTRIDGE. You are a New Jersey corporation?

Mr. LIPPITT. Yes.

Senator SHORTRIDGE. Organized under the laws of New Jersey?

Mr. LIPPITT. Yes.

Senator WATSON. What has been your financial condition since the enactment of the present tariff law in 1922? Have you been reasonably prosperous?

Mr. LIPPITT. Reasonably prosperous. I have given you the figures for a period of 10 years, Senator.

The other would be a 7-year period. I should think that would represent, taking the earnings by years, approximately the same percentage of earnings.

Senator SMOOT. What were your earnings in 1927?

Mr. LIPPITT. The earnings for the year ending February, 1927——

Senator SMOOT. Yes.

Mr. LIPPITT. About $3,500,000.

Senator SMOOT. What were they in 1928?

Mr. LIPPITT. I will give you the exact figures for the year ending February 28, 1927—this includes the Great Western Sugar Co. and the various subsidiary companies, the railroad and the lime-rock quarries and all the other properties, the combined properties controlled by the company—it was $3,365,000 in round figures.

Senator SMOOT. That was in 1927?

Mr. LIPPITT. For the year ending February 28, 1927.

For the year ending February 28, 1928, it was $3,530,000.

Senator SMOOT. Now, what was it for this year?

Mr. LIPPITT. This year it was $7,785,000.

Senator SMOOT. What was the reason of that increase in earnings?

Mr. LIPPITT. There were a number of factors entering into that; as I pointed out a moment ago, we had an unusual year in that we had a considerably higher sugar content in beets than normal.

Senator SMOOT. Is not that the great factor?

Mr. LIPPITT. That is one of the factors.

On the contrary, we sold some sugar in the fiscal year represented by these earnings that was not actually produced in that year. We had a balance from the previous year which was carried over at cost, and the profit on that sugar, in addition to the profit on the year's sugar, went in to swell the earnings of the past fiscal year: so that a more representative figure would be the average earnings of those three years.

Senator WATSON. What is the rate per cent on your investment 1927 and in 1928?

Mr. LIPPITT. In 1927 the rate on capital actually invested was 4.97. For 1928 it was 5.41 per cent.

Senator SMOOT. Would you object to having that statement put into the record at this point?

Mr. LIPPITT. No, sir; I would not.

Senator SMOOT. I mean, the whole statement.

Mr. LIPPITT. I shall be very glad to put it in, Senator.

Senator SMOOT. Put it in at this point.

Mr. LIPPITT. May I keep it while I am answering these questions?

Senator SMOOT. Oh, yes.

(The statement referred to will be found at end of Mr. Lippitt's testimony.)

Senator WATSON. So far as your one institution is concerned, you can get on under the existing tariff, can you not?

Mr. LIPPITT. Depending on where the market price of sugar may go, of course.

Senator WATSON. Yes.

Mr. LIPPITT. The tariff is only one factor affecting the selling price of our sugar. If anybody can tell where this sugar market is going to go, I can answer more accurately. If it continues to go down, as it has for the past year, I should say we could not. If it goes up, we could get along, of course.

Senator SMOOT. What per cent of the sugar has been sold of last year's crop?

Mr. LIPPITT. I should say from 65 to 70 per cent, roughly. I have been down here for two or three weeks, and have not kept closely in touch. That is it, roughly.

Our policy in selling sugar is to sell as nearly as we can in equal monthly quantities throughout the twelve months' period. Of course that varies with market changes, and so forth.

Senator WATSON. How much sugar do you carry then? How long do you carry sugar after it has been made?

Mr. LIPPITT. Practically from one season to the other. Our operating period will last from 90 to 100 days, and at that time we have reached the peak production, and our entire product is on hand, except what we have sold during the manufacturing campaign, and from then on we sell in about equal monthly quantities; so that by the first of October of the next succeeding year we have completed marketing our previous year's production.

Senator WATSON. Do you hold that so as to force up the price, or is that the best business policy?

Mr. LIPPITT. That is the best business policy. The only way we could sell otherwise would be to go further away from home, and then we would incur prohibitive freight rates. We try to supply the territory nearest home, and go no further than is necessary; we gauge that territory by what we can sell in it during a twelve-month period.

Senator WATSON. Where is your market?

Mr. LIPPITT. Roughly speaking, Chicago and west to the Rocky Mountains. In some years of excess production we are compelled to go east of Chicago, into Indiana and Ohio, and sometimes as far east as Pittsburgh.

Senator SMOOT. What percentage of your production is sold within the territory you have mentioned; that is, Chicago and east of the Rocky Mountains?

Mr. LIPPITT. In a normal year, all of our production, Senator.

Senator SMOOT. That is one reason why your concern has been prosperous when perhaps some others have not been? You have the best market.

Mr. LIPPITT. Yes; we are well located.

Senator SMOOT. And as to marketing conditions, are they not better than those of some other companies?

Mr. LIPPITT. Yes; that would be my judgment.

Senator SMOOT. You are very fortunate in selecting your location for operation.

Mr. LIPPITT. I think we are very well located.

Senator WATSON. Both as to the marketing and the production of it?

Mr. LIPPITT. Both as to marketing, and in that territory for the furnishing of the beet supply.

Senator WATSON. Have you had any pests in your beets?

Mr. LIPPITT. Nothing of any consequence. We have never had the white fly in our territory.

Senator WATSON. You have never had to make any fight against it?

Mr. LIPPITT. No, sir.

Senator CONNALLY. Is there any differential between the rate or selling price of beet sugar and cane sugar?

Mr. LIPPITT. It is 20 cents a hundred pounds at the present time; normally, it is between 10 and 20 cents a hundred pounds.

Senator CONNALLY. In other words, beet sugar always sells 20 cents a hundred pounds lower?

Mr. LIPPITT. It is selling at that differential at this time.

Senator CONNALLY. Less than cane sugar?

Mr. LIPPITT. Yes.

Senator CONNALLY. Your price is, then, regulated by the cane-sugar price? If cane sugar goes up, yours goes up relatively, and if cane sugar goes down yours goes down?

Mr. LIPPITT. Yes.

Senator CONNALLY. Does New York fix the price of all the sugar in the United States? Do you not base your price on 20 cents less than what cane sugar is selling for in New York?

Mr. LIPPITT. We do; New York and other seaboard refining points.

Senator CONNALLY. Why is that? Is not beet sugar as good as cane sugar?

Mr. LIPPITT. Exactly as good as cane sugar.

Senator CONNALLY. Why do you sell it for 20 cents less?

Mr. LIPPITT. There are number of reasons for that. We make only one product, granulated sugar. No beet sugar company is equipped to make all the different kinds of sugars, the brown sugars and powdered sugars, and so forth. So we are unable to supply that demand, and that would account for it, partly.

There is also a prejudice against beet sugar. That has sometimes been fostered by our cane-sugar friends. It is necessary to try to sell this sugar as near to home as possible, and rather than ship into far-distant districts at a big freight penalty, we try to market it nearer at home by giving a little differential.

Senator CONNALLY. You have spoken of the market in Chicago and west of there. The cane sugar can not compete with you there on freight rates and other things, can it?

Mr. LIPPITT. Indeed it can, and does.

Senator CONNALLY. You make the price 20 cents less in order to move your sugar and sell it?

Mr. LIPPITT. Yes.

Senator WATSON. Can any expert tell cane sugar from beet sugar?

Mr. LIPPITT. I understand not.

Senator SHORTRIDGE. And yet the housewives, our mothers and wives, think that cane sugar is better for preserving fruits than beet sugar.

Mr. LIPPITT. That is an old prejudice in this country, arising no doubt from the fact that in the early days beet sugar probably was not quite as good in quality as cane sugar.

Exactly the opposite prejudice holds in England. During the war they were compelled to resort to cane sugar. They were shut off from their former sources of supply of beet sugar, and they had to go through the same educational campaign, to persuade the people that cane sugar was as good as beet sugar that we have had to get them to use beet sugar; we have had to educate them and persuade them just the opposite.

Senator WATSON. You say you manufacture only granulated sugar?

Mr. LIPPITT. Only granulated sugar.

Senator WATSON. Does it cost more or less to make that than it does to manufacture white sugar?

Mr. LIPPITT. That is what we mean when we say white sugar. We manufacture granulated sugar.

Senator WATSON. Granulated sugar seems to be a little different from ordinary sugar.

Senator SHORTRIDGE. Who makes the powdered sugar?

Mr. LIPPITT. I think most cane-sugar refining companies make some; and also there has grown up all over the country the business on the part of jobbers and small manufacturers the business of grinding granulated sugar and making it. Powdered sugar has a tendency to harden when standing for any length of time, and caking, and probably it is more satisfactory to grind it as the trade requires it than to make it up at the refiners and hold it for any length of time.

Senator CONNALLY. Has the differential between the cane and the beet sugar ever been more than 20 cents?

Mr. LIPPITT. Yes, I think it has, Senator.

Senator CONNALLY. In recent years?

Mr. LIPPITT. Not in recent years. I think at one time it was as high as 30 cents.

Senator SMOOT. That was 20 years ago, however.

Senator CONNALLY. How does this differential affect the Hawaiian sugar brought into California and manufactured there into sugar? Do you not compete with those people in all that territory?

Mr. LIPPITT. Yes; that is sold at the same price, the same price as other cane refiners sell their sugar at.

Senator CONNALLY. So that you cut them 20 cents?

Mr. LIPPITT. We cut them 20 cents.

Senator CONNALLY. Why do you not sell your sugar f. o. b. factory, instead of on the New York basis? Would not that give you a tremendous advantage in all that territory contiguous to your plant?

Mr. LIPPITT. No, it would give us a disadvantage, Senator.

Senator CONNALLY. It would?

Mr. LIPPITT. A disadvantage.

Senator WATSON. Why would it?

Mr. LIPPITT. The big bulk of our sugar has to be marketed in the East. Obviously we can not sell at a higher price than cane sugar sells for.

Senator WATSON. I thought you said you sold it all in Chicago and in the country east of the Rocky Mountains?

Mr. LIPPITT. We call Chicago east, those of us who live in Denver.

Senator WATSON. You call Chicago east?

Mr. LIPPITT. Yes. In what we call our local territory, in the Western States of Colorado, Nebraska, Montana, and Wyoming, we sell only a small proportion of our sugar, 10 per cent. We are compelled to go east of those States. As we get in there, of course, we meet competition from other producers. Probably the highest-priced territory in the United States upon the present basis of making sugar prices is our home territory, namely, the selling territory in Colorado. We are substantially at the peak of prices there. It is about the same distance to New Orleans, San Francisco, or New York; so that we have, for that relatively small quantity, so to speak, a freight protection, but it only affects a small part of our supply.

Senator CONNALLY. Do you sell your output through New York brokers, or do you maintain your own selling agencies?

Mr. LIPPITT. We sell through local brokers in the various districts where we distribute; we have an agency in Kansas City and one in Omaha, and so forth. None is sold through New York brokers, except as these brokers may be represented in territories where we distribute our product.

Senator CONNALLY. You say there is a prejudice against beet sugar?

Mr. LIPPITT. Yes.

Senator CONNALLY. Are you not admitting its inferiority when you offer it for 20 cents less than cane sugar?

Mr. LIPPITT. Some of us think so.

Senator SMOOT. I want to say that when we first started making beet sugar, 30 years ago, I sent over to my home some beet sugar. Mrs. Smoot sent it back and said she did not want beet sugar, that she could not cook with it; so I simply took the sugar out of the sack that it was in and put it into another sack and sent it back again.

Senator CONNALLY. I am surprised that the Senator would deceive his wife.

Senator SMOOT. That went on for about two weeks, and finally I said, "Well mamma, this is very much better sugar than I sent you the other day." "Oh, yes; this is all right." "Well," I said, "it is the same sugar I sent you up here before." She never said anything more about beet sugar.

Senator HARRISON. It was the beginning of a bad practice. [Laughter.]

Senator SMOOT. It is all right; it came out all right.

Senator CONNALLY. I have looked at beet sugar, myself, and I can not tell the difference between it and cane sugar. I have seen it in the factory. Of course I do not believe in deception under any circumstances. [Laughter.]

Senator SMOOT. There is no deception, by analysis or in any other way. There is no difference.

Senator CONNALLY. I want to say that I think you are doing the beet-sugar industry an injury by selling it voluntarily at 20 cents less price than the Cuban cane sugar.

Senator SMOOT. It started with us at the first refinery, and perhaps at that time, when we first began refining beet sugar in Utah—I mean in the very beginning, in the Western States, getting it started and getting it on the market—it may have been a little different.

Senator CONNALLY. And you had to get a tariff to correct your own admission of inferiority.

Senator SHORTRIDGE. Why do you sell your sugar cheaper than cane sugar?

Mr. LIPPITT. We feel that we get more money, selling it that way. In other words, if we offered our sugar at cane-sugar prices, we would have to meet this prejudice, which, regardless of whether it is correct or not, exists; and we would not sell as much sugar in that territory, Chicago and west, and we have to be sold in Pittsburgh and Albany and possibly even in Washington. We feel that we are making more money by what we are doing than we would otherwise.

Senator WATSON. What is the freight rate from Cuba to New York and thence to Chicago as compared with the freight rate from the Colorado factory to Chicago?

Mr. Lippitt. I can only give you my understanding of that, Senator. I have no interest in Cuba and know only at second hand about that. My understanding is that the freight rate from Cuba to New York is about 15 cents. Undoubtedly there are men here who are informed on that point. There are several different rates in effect to Chicago. There is the all-rail rate from New York to Chicago, which is a little over 50 cents, and the lake-and-rail rate which is somewhat less, and then there is a rate, canal and lake, which is about 35 cents, as I remember the figures. I am quoting from memory on all of these. A considerable amount of sugar, particularly during the last two or three years, has been shipped into Chicago on this canal and lake rate.

Senator Watson. From Cuba?

Mr. Lippitt. From the New York refineries; refined sugar. If I am correct in my figures on that, the 35 cents plus the 15 cents from Cuba would make a total freight charge of something like 50 cents a hundred from Cuba to Chicago. I may not be strictly accurate, but I think I am within a few cents. Our rate from Colorado to Chicago is 56 cents.

Senator Smoot. What is the rate from Utah to Chicago?

Mr. Lippitt. I do not know.

Senator Smoot. Sixty-nine cents.

Senator Harrison. I wanted to ask a question or two here. Did I catch you right that there were $30,000,000 actually paid in in money in the beginning or $15,000,000?

Mr. Lippitt. The statement I made was this, Senator: That when the company was organized in 1905, there was an authorized capital stock of $20,000,000. That capital stock was used in the purchase of existing companies.

Senator Harrison. Was all of that $20,000,000 actually paid in?

Mr. Lippitt. All of it.

Senator Harrison. The whole authorized amount was paid in?

Mr. Lippet. I will try to explain it in a little different way, Senator. There were various independent companies operating in Colorado pior to the time that the Great Western Sugar Co. of New Jersey was formed. Some of them had been operating five years, some four years, some three years; from three to five years. The railroad company which is now owned by the Great Western Sugar Co. was operating also. Regardless of what money had been originally invested in those properties, the Great Western Sugar Co. of New Jersey took over those entire properties, their original investment, plus all of their assets, plus their accumulated earnings during that period. I understand that during the period from their formation up to the time the Great Western Sugar Co. took them over that there were no dividends paid. So that what was taken over by the Great Western Sugar Co. of New Jersey represented the original investment plus the earnings during that interval.

Senator Harrison. So that in connection with these companies a certain amount was fixed on their valuation and they were put in at that amount and the whole thing aggregated $20,000,000?

Mr. Lippitt. $20,000,000 at the inception of the company, at the organization of the company. Later additional capital stock to the extent of $10,000 was authorized.

Senator HARRISON. What was that actually paid in in money?

Mr. LIPPITT. Actually paid in. The most of it was paid in in money. There was, I think, about $2,000,000 of stock not issued about that time. I may not be strictly accurate as to the exact figure, but something like $2,000,000 of stock was later issued in the form of a stock dividend to capitalize earnings that had accumulated prior to the issuance of the stock dividend.

Senator HARRISON. Since the beginning of the $20,000,000 investment, what has been the total amount of dividends that have been paid out to the stockholders?

Mr. LIPPITT. May I clear up one point? There was no $20,000,000 originally invested. There was a $30,000,000 investment. After the original $20,000,000 was put in there was another ten million sold for stock or issued later on in the capitalization of assets.

Senator HARRISON. Let us get down to the cash dividends that have been paid by the company from the beginning. I want to say that I admire greatly the management of your concern.

Mr. LIPPET. Thank you.

Senator HARRISON. My questions do not indicate any criticism of the concern. I am just curious to understand why your concern should progress so marvelously well while others out there that began sooner have not progressed so well. I want to get the facts, however. Here is a pamphlet which the chairman says the National City Bank is behind. I do not know. It is signed, however, by the United States Sugar Association, based on information from Moody's Manual. I do not understand that this is a criticism of your concern but that it is a praise of your concern. I want to know if these facts are correct.

Senator SMOOT. It was not issued——

Senator HARRISON. The chairman may have his own idea about the motive that prompted it, but there are certain facts in here, and I want to see whether they are correct or not. Mr. Lippitt is an intelligent witness, and certainly a good business man, and I believe he knows more about this Great Western Sugar Co. than the chairman, although the chairman knows a good deal about it.

Mr. Lippitt, it says in this statement, from 1906 the total dividends paid during these years from 1906 to 1929, inclusive, amounted to $84,272,000. Is that correct?

Mr. LIPPITT. I am sorry that I have not a complete dividend record of the company from the outset, but to the best of my knowledge that is substantially correct.

Senator HARRISON. On common dividends they say also, from 1910 to 1929, inclusive, there was $60,850,000. Is that substantially correct?

Mr. LIPPITT. That, as I understand it, is not shown to be in addition to the other.

Senator HARRISON. No. I understand the sixty million and the twenty-three million on preferred dividends total this eighty-four million.

Mr. LIPPITT. I think that is substantially correct.

Senator HARRISON. You have seen this pamphlet?

Mr. LIPPITT. I have it in front of me.

Senator HARRISON. Are there any inaccuracies to it?

Mr. LIPPITT. There are.

Senator HARRISON. Will you point out where it is substantially inaccurate here?

Mr. LIPPITT. The gentleman who prepared this statement indicated that the earnings of the Great Western Sugar Co. from January, 1905, to February 28, 1929, were $156,000,000.

Senator SMOOT. On an investment of $15,000,000.

Mr. LIPPITT. That is only one inaccuracy.

Senator HARRISON. What was the total profit?

Mr. LIPPITT. The profit of the company during that period has been something like—averaged something in excess of $4,000,000 a year, a total of something less than $118,000,000, during the 25-year period, which averages a little over $4,000,000 average profit per year, Senator.

Senator HARRISON. So, then, this statement which says that $156,000,000 was the total profit is inaccurate in that you state it is only about $118,000,000; is that right?

Mr. LIPPITT. Approximately that.

Senator HARRISON. What other inaccuracy is there in there?

Mr. LIPPITT. An inaccuracy, of course, of some $40,000,000 is a rather substantial one.

Senator HARRISON. Yes.

Senator SHORTRIDGE. Well, what other ones are there, if there be any?

Mr. LIPPITT. The statement that the actual cash investment in the company was only $15,000,000 is quite inaccurate.

Senator HARRISON. You say it is $30,000,000?

Mr. LIPPITT. Yes, sir.

Senator HARRISON. Outside of that it is fairly accurate?

Mr. LIPPITT. I have not read the whole statement. I am simply looking at these figures. From my knowledge of the way it was prepared I should say the whole thing was substantially inaccurate.

Senator HARRISON. You started in business after the Utah-Idaho Sugar Co., did you not?

Mr. LIPPITT. I can not answer that question, Senator. I do not know when they started. We started in 1905.

Senator HARRISON. Can you give to the committee why it is your concern has made these profits indicated by your testimony while the Utah-Idaho Sugar Co. has not?

Mr. LIPPITT. The Great Western Sugar Co. is a well-located company, located very advantageously with respect to markets and very advantageously with respect to large areas of land from which we can draw a supply of beets.

Senator HARRISON. Your answer would indicate that the Utah-Idaho Sugar Co. is not so located?

Mr. LIPPITT. I did not mean to so indicate, Senator. I am telling you what our position is. I am not familiar enough with their conditions to draw a very accurate or fair comparison between the Great Western and the Utah-Idaho.

Senator HARRISON. Do you know whether or not your concern pays lower salaries to the officers and employees of the company than the Utah-Idaho Sugar Co. pays?

Mr. LIPPITT. I do not know what the Utah-Idaho Co. pays.

Senator HARRISON. Do you know whether or not your company does not pay any bonus to anybody that the Utah-Idaho Sugar Co.

might pay to keep them from making no profit and your company making large profits?

Mr. LIPPITT. Not to my knowledge.

Senator HARRISON. There is no information with reference to that subject matter upon which we can compare the relative situations that you have to give to the committee?

Mr. LIPPITT. Except what I have stated, that we are very advantageously located with respect to markets, both with respect to raw material and our finished product.

Senator HARRISON. It has been rumored that you pay more money to the sugar-beet grower than these other companies like the Utah-Idaho Sugar Co. Do you know whether or not that is true?

Mr. LIPPITT. I think it might better be stated this way, Senator, that while the actual payments per unit of product are not higher, I think we pay to our growers, year in and year out, a larger proportion of our total returns from that unit of product than any other company in the United States.

Senator HARRISON. That is all.

Senator SMOOT. Is the saccharine content higher in Colorado than in Utah?

Mr. LIPPITT. I think substantially they are the same, possibly a little higher. The content in Wyoming and Montana is considerably higher. We are almost certain to get a higher content in Montana and Wyoming territory.

Senator SMOOT. You never have had the white fly?

Mr. LIPPITT. Never had an authentic instance of any in our territory.

Senator SHORTRIDGE. Among your assets you own a railroad?

Mr. LIPPITT. Yes, sir.

Senator SHORTRIDGE. How important is that in your operation?

Mr. LIPPITT. It is quite important in our Colorado operations. It is about 100 miles in length and it connects five of our plants, Senator. It was built primarily to tap territories that otherwise would not be accessible for beet growing and is quite an important part of our equipment out there in the Colorado district.

Senator SHORTRIDGE. And regarded as an economical and beneficial factor in your general operations?

Mr. LIPPITT. Well, it has been a very profitable enterprise in and of itself, regardless of its connection with the sugar properties.

Senator SHORTRIDGE. You mentioned the quarries that you own?

Mr. LIPPITT. Yes, sir.

Senator SHORTRIDGE. What can you tell us in respect of them?

Mr. LIPPITT. In the manufacture of sugar from sugar beets the purifying agent is calcium oxide. Calcium oxide is made from lime rock. The Great Western Sugar Co. produces most of its own limerock. We buy some foreign limerock for some of our northern factories, but we produce in the quarries that we own and operate ourselves the most of our requirements for our 21 plants.

Senator SHORTRIDGE. What, if any other, assets have you, not immediately or indirectly connected with your general operations?

Mr. LIPPITT. The only other asset of any size that I think of at the moment is our farm properties. During the war when we were confronted with the possibility of an interruption to the supply of seed from abroad, we found it necessary to undertake rather hurriedly production of beet seed. We acquired considerable areas of land for that purpose. The most of those lands are still owned by us, and we are still maintaining the nucleus of a seed-growing operation. We can buy seed from abroad much more cheaply than we can produce it with our American labor. It is an operation that requires a very large outlay of labor for field operations, but in order to be prepared for a similar emergency in the future, the Great Western Sugar Co. is maintaining the nucleus of a seed-growing operation in three districts. We know that we can raise as good seed in the United States as in Europe in every way and we are in shape that we can expand the nucleus quickly to take care of an emergency.

Senator SHORTRIDGE. Repeating almost the last question, have you other assets?

Mr. LIPPITT. Only those that are directly concerned in the business of operating the sugar property. We have supplies, of course, of all sorts.

Senator SHORTRIDGE. Do you own and run cattle?

Mr. LIPPITT. Not to any large extent. In former days we did conduct cattle-feeding operations, before the value of the by-products was as well recognized by the farmers as it is to-day. But to-day practically our entire output is distributed among the sugar-beet growers. There is a very general demand for those products from our own growers. So that the cattle-feeding operations in conjunction with our operations are largely handled by the farmers themselves.

Senator SHORTRIDGE. Is there any by-product from the refinery which you dispose of to farmers?

Mr. LIPPITT. There is a molasses, a discarded molasses produced—by refinery you mean this one plant which we operate throughout the year?

Senator SHORTRIDGE. Yes.

Mr. LIPPITT. There is a by-product of molasses produced from that which is substantially the same as any other molasses so far as feed value is concerned. It contains approximately 50 per cent sugar That molasses it put on the dried pulp produced at the best plants and is disposed of as a stock feed.

Senator SHORTRIDGE. The result you have given would indicate that by virtue of the various holdings which you have your company has been able to earn dividends and accumulate the properties which you have stated you own?

Mr. LIPPITT. Yes, sir.

Senator CONNALLY. Has your industry or your company made any substantial progress along research lines in developing a method by which more of this sugar in the molasses can be utilized and converted into sugar? Have you conducted any research in connection with that development to get more of that sugar from the molasses into sugar?

Mr. LIPPITT. We are; yes, sir; and we think we have accomplished a great deal along that line. There is a discard molasses produced under the normal beet sugar process at each one of our plants. We have bought some patent rights and we have worked out processes of our own under which we now take all of that molasses from the 20 plants and we operate a refinery 12 months of the year entirely in connection with the desugarization of that molasses, so that we do extract practically all of the sugar from the molasses, except this small residue that is left at the refinery.

Senator CONNALLY. What percentage of sugar does that bear?

Mr. LIPPITT. Well, molasses will always contain approximately 50 per cent sugar.

Senator CONNALLY. You think that is the irreducible amount?

Mr. LIPPITT. That is the irreducible minimum. The molasses we get from the refinery, which handles all of the molasses from the 20 plants, the molasses left from the refinery is about 8 per cent of what is introduced there; so that compared with the total it is a very small proportion.

Senator CONNALLY. Do you make any industrial alcohol at your plant?

Mr. LIPPITT. We do not.

Senator HARRISON. What is the pleasure of the committee?

Senator SMOOT. I would like now to adjourn until 1.30, and I think we can get through this afternoon with the witnesses that we have.

Senator HARRISON. I notice in the papers this morning that the White House issued a statement that they are in favor of this sliding scale. I notice in the paper also that the chairman of the committee has given out a statement that he has prepared an amendment to that effect. It does seem to me that is the policy to be pursued by the committee that we ought to have witnesses here and interrogate them with reference to this sliding scale so that we can understand it, and it does seem to me if that is the policy to be pursued by the committee that we ought to have witnesses and interrogate them with reference to this sliding scale so that we can understand it and know what the industry thinks about it in order to arrive at some conclusion. We are here for the purpose of hearing testimony, it seems to me.

Senator SMOOT. So far as the chairman is concerned, I want to assure the Senator now that if there is any proposition here of a sliding scale which I shall present, you will have hearings and the Senator from Mississippi will be present.

Senator HARRISON. Well, I want to be present. While these people are here from the Philippines, from San Francisco, and every place else, we ought to interrogate them while the hearing is in progress. The chairman has stated we will probably finish the hearings on this to-morrow. Here is a paper that quotes the Senator as saying:

> I am working out a tentative plan to be considered by the Finance Committee, which will involve a sliding scale of rates on sugar. It will be fair to the consuming public as well as to the producers in this country. It will lessen the differential between Philippine sugar entering this country and that from Cuba in case the price of sugar advances from its present low levels.

And it cites the rates that the Senator proposes. I think the subcommittee ought to have this matter so that we can in this hearing interrogate the witnesses.

Senator SMOOT. I want to say that I made no statement as to the rates. All of that has been put in, not from me. It was stated that he had heard there was going to be a sliding scale and wanted to know what I knew about it. I said I was now trying to work out a sliding scale, and that is exactly what happened.

Senator HARRISON. The morning papers go on and say the Senator is in conference with the White House, and then they issue a statement up there. Here is a witness that has talked to the President about this matter. It seems to me that the subcommittee is being kept in the dark on the proposition.

Senator SHORTRIDGE. I venture to add that if that subject is to be considered by the whole committee or by this committee I should be very glad to have it explained.

Senator SMOOT. We can not explain a thing that is not prepared yet. I do not know whether it can be prepared. What is the use of having a witness here when you do not know what he is going to talk about?

Senator HARRISON. But the paper says the Senator has prepared one.

Senator SMOOT. I have seen the paper and there are a great many things said in the paper about the Senator from Mississippi that he would not agree to.

Senator HARRISON. A good many of them are right, too.

Senator SMOOT. I will say to the Senator that I have not yet agreed upon any kind of a plan in reference to a sliding scale. Now, does he believe me or does he believe the papers?

Senator HARRISON. Is the Senator working on one of these?

Senator SMOOT. I am trying to work on something.

Senator HARRISON. Are you going to wait until after we finish the hearings?

Senator SMOOT. The Senator from Mississippi will hear all the testimony that will be given on it at every hearing.

Senator HARRISON. The chairman says I will hear all the testimony that is going to be presented on it. Is there going to be any testimony presented?

Senator SMOOT. If it is to be considered here as an amendment to this bill there will be a hearing on it. If the Senator wants to attend he can be here.

Senator HARRISON. I will attend regularly. I want to hear all about this business.

Senator SMOOT. And I want the Senator to hear it.

Senator HARRISON. We are in accord then that we are going to hear it if there is proposed any sliding scale? We are going to have testimony on it and the Senator of Mississippi will be permitted to sit in?

Senator SMOOT. Yes, sir; and the other Democratic Senator from Texas will be here to sit on the subcommittee also.

(Mr. Lippitt submitted the following statement:)

Exhibit A

Statement of the consolidated invested capital of the Great Western Sugar Co., the Great Western Railway Co., the Ingleside Limestone Co., the Imperial Land Co., the Cemetery Lake Reservoir Co., Prewitt Reservoir & Land Co., and the North Platte Valley Railway Co. (wholly owned subsidiary companies), at the close of fiscal years ended February 28, 1920 to 1929, inclusive, setting forth capital stock liability, surplus, annual net earnings, and cash dividends paid: With computations of rate per centum earned and distributed on basis of average capital invested

	Year ended February 28									
	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Capital stock:										
Preferred	$13,630,000.00	$13,630,000.00	$13,630,000.00	$15,000,000.00	$15,000,000.00	$15,000,000.00	$15,000,000.00	$15,000,000.00	$15,000,000.00	$15,000,000.00
Common	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00	15,000,000.00
Total	28,630,000.00	28,630,000.00	28,630,000.00	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Surplus at beginning of the year	30,973,024.05	34,476,930.21	30,816,987.48	19,868,559.50	25,145,623.29	33,699,927.03	38,427,200.68	39,001,342.77	36,517,056.04	34,077,623.79
Net earnings for the year	11,507,994.41	4,344,157.27	*9,094,327.98*	6,879,113.79	12,001,303.74	10,577,273.65	6,424,142.09	3,365,713.27	3,530,567.75	7,785,699.88
Gross surplus	42,481,018.46	38,821,087.48	21,722,659.50	26,747,673.29	37,149,927.03	44,277,200.68	44,851,342.77	42,367,056.04	40,047,623.79	41,863,323.67
Less:										
Preferred dividends	954,100.00	954,100.00	954,100.00	1,002,050.00	1,050,000.00	1,050,000.00	1,050,000.00	1,050,000.00	1,050,000.00	1,050,000.00
Common dividends	7,049,988.25	7,050,000.00	900,000.00	600,000.00	2,400,000.00	4,800,000.00	4,800,000.00	4,800,000.00	4,920,000.00	5,040,000.00
Total	8,004,088.25	8,004,100.00	1,854,100.00	1,602,050.00	3,450,000.00	5,850,000.00	5,850,000.00	5,850,000.00	5,970,000.00	6,090,000.00
Surplus at end of the year	34,476,930.21	30,816,987.48	19,868,559.50	25,145,623.29	33,699,927.03	38,427,200.68	39,001,342.77	36,517,056.04	34,077,623.79	35,773,323.67
Total net worth or invested capital	63,106,930.21	59,446,987.48	48,498,559.50	55,145,623.29	63,699,927.03	68,427,200.68	69,001,342.77	66,517,056.04	64,077,623.79	65,773,323.67
Earnings, per cent on average invested capital	18.76	7.09	*16.85*	13.27	20.20	16.01	9.35	4.97	5.41	11.99
Dividends:										
Per cent on average invested capital	13.05	13.06	3.44	3.09	5.81	8.86	8.51	8.63	9.14	9.38
Per cent on no par stated capital and surplus (average)	14.77	14.80	2.23	1.60	5.40	9.40	8.94	9.10	9.78	10.10
Cumulative per cent earned on average invested capital	18.76	13.20	3.83	5.97	8.91	10.23	10.09	9.38	8.91	9.24
Cumulative per cent dividends paid on average invested capital	13.05	13.05	10.11	8.52	7.96	8.13	8.19	8.25	8.36	8.46

STATEMENT OF T. G. GALLAGHER, TOLEDO, OHIO, REPRESENTING THE OHIO AND SOUTHERN MICHIGAN BEET GROWERS ASSOCIATION AND THE INDIANA BEET GROWERS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GALLAGHER. I am vice president and general manager of the Continental Sugar Co. and the Holland-St. Louis Sugar Co. I am also the representative of the Ohio and Southern Michigan Beet Growers Association and the Indiana Beet Growers Association. Therefore, I hold a rather unique position, Mr. Chairman, in this situation, because I represent both growers and sugar companies.

That is due to the fact that the companies which I am connected with have a very, very close contact with their growers.

For the purpose of determining how we should present our evidence to both the House Ways and Means Committee and to the Senate committee we decided to meet jointly with the growers' association and determine accurate costs, not by guess, because we wanted to present a figure to both the Senate and to the House that was not plucked out of the air, but one that represented exactly what we need for protection.

Senator WATSON. Do the refiners own the fields or do the people who own the fields and produce the beets own the refineries, or is there any interrelationship?

Mr. GALLAGHER. No, sir. We contract for all beets except 160 acres, which we grow on our own farms, which are also an heirloom of the old method of growing seed in this country when we could not get it from abroad.

We found these costs to be as follows—I would like to introduce them into the record here, and I have them in three forms—per hundred pounds of sugar, per ton of beets, and per acre.

It costs the growers in our district $2.76 per 100 pounds of sugar on the average to grow beets. We claim that the grower is entitled to 20 per cent profit on his growing phase of the industry, because we consider both of us the industry. So he should receive as his portion of the work that we do jointly $3.31.

Under normal conditions, with our company operating at its capacities, or very nearly at its capacities, our costs would be for the operation of the factories $2.268 per 100 pounds. With the profit we have added to that, which represents 10 per cent on our invested capital, 49.38 cents, it makes a total cost for the factories' side of the operation of $2.76.

Combining these costs and profits, we find we have $6.07. We find we should get a return of $6.07 for our sugar in our district.

That would give the grower $8.27 a ton for his beets under the form of contract which we use, which, by the way, is purely cooperative and based upon the comparative costs of one phase of making sugar as compared with the other.

The factory would get $6.91 per ton of beets. Or the joint return that we ask is $15.18 per ton of beets. That is based upon a cost of $65.31 per acre, determined by the Beet Growers Association in a conference of 400 members.

Senator WATSON. Where are they located?

Mr. GALLAGHER. They are located in the entire northwestern section of Ohio, Indiana, and in southern Michigan. The beet-growing section in Ohio is in northwestern Ohio. It extends across the whole northern half of the State. It is undeveloped in Indiana yet, but we have a very modern plant at Decatur, Ind.

We also have a plant located at Blissfield, Mich., which is just across the border from Ohio and which slices about two-thirds of its beets coming in from Ohio and the balance from that lower section of Michigan. So we have included that in this particular group.

We also have two other factories in Michigan, one at Holland and one at St. Louis. We have two in Ohio, one at Findlay, and one at Fremont. Those are the ones I represent.

But the growers I represent are growers for all the companies that work in that particular district.

I have also been asked to present similar costs or to say that my costs agree with those of Mr. Ross, the president of the Columbia Sugar Co. Mr. Ross has authorized me to say that. He has two plants at Michigan and one in Ohio.

Mr. Pfeifer, of the Ohio Sugar Co., has given me the same authority.

Senator SMOOT. What is the financial condition of your corporation or your company?

Mr. GALLAGHER. The financial condition of the Continental Sugar Co. is such that no bank would lend it money on its statement. It had to go to its stockholders to get money to operate this year. I am sorry to make that statement, because as compared with men in the same position, like Mr. Lippitt, he would probably get compliments. I am afraid I can not get any on that statement.

I would like to analyze for you a comparison of the costs as presented to the House Ways and Means Committee and the requests for protection from those who sought protection in the beet industry.

All of the witnesses testifying for protection or requesting protection in the beet-sugar hearings or the hearings on beet sugar in the House Ways and Means Committee proceedings either asked for adequate protection commensurate with costs, with the exception of the domestic producers' association——

Senator SMOOT. Repeat that, please.

Mr. GALLAGHER. All but the Domestic Producers' Association asked for protection, adequate, or more than 2.40, with the exception of the Domestic Producers' Association.

Senator WATSON. What did they ask?

Mr. GALLAGHER. They asked for 2.40 as against Cuba. They gave testimony in that hearing that their costs were 5.23 on 90 per cent of all the beet sugar produced in the United States.

That means that they must have a 75-cent margin of profit or they must get a return of 6 cents on sugar. They are not so far off from what I want—a few cents only.

The Louisiana Cane Growers Association stated in their brief that they wanted a protection of 2.40 when the price of sugar was 2.50. That is exactly what we want.

They also stated that they want, in order to get adequate returns for their raw sugar—the price c. i. f. New York must be 4.90 on 96° raw. That also means a net return to the sugar companies of 6 cents on their refined sugar.

It is perfectly obvious that the Domestic Producers' Association did not ask for enough, according to my way of thinking. I think only as an engineer and not as a politician or statesman.

In other words, I believe in asking for what I require and not what I think I can get. That is up to you gentlemen to determine.

It was suggested to me at the House Ways and Means Committee hearings that I live in a high-producing district. I do not believe I do from the evidence that they gave.

Now, I would like to say something about the condition of the industry in our country at the present time, and that is this. I am familiar with the whole district. I know it because I am in constant touch with the plants of the other companies that operate in that district as well as my own, and I know the Continental Sugar Co. will not operate one of its plants located at Findlay, Ohio. We have had to lay off all of our permanent employees, and, therefore, the city of Findlay, and Hancock County, are very much alarmed because of the situation.

And, by the way, they have asked me if I would have this resolution introduced in the record as their resolution covering the matter. This was handed to me to-day by the legislative secretary of the Ohio Chamber of Commerce.

Senator SMOOT. It may be put into the record at this point.

(The letter referred to is as follows:)

FINDLAY CHAMBER OF COMMERCE,
Findlay, Ohio, June 25, 1929.

Mr. LLOYD D. BOWER,
Washington, D. C.

DEAR SIR: On January 17, 1929, the following letter was sent to the chairman of the Tariff Commission, the United States Chamber of Commerce, the Ohio Chamber of Commerce, Hon. Brooks Fletcher, Congressman-elect Grant E. Mouser, Senator Theodore H. Burton, and Senator Simeon D. Fess.

The letter read in full as follows:

FINDLAY CHAMBER OF COMMERCE,
January 17, 1929.

The condition of the sugar-beet industry in Hancock County and in northwestern Ohio is a matter of deep concern to the farmers of Hancock County and to the business men of Findlay. Considerable acreage in the county is devoted to the raising of sugar beets as a necessary and rotative crop, and there is located in Findlay a large beet-sugar refining plant representing a considerable investment and upon which a large number of American-born workmen depend for employment in the winter months.

The Findlay Chamber of Commerce and the Hancock County Farm Bureau therefore join in drawing your attention to the following facts:

There is intense competition in the sugar industry, with foreign countries and insular possessions of the United States having a great advantage because the wages paid in those countries and possessions are far below the wages that would enable American farmers and workmen to maintain their higher standards of living. The price of sugar, owing to this competition, is such that it is not profitable to grow beets or to convert them into sugar.

It is also apparent that this condition is due to the present tariff on sugar being too low to allow the producers to sell it at a profit.

We therefore desire to call your attention to these facts and respectfully request that you use your influence to have the present condition of the industry investigated and the protective tariff on sugar increased or by other means protect the domestic sugar industry from the ruinous competition of foreign labor reflected in the cheap sugar received from foreign countries and insular possessions of the United States.

Yours very truly,

THE FINDLAY CHAMBER OF COMMERCE,
By A. E. BRANDEBERRY, *President.*
THE HANCOCK COUNTY FARM BUREAU,
By E. S. KRAUSS, *President.*

The foregoing is a true and accurate copy of the letter referred to.

Yours very truly,

WILLIAM CARVER, *Secretary,*
Findlay Chamber of Commerce.

STATE OF OHIO, *Hancock County:*

On this 25th day of June, 1929, before me, a notary public, in and for said county, personally appeared William Carver, secretary, Findlay Chamber of Commerce, who, being first duly sworn, declared that the resolution referred to in the above letter is a true and accurate copy of the originals which were mailed on January 17, 1929, to the persons referred to in the above letter.

[SEAL.]

MABEL E. CUMMINS,
Notary Public.

Mr. GALLAGHER. The other plants of the Continental Sugar Co., the ones at Blissfield and at Findlay, Ohio, will only operate at 80 per cent capacity.

We consider 90 days the maximum efficient operating period for our factory. But they will have only approximately 72 to 75 days.

The other company of which I am general manager is the Holland-St. Louis Co. The Holland plant of that company has not been able to be operated for three years. The Decatur plant of that company will operate at 50 per cent capacity this year and the St. Louis plant of that company will operate only at 60 per cent capacity.

I understand from the presidents of all of the other companies operating in my district that we have more beets and slicing capacity than all of the other companies in my district.

So you can see our particular district is in terrible condition; yet their normal costs tie up very well with 90 per cent of all the beet sugar produced in the United States.

Senator WATSON. How does it come that some of your plants can run but some can not?

Mr. GALLAGHER. We divert the beets to that plant which can be operated most economically. We can not divert Indiana beets, for instance, to our Blissfield plant. The freight haul is prohibitive.

At the present time we are negotiating with another company to see if we can not buy their beets, as they do not have sufficient to run, and divert them to our Decatur plant on some kind of a partnership or toll basis.

I would like to explain to you gentlemen or attempt to give an answer to a question that nobody else seems to care to answer. And that is this:

What is the difference in the Great Western Sugar Co.'s performance and that of the districts?

I can only give you that accurately as to my own district. Our average sugar content, taking all of the three States I have mentioned, is approximately the same as the three States would be over a number of years. They have very little advantage in that respect. We really think we have a better marketing condition, because we have enormous cities close at hand, right at our factory doors. So it is not our marketing situation. It is not the sugar content of the beets. I have not been able to compare my efficiency reports with those of the Great Western Sugar Co., but I think the Great Western Sugar Co. would admit that our companies are operated efficiently from the standpoint of extracting all of the possible sugar out of the beets, with the exception of their further extraction through a process which is a very new thing, and we can not afford to put it in, even if we want to.

The crux of the situation is this: We get 9.4 tons of beets per acre in our particular district. That is high, by the way. It is not quite that high in Indiana, nor is it that high in Michigan. It is the grower that solves that particular situation.

Senator WATSON. What do they get? What do they get in Colorado, for instance?

Mr. GALLAGHER. In one year they got in excess of 14 tons to the acre, as I understand it. In Nebraska, I believe it was, they got perhaps a little over 14 tons to the acre. I think last year the yield for Colorado—I have not seen the figures yet myself—were something like 12 to 13 tons to the acre. It is an enormous increase. That means $15 more per acre if their crops are the same.

Senator HARRISON. What is the yield of Utah?

Mr. GALLAGHER. I can not give you that. I know it is rather low at the present time.

I would like to explain that, because it does not seem clear to some of you gentlemen. But your cost of slicing your beets or converting your beets into sugar varies with the quantity of beets you slice.

In one year we sliced 135,000 tons at the Continental plants. It cost us $7.40 per ton for beets to convert them into sugar.

Another year we sliced 198,000 tons of beets. It was not capacity, by the way, because our capacity is 240,000. But that difference between 135,000 and 198,000 tons meant $2.43 in the cost per ton. Converting that into terms of sugar with our average per ton of beets year in any year out will be 250 pounds per ton of beets, and you can see just exactly where we come out.

If our farmers can grow a tonnage per acre that they grow in Colorado, particularly as close to the factories as they do there—and the land is all there, you understand, in Ohio, and lots of land, much more land for beets than there is used for growing beets. And the same thing is true in Indiana.

If the grower would get the extra tons per acre he would be satisfied, and beets would be the predominating crop in Ohio, as they are in Colorado. However, they are not. The yield is small at the present time, comparatively speaking, and, therefore, corn acts as a very, very strong competitor of beets.

Senator WATSON. I do not see how more tons per acre would make it. Your conversion costs are the same when you come to convert it into sugar?

Mr. GALLAGHER. I will explain that in just a moment. I am coming to that,

Senator WATSON. Tell us about that.

Senator SHORTRIDGE. The farmer gets more if he raises more.

Senator WATSON. I understand that.

Mr. GALLAGHER. We operate for only three months out of the year, and if instead of operating 90 days we operate 45 days all of our taxes, and my poor little salary and the salaries of all of those permanent employees divided by the product of 45 days instead of that of 90 days. And the difference amounted to $2.50 per ton of beets.

Senator WATSON. If you had more beets you would run longer?

Mr. GALLAGHER. Absolutely, and produce sugar more cheaply.

Going into it a little further with the Great Western Co.—and this is not in any way critical, you understand, but I am trying to explain the different situation that we have—if our growers grew 13 tons to the acre, the whole northwestern section of Ohio, which is practically a garden would be in beets. I am not boasting for northwestern Ohio like California does. But it is a particularly fertile section of the country.

Senator WATSON. Well, what about it?

Mr. GALLAGHER. That whole section would be in beets, and instead of our having an average slicing capacity per plant of 900 tons we would, like the Great Western has somewhere, have in the neighborhood of 2,400 or 2,500 ton plants. The cost of operating those plants is less than the cost of operating a 900-ton plant.

Senator HARRISON. Would you have more plants?

Mr. GALLAGHER. No, sir; not if I had anything to do with it. It would not be efficient.

Senator WATSON. How do they operate their plants?

Mr. GALLAGHER. The Great Western?

Senator WATSON. Yes.

Mr. GALLAGHER. I think they have had full campaigns for the last two or three years. In fact, in one year they had difficulty slicing up the beets they had.

Senator WATSON. You say with a full campaign. That means one thing to a politician but another thing to a sugar factory.

Mr. GALLAGHER. Well, that is quite true, Senator, because they do not always come out the way you expect them to come out.

Senator WATSON. No.

Mr. GALLAGHER. The fact is that the beet factory does not carry beets many days under ordinary circumstances. If they do, we are under the great danger of having our beets freeze or spoil.

I wanted to explain that to you gentlemen so that you would understand something that did not seem to be able to be brought out properly.

Senator SHORTRIDGE. Then it largely depends upon the quantity of beets that can be grown in these different sections.

Mr. GALLAGHER. I want to say this about our beet district. The United States Government in Colorado or in the western section of the United States, by large appropriations, has put in all kinds of reclamation projects, and spent enormous sums of money in aiding, if not directly in making, these large irrigation projects. We suffer from the different conditions. To get those farms into a condition where they will produce like the Colorado farm, it is a slow process. They have to make some money to pay for the tiling system. The general possibilities are all there, however, so that I am not so sure that the location is wrong at all. In fact, I do not think it is. We have some of our farms in Indiana that are carefully tile drained on which we raise 14 tons to the acre for years.

Senator WATSON. In other words, in our country we have to pay to drain off the water. In Colorado the Government helps to put the water on?

Mr. GALLAGHER. Yes; I might say, in Indiana, in particular, that the drainage is poorer than in any of the States I operate in. It is a rather difficult problem, but they are trying, and it is there; but they lost acre after acre of beets that were drowned out this year.

Senator SMOOT. And other crops as well?

Mr. GALLAGHER. Yes; and other crops as well. I might say, also, that this year our levels taken of the Sandusky River entering into Lake Erie are 48 inches higher than they were last year. So that makes it just a little bit more of a problem for us, so that we do not have to worry about the Chicago steal of water at the present time from Lake Erie.

I hope I have explained to you exactly the difference between the so-called favorable district and the district that is supposed to be of high cost, and that I have shown that the costs are not particularly high compared to the costs of 90 per cent of all the beet-sugar producers.

Senator SHORTRIDGE. You have some advantages and some disadvantages?

Mr. GALLAGHER. Yes. Our large disadvantage is, as I told you, the subject of drainage.

Senator SHORTRIDGE. Affecting the output?

Mr. GALLAGHER. The yield. That leads directly to the farms. That relates directly to the agricultural business, and that is where it is going to help if it is going to help at all, not only in the beets but in every other crop in rotation.

Now, even if we were a high-cost district, I claim that you could not discriminate against us in protection, any more than you can discriminate against the man in Texas or Mississippi who grows his cotton on the river bottom land, while another man grows it on the hill, only getting a half a bale to the acre, while the other fellow gets a bale to the acre. I lived in Texas for a long time, and I am familiar with those conditions. I believe we deserve the protection, and I do not feel at all ashamed to ask for what I deem the protection we desire, because my costs are still within the 90 per cent.

Senator WATSON. What do you think you want?

Mr. GALLAGHER. I want that protection that will give me from \$6 to \$6.07, and I back that up with figures which can not be disputed. The figures that I quote you are from the books, certified by the public accountant who audits our books every year. As I say, I think I am the first man that presented that in the Ways and Means hearing, I want a sliding-scale tariff, and I am perhaps the only man in the beet-sugar industry who has said so. There may be more who think so, but they have not said so, because the majority of the members of the industry perhaps do not think so at the present time. I think that they are in good faith when they say that they want 2.40, because they feel that things will average themselves up to that. I feel we want more than that. I feel that we want something that must average it up to 2.40. And I am perfectly satisfied with 2.40 only at a \$2.50 raw sugar price.

Now, the sliding scale does not present any difficulty to me at all in its technicalities of sliding rates and differentials and things like that. I can tell you about them. I am not a refiner; but I can give you this principle, that if you tell me the minimum amount of tariff the Government wants—if it is a dollar, as I have heard, then I say we want to base our minimum upon that and find out what market would be produced with that tariff, and then slide up from that point, and whatever point it happens to come to, that gets up beyond the point where the refiners evidently want, which has been testified to here—and do not forget, gentlemen, that the refiner has 82 per cent of the sugar business in the United States. He refines Porto Rican sugar and Philippine sugar and Hawaiian sugar as well.

So that here is the beet industry between several fires, and I look with a good deal of suspicion on his contribution. I think I would rather, under the circumstances, say just exactly what I think we need, and try to get it, which I intend to do.

The present tariff bill contains a flexible clause. It says, in effect, that upon investigation the President has the right to increase or decrease the tariff within 50 per cent of the present tariff, etc. Is not that a sliding scale? Is it not a far more efficient thing to be able to set some scale in advance that has a definite relationship? But certainly, if you can arrange your flexibility beforehand, or see on a chart the curve to which you need to come to protect your industry, it is far better than to have to wait—such a wait as we had on the last Tariff Commission's report. That alone, to me, would warrant the use of a sliding scale.

Senator SHORTRIDGE. I have not any doubt of the power of Congress to do that if we want to do it. It seems to me we could put a flexible tariff in. There is no question in my mind but what we can make a sliding scale; but there is a question in my mind if we could guarantee a fixed figure on the refining. That is the only doubt in my mind.

Mr. GALLAGHER. I do not think so, either, Senator.

Senator SMOOT. I would not suggest that it can not be done, but I do not believe that it can be done under the Constitution.

Mr. GALLAGHER. I feel that way myself. I also feel that the basis on which the sliding scale should be adopted is the value of sugar at a port of entry of the United States—not its price but its value—and the value would be determined by a United States Government official, and he could use any kind of means that he could get to determine that value; both price and other circumstances.

Senator SMOOT. We could arrange a basis for arriving at value—if it is $30 or $90, the price on the New York Exchange.

Mr. GALLAGHER. If we take the price at any given time, there is a chance for slight manipulation, but it will average itself up.

Senator SMOOT. Not in 60 days.

Mr. GALLAGHER. No; I say it will average itself up, so that I see no objection to it. But I do not see why we should hold ourselves to any point and then predict that that much tariff is going to create, by some peculiar reason that we do not know anything about at all, which we have no control over, but which the refiner has to some extent, and which the Cuban has to some extent, in making that price. How are we going to get it? We can not do it. We all said that the price of sugar would not go below 2 per cent, and I came very nearly speculating on it, for the first time in my life—a thing that I have never done. But a fellow who knew me said, "Do not start to play this game." So that I saved myself money, because sugars have gone down to 1.56.

Senator SHORTRIDGE. Pick that idea up there and show how you would proceed on a sliding scale.

Mr. GALLAGHER. I have a copy of a suggestion here. I am not an expert on this, but I have a suggested paragraph 501, containing the sliding scale idea.

Senator SMOOT. Put it in the record. Have you a copy of it so that I can read it over to-night?

Mr. GALLAGHER. Yes, sir.

Senator WATSON. Also put it in the record, so that we can all look it over.

Mr. GALLAGHER. I will do that. I would like to put these two in. Mr. Spreckels had the privilege of putting matters into the record, and I think I should have it.

Senator WATSON. Certainly.

Senator SMOOT. Yes.

Mr. GALLAGHER. Here is a copy of one, and there is a copy of the other, and this particular schedule applies on both [handing copy to the chairman].

I would like to say, in respect to the two copies there, not being a refiner, I started my sliding scale studies on the basis of the law as it was, the valuation of a degree of sugar to a refiner, or to the sugar industry in general, and I took it as close to a figure that would give me an equal number, or a simple number to work with as I could, and it happened to turn out to be seven-hundredths of a cent to a degree.

In the meantime I talked to some of my personal friends who are refiners, and they told me that the value of a degree of sugar was 1½ per cent of its duty-paid price. Therefore, in my other schedule, I have used that; so that one is on a strictly technical basis, and the other is based on what was in the tariff before; but they come out practically the same way, because I say that we need $2.40 duty at 2.50 raw sugar; and by the same line of argument, if the price on raw sugar is $1.50, we would need, arithmetically, the exact proportion otherwise. In other words, that will be increasing it to $2.40 or $3.40. I do not say that we can expect $1.50 sugar, but I do say that it is possible, because we said it was not possible to go below 2 cents, and we have had 1.56, I believe. I know the quotations day before yesterday were 1.62. I got them by wire from New York.

So that I have no shame and no hesitation about asking for more when it is required, provided I am perfectly willing to be treated in proportion in the other way when the prices are higher. I know that you gentlemen are trying to protect the industry, and it can only be done in that way, and not by guessing at what effect a certain duty is going to have on the market.

If the Cubans will not erect a single selling agency to regulate their business and clear this up with a normal tariff arrangement, then we must force it by some kind of a club, and that is the only reason why I suggest going up to that higher rate. I do not think it is practical, but it is necessary for the purpose of accomplishing our desire.

Mr. GALLAGHER. I would like to say another thing on the subject of some of the discussion that went on here this afternoon. Mr.

Shattuck, I believe it was, quoted our duty and moral obligations, but it was about like the rest of his testimony. It was about 1 per cent, in my opinion, true, because, it seems to me, the preamble of the Constitution of the United States is certainly worth 99.9 per cent of what the Payne-Aldrich bill is or any of the other bills that have come up. It says in the preamble to the Constitution of the United States, as I remember it, that we must provide for the common defense and insure the general welfare of the people of the United States, and it did not say anything about Cuba in that preamble. I think that is an answer to Mr. Shattuck's contentions, as far as I am concerned; and I feel I am just as patriotic as he is also.

Another thing I would like to mention and that is a thing that I have never understood in this whole situation. Why did Cuba come in here in 1922 and 1923 and ask for a reduction in duty at that time when their price was more than 2 cents higher than it is at the present time? I would like to reiterate that which I think the chairman has said one time himself.

On the subject of prison labor, I may say that I made a personal investigation of that subject in Michigan and I can confirm exactly what Mr. McBride said in reference to that matter. I made that investigation at the suggestion of Senator Couzens. The sugar companies had nothing to do with it and did not want to get in it. They merely did it in cooperation with the governor of the State. That happened to be the Michigan Sugar Co. I could also go into the Mexican labor situation. I have lived in Mexico; I speak Spanish; I have lived in the Philippines, where I learned to speak Spanish in the first instance. I think I know those people fairly well. We find them admirable beet workers because they will do what they are told and will not strike the first chance they get, such as we experience with Belgians.

I should also like to say in that respect that Mr. Shattuck did not quote all of my testimony. He selected a few parts of it. We only have 16.4 per cent Mexicans in all of our district, the one I operate in. We do not go west of Chicago for those Mexicans, nor do we go south of Cincinnati. We get them right in the territory. They drift in there. We get Mexicans coming in there with certificates as qualified beet workers from some of the western companies, and they are usually a very high type and we do not like them to get back into the West again. The people in my district will not work in beets—the Americans. Neither will the sons of the foreigner who at the present time is working in beets, because he is too well educated. If we could keep these Mexicans, and if they would stay there—they do not, but if they did stay there—and their children became educated they would not work in the beet fields, either. This is a progressive country. It is not static. Somebody has to be furnished from somewhere to do the work.

Senator Watson. Do any Mexicans live there?

Mr. Gallagher. There is quite a colony in Toledo.

Senator Watson. They are here under the immigration law?

Mr. Gallagher. Most of them are American citizens or have been born in the United States or have come in under the quota.

I might say, too, that we are up against the $6 minimum-wage rate in the automobile factories, as Mr. McBride stated. The automobile factories reduced their production week by week. They do not lay off their men permanently. They merely lay them off for two days in the week. They do not actually go off the pay roll. We can not get those men to go out unless there is a slack period and that is where we get 90 per cent of our labor in our particular district. They work in between the peak times of the automobile industry.

Senator HARRISON. Mr. Chairman, let us get some idea how long we are going to run. I am perfectly willing to work 12 hours a day, but I am not willing to work 14.

Senator SMOOT. We will get through before the 12 hours.

Senator HARRISON. Are we to have a hearing in the morning?

Senator SMOOT. No.

Mr. GALLAGHER. I would like to say this with respect to the Philippines. I agree with most of the other witnesses that something has to be done with the Philippine situation. It has to be restricted in some way or other. I feel that it is a menace. I am sorry to have to take that stand. It is a menace and you must know the facts of the situation.

I am not saying a restriction of tonnage will do it. I favor putting them on full duty and giving them a preferential because, so far as I know, we do not know what their status will be five years from now. It will be easier to arrange that preferential on full duty than it would be to reestablish some new basis on which to place them that a restriction would cause. That is my own personal opinion.

That is all I have to say.

Senator SMOOT. Thank you.

(Mr. Gallagher submitted the following brief:)

BRIEF OF T. G. GALLAGHER, REPRESENTING THE CONTINENTAL SUGAR CO., HOLLAND-ST. LOUIS SUGAR CO., THE OHIO SUGAR CO., COLUMBIA SUGAR CO., NORTHWESTERN OHIO & SOUTHERN MICHIGAN BEET GROWERS ASSOCIATION, AND INDIANA BEET GROWERS ASSOCIATION

CONDITION OF BEET SUGAR INDUSTRY IN OHIO, MICHIGAN, AND INDIANA

Growers of sugar beets in this particular district in all instances of their relationship with the sugar companies are being paid on a participating form of contract, in which the growers participate to the extent of from 44 to 49 per cent of the value of the sugar produced from the average ton of beets delivered to their respective sugar companies. For the past few years and until late in the contracting season of this year the growers were guaranteed a minimum payment of $7 per ton for their beets in addition to the participation feature. Later in the contracting season of this year, on the theory that additional protection would be given to the industry, the sugar companies advanced the guaranty on their contract to $7.75 per ton or $7.50, plus free seed, which is the equivalent of $7.75 per ton. This change in the contract was made for the purpose of inducing the growers to grow more beets, as the outlook for ample acreage for the factories to run at a low cost was very poor at the time the change in contract was made. Notwithstanding the fact that the growers are now guaranteed by the sugar companies slightly more than their average cost of growing a ton of beets over a period of years, a very low acreage, which will average less than 50 per cent of the capacities of the sugar plants, is expected, with consequent high manufacturing costs at the plants. Farmers are skeptical with regard to the growing of beets and feel that they should be paid $8 per ton if they are to continue beet growing at a profit. It must be remembered that in this particular district most all farms require thorough tile drainage, as there is at times a heavy excess of rainfall. The cost of tile drainage is very high at the present time, and as prices on all agricultural commodities have been low for the past few years, little progress has been made lately in extending drainage systems.

The condition of the beet-sugar companies in this district is far worse than that of the farmers or beet growers, because for several years they have been paying a guaranteed price for their beets higher than the sugar market prices or the returns they received on their product would warrant. Evidence showing the condition of these companies has been filed with your committee through the United States Beet Sugar Association.

The beet-sugar companies of the district expect no more as an average than 50 per cent of their required tonnage of beets, and are faced with a very large loss on their coming operating campaign due to high costs that insufficient tonnage of beets mean in factory operation. These high costs together with a low-market price, which is apparent from the present situation, unless adequate relief is extended to the industry, will make it impossible for the industry to carry on. Many plants will not operate. Other plants will only operate at low capacities, and this condition is primarily due to the fact that the growers of beets can not be paid, under the present market price of sugar, sufficient to keep them growing beets.

COSTS OF PRODUCING SUGAR IN THIS DISTRICT

The average cost of growing sugar beets in Ohio, Michigan, and Indiana has been determined after a very careful study made by the Growers' Association to be $65.31 per acre. The average yield of sugar per acre actually packed and marketed is 2,375 pounds. The yield of tons of beets per acre is slightly lower in Michigan and Indiana than it is in Ohio, but the sugar content of the beets is slightly higher in Michigan, so that the average above given is quite accurate for the entire district. It, therefore, costs the average grower $2.76 per 100 pounds of marketable sugar grown. The grower has to use a rotative system, and one crop out of five does not bring in a direct income as it is plowed under. It is, therefore, considered reasonable that the grower should expect a 20 per cent profit on his four marketed crops. This reduced to the basis of 100 pounds of sugar shows that the grower should receive a profit of 55.2 cents per 100 pounds of sugar, or a return on his phase of the industry of $3.312.

The cost of converting these beets into sugar, which is performed by the beet-sugar companies, varies greatly with the quantity of tons they receive for conversion. A 90-day operating campaign is considered the maximum safe campaign in the district, and if it is assumed that the growers will grow sufficient beets for the sugar companies to realize an average length of operating campaign of 85 days the factory costs, including direct costs, interest, taxes, insurance, etc., bond interest, and the amortization of their heavy indebtedness over a period of 10 years, is $2.268 per 100 pounds. With this cost the sugar factory should receive a profit equivalent to 10 per cent of their outstanding capital stock if they are to continue business in a healthly condition. This would add $0.494 to their costs, making the net return which the sugar company should have $2.762 per 100 pounds. These factory costs have been taken from the audited records of the Continental Sugar Co., but inasmuch as all sugar companies in the district are operating at approximately the same degree of efficiency and require the same amount of capital proportionate to their slicing capacities, it can be considered as typical of the entire district. Combining these figures, we have a total average cost per 100 pounds of sugar of $5.028, a reasonable profit to the grower and the sugar company of $1.046, or a net return required by the entire industry of this district of $6.07 per 100 pounds. In other words, the protection required in this district must be that that will enable the grower and the sugar company to receive this return mentioned of $6.07 per 100 pounds net, after selling expenses have been deducted.

COSTS OF THIS DISTRICT COMPARED WITH OTHER DISTRICTS

The brief of the Domestic Cane Producers, on page 2960 of the hearings before the Ways and Means Committee of the House of Representatives on tariff readjustment, 1929, states that they require for their industry a protection of $2.40 when the c. and f. price of cane sugar at New York is $2.50; or, in other words, they require a duty-paid price on foreign sugars coming into the United States of $4.90 per 100 pounds if they are to be protected sufficiently to stay in business. They also ask for additional protection on molasses in order for them to bring up the return on their by-product.

On page 3021 of the same hearings, in the brief of the United States Beet Sugar Association, it is stated that the weighted average cost of producing beet sugar for the past five years on 90 per cent of the beet sugar produced is $5.23 per 100 pounds. It follows that 90 per cent of the beet sugar produced in the United States must receive a profit of at least 75 cents, or should have a return of $5.98, exclusive of selling costs. These figures can be expressed in terms of duty-paid price on foreign sugars coming into the United States, as follows:

Return required by the beet-sugar industry of this district	$6.07
Add selling expenses, including cash discount	.48
Total, or gross	6.55
Add differential between cane and beet sugar	.10
	6.65
Deduct average freight rate New York to Ohio, Michigan, and Indiana district	.45
New York quoted price on cane refined sugar	6.20
Deduct average or fair refiners' margin	1.30
Duty price paid foreign cane sugars	4.90

The differential between beet sugar as sold in the West compared with cane sugar is 20 cents per 100 pounds. Therefore as most beet sugar is made west of the Mississippi River 10 cents should be added to $5.98 in order to determine the New York quoted price, which would give the required return. By adding 10 cents to the costs and profit of 90 per cent of the beet-sugar industry we find it to be $6.08, or within 1 cent of the return required by the industry of this district.

It is quite evident that the domestic cane producers of Louisiana and Texas and the entire beet-sugar industry of the United States require a duty-paid price on foreign raw sugars coming into this country of $4.90 if the domestic industry is to be protected as a whole.

While it is true the Domestic Beet Sugar Association asked in their testimony for $2.40 duty against Cuba, it must have been based on the theory that Cuban sugar would sell in New York City c. and f. at $2.50 per 100 pounds if $2.40 duty was to be applied against it. Why the Domestic Producers' Association should ask for such an inadequate protection can only be explained by the fact that they thought the price of sugar c. and f. New York would average close to 2½ cents per pound.

With the exception of the National Grange, almost every agricultural association or beet growers' association, including the American Federation of Farm Bureaus, asked in the tariff hearing before the Ways and Means Committee for more protection than we are herein asking for. The National Grange asked for $2.40 or sufficient as might be required.

SLIDING SCALE RECOMMENDED

The domestic beet-sugar and cane-sugar industry of continental United States, producing such a small proportion of the sugar consumed in the United States, are not able to set the price of the sugar market. Sugar refiners sell and produce approximately an average of 80 per cent of the sugar consumed in the United States, and may vary the margin between the duty-paid price of raw sugar and refined sugar as they see fit or in competition with each other. As approximately 50 per cent of the entire sugar consumption of the United States is furnished from imported Cuban raw sugars, the Cuban industry is able to set the price on raw sugars, particularly as their preferential discount from full duty alone is ample to prevent any but a nominal amount of full duty sugars coming into the country. Inasmuch as the domestic industry is at the mercy, with regard to the market price of their product, of these two large and dominating influences, they need a protection through tariff that is greater at the low level of the refined sugar market or raw sugar market than a higher level. History shows that as the result of overproduction in Cuba in an attempt to eliminate the inefficient Cuban producers of raw sugars, or with the deliberate attempt of wrecking the beet-sugar industry, the prices of raw sugars have gone down since the first of the year to $1.70 per 100 pounds, as reported by Willett & Gray for June 12, 1929. The price of refined sugar since the 1st of the year has been as low as $4.75 per 100 pounds as reported by reliable statisticians, and is at the present time at 5 cents a pound. It is quite evident that the present rate of duty against Cuba of approximately $1.76 per 100 pounds is insufficient to protect the domestic industry, both beet and cane, by $1.20 if we use the present quoted market price of cane sugar as a basis, for it will be seen from the cost studies and the return required by the domestic industry that a New York quoted market price of $6.20 per 100 pounds must be approximately maintained if the domestic industry is to have reasonable prosperity. If the price of sugar c. and f. New York would be $3.90, a tariff against Cuba of $1 per 100 pounds would be ample to protect the domestic industry.

On the other hand, if the c. and f. price in New York on 96 degree raw sugar is $1.50 per 100 pounds, a duty of $3.40 would be required to protect the domestic industry. If Cuban sugar would sell at New York at normal prices, only a normal tariff would be required, but no one yet has been able to coerce Cuban interests into selling their sugars at reasonable prices in New York since they commenced their enormous overproduction in Cuba.

The beet-sugar companies, being on a sliding-scale contract of profit sharing with their growers, have every reason to believe that they should receive protection on the basis of a sliding scale. On the other hand, the American sugar refiner buys his raw material, which is an unfinished sugar of 96° (96 per cent pure sugar), at the lowest price he can buy it and sells it at the best refined price he can sell it for. His refining costs and profits being the difference between the duty-paid price and what he sells his refined product for, it is certainly not to his interests to run the market price of sugar up to levels wherein the beet-sugar industry would expand and reduce the amount of cane refined sugar. His interests, therefore, lie in buying his raws at the minimum possible price he can get anyone to sell them to him for.

Under these circumstances we can only recommend a sliding scale of tariff on foreign sugars coming into the United States.

FLEXIBLE TARIFF INDICATES SLIDING SCALE

In the tariff act of 1922 specific authority was given the President of the United States to adjust the tariff to within 50 per cent of the existing rates when, in his judgment, it was required, but after due study and report of the Tariff Commission. This clause indicates that there was in the minds of our Representatives and Senators at the time the act was made the possibility that existing rates of tariff might be insufficient or inadequate to protect deserving domestic industries.

A sliding-scale tariff, so arranged that it automatically gave protection to a domestic industry at all levels of competitive prices from foreign sources of supply, is unquestionably more efficient than a tariff schedule which would have to be thoroughly investigated and then changed by the President of the United States before becoming effective.

On November 16, 1922, the Tariff Commission received an application, No. 73, from the United States Sugar Association, which is composed of American-owned sugar companies producing in Cuba, for a reduction in the rate of duty on sugar. On March 27, 1923, an investigation was ordered. This investigation was carried on for almost an entire year, finally resulting in the President of the United States refusing to change the tariff. An enormous expense was incurred by the Government in the investigation, all of which might have been saved had there been a sliding-scale tariff in effect at the time. It is interesting to note that at the time the investigation was initiated the wholesale price of granulated sugar in New York was 8.4 cents per pound, while on May 7, 1925, it was 5.48 cents per pound. The President included this comparison in his statement, refusing to reduce the amount of duty as requested by the United States Sugar Association, and notwithstanding the fact that no change was made in the duty, the price of sugar has gone down to as low a level as $4.75 per 100 pounds only a few weeks ago. Such a delay as occurred in the last investigation above quoted would ruin the domestic-sugar industry of the United States in its present condition.

TYPE OF SLIDING SCALE RECOMMENDED

It is understood that the Treasury of the United States requires a certain minimum amount of duties to be collected on imported sugars, and, though the information is not authentic, it is understood that this minimum requirement is approximately 1 cent per pound on the sugar that is normally imported into this country from Cuba. If the existing preferential to Cuba is continued, this would mean a minimum tariff against the world of $1.25 per 100 pounds. If we then calculate a sliding scale, having in mind 1 cent against Cuban 96° raws, we find that this rate of duty would be applicable when the New York c. & f. value of 96° raw sugar in cents per pound is 3.90. It is impossible to predict what low levels Cuban sugars may reach, but we can assume that they might drop to a point where the price c. & f. New York on 96° sugar will be $1.50 per 100 pounds. At such a price level, in order to maintain a market approximating 4.90 cents per pound on duty paid raws, which is what we require for adequate protection, the duty against Cuban sugar of this type must be 3.40 cents per pound; intermediate duties in proportion to the increase or decrease per pound in the New York c. & f. value. In every case the 20 per cent preferential to Cuba which it now enjoys has been allowed; a similar scale on full-duty sugars can be arranged, which will be 125 per cent of the Cuban rate.

Throughout these studies $1.30 per 100 pounds has been considered as the approximate ample refiners' margin. It is at the present time higher and has been in the past much lower, even at higher refined market prices. Beet-sugar companies are not familiar with the relative value of a degree of raw sugar to a refiner or its producer. We have discussed the subject with representatives of refineries, who have stated to us that a degree of raw sugar between 75 sugar degrees and 100 sugar degrees is worth approximately 1½ per cent of the value of the duty paid price of the raw sugar.

Sugars testing above 89 sugar degrees can be sold or used for direct consumption without further refining.—A considerable industry is being developed in Cuba at the present time manufacturing such sugars directly from cane, and they are coming into the United States without adequate protection being given either to the domestic beet and cane sugar industry or to the American cane-sugar refiner of foreign raw sugars. As a protection against this type of sugar coming into the United States, we recommend that an additional full duty be imposed against all sugars of a test higher than 98 degress at the rate of 0.6 of a cent per pound.

In addition to the value of a degree of sugar already mentioned, we have prepared and submit herewith as Exhibit A a substitution of paragraph 501 of the present tariff act in which these recommendations are incorporated. There is also attached herewith as Exhibits B, C, and D the application of this suggested paragraph 501 of the tariff act (Exhibit A) in the form of sliding scale on full-duty sugars, as well as Cuban preferential sugars.

SUGARS FROM THE PHILIPPINE ISLANDS

The sugar industry of the Philippine Islands has enormously expanded in the past few years, as has been evidenced by testimony given to the Ways and Means Committee of the House of Representatives and to the Senate Finance Committee. It is very apparent that raw sugar can be produced in the Philippine Island at a cost approximating that of Cuba. The present tariff, and any additional tariff that may be placed on dutiable sugars, is offering to the Philippines a subsidy on sugar manufacture which they do not require as a protection, and will unquestionably cause great further expansion of their industry in this respect. It appears necessary that the production of the Philippine Islands must be restricted in some manner or it will be a distinct menace to the domestic industry, and our protection against Cuba would be ineffective.

If we should limit the Philippine Islands to an entry of 500,000 to 600,000 tons into the United States, their industry will continue to expand for they will receive a price so profitable on what they do send to the United States, their additional production can be sold at lower levels than the world market.

It is our recommendation that the Philippine Islands be placed on a full duty basis and that a proper preferential discount be given them on the full duty rate in keeping with their cost of production and a reasonable profit as compared with the necessary return required by the domestic industry on their product.

While it is apparent that an increase of tariff only sufficient to pay the beet sugar and domestic cane producers of continental United States a subsidy, such as is in use in England, would tend to keep the price of sugar at lower levels, immediate relief is necessary if the industry is to be preserved, and such a subsidy scheme would entail great delay in working out its details before it could be adopted.

Prompt relief is necessary if the sugar industry of continental United States is to be saved.

Respectfully submitted.

T. G. GALLAGHER.

DISTRICT OF COLUMBIA, *ss:*

On this 9th day of July, 1929, personally appeared before me, Charles E. Alden, a notary public in and for the District of Columbia, T. G. Gallagher, the subscriber to the above brief, who made oath that the facts stated therein are true to the best of his knowledge, information, and belief.

[SEAL.] CHAS. E. ALDEN, *Notary Public, District of Columbia.*

My commission expires October 13, 1932.

Suggested substitution for paragraph 501, schedule 5, of the tariff act of 1922 and H. R. 2667, tariff bill of 1929, to accompany brief of T. G. Gallagher, of Toledo, Ohio:

PAR. 501. Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above seventy-five sugar degrees, and mixtures containing sugar and water testing by the polariscope, above fifty sugar degrees and not above seventy-five degrees, 0.83 cent per pound, and for each additional sugar degree as shown by the polariscopic test 0.02 cent per pound additional and fractions of a degree in proportion, and when the current net value of 96 degree raw sugar which carries the greatest discount on the full duty rate is below 3.90 cents per pound c. and f. New York City, on all dutiable sugars entered there shall be added one hundred per cent of the duty mentioned above for each cent per pound that the said valuation is below 3.90 cents per pound and fractions of a cent in proportion, and on sugars testing by the polariscope above 98 sugar degrees there shall be added to the total duty ascertained as above described 0.60 cent per pound.

EXHIBIT B

Table showing application of paragraph 501, tariff bill of 1929, as suggested in brief of T. G. Gallagher, of Toledo, Ohio

[In cents per pound]

Sugar (degrees)	At minimum		At 1.90 raw valuation		Sugar (degrees)	At minimum		At 1.90 raw valuation	
	Full duty	Full duty less 20 per cent	Full duty	Full duty less 20 per cent		Full duty	Full duty less 20 per cent	Full duty	Full duty less 20 per cent
75	83	66.4	249	199.2	88	109	87.2	327	261.6
76	85	68.0	255	204.0	89	111	88.8	333	266.4
77	87	69.6	261	208.8	90	113	90.4	339	271.2
78	89	71.2	267	213.6	91	115	92.0	345	276.0
79	91	72.8	273	218.4	92	117	93.6	351	280.8
80	93	74.4	279	223.2	93	119	95.2	357	285.6
81	95	76.0	285	228.0	94	121	96.8	363	290.4
82	97	77.6	291	232.8	95	123	98.4	369	295.2
83	99	79.2	297	237.6	96	125	100.0	375	300.0
84	101	80.8	303	242.4	97	127	101.6	381	304.8
85	103	82.4	309	247.2	98	129	103.2	387	309.6
86	105	84.0	315	252.0	99	191	152.8	453	362.4
87	107	85.6	321	256.8	100	193	154.4	459	367.2

0.60 cent per pound has been added to the full duty rate on sugars testing above 98°.
0.48 cent per pound has been added to the Cuban duty rate on sugars testing above 98°.

Exhibit C

Table showing full duty to be applied according to suggested paragraph 501 in brief of T. G. Gallagher

New York City c. and f., value of 96° raw sugar, in cents per pound	Sugar degrees						
	94	95	96	97	98	99	100
3.90	1.210	1.235	1.250	1.27	1.29	1.31	1.33
3.80	1.331	1.353	1.375	1.397	1.419	1.441	1.463
3.70	1.452	1.476	1.500	1.524	1.548	1.572	1.596
3.60	1.573	1.599	1.625	1.651	1.677	1.703	1.729
3.50	1.694	1.722	1.750	1.778	1.806	1.834	1.862
3.40	1.815	1.845	1.875	1.905	1.935	1.965	1.995
3.30	1.936	1.968	2.000	2.032	2.064	2.096	2.128
3.20	2.057	2.091	2.125	2.159	2.193	2.227	2.261
3.10	2.178	2.214	2.250	2.286	2.322	2.358	2.394
3.00	2.299	2.337	2.375	2.413	2.451	2.489	2.527
2.90	2.420	2.460	2.500	2.540	2.580	2.620	2.660
2.80	2.541	2.583	2.625	2.667	2.709	2.751	2.793
2.70	2.662	2.706	2.750	2.794	2.838	2.882	2.926
2.60	2.783	2.829	2.875	2.921	2.967	3.013	3.059
2.50	2.904	2.952	3.000	3.048	3.096	3.144	3.192
2.40	3.025	3.075	3.125	3.175	3.225	3.275	3.325
2.30	3.146	3.198	3.250	3.302	3.354	3.406	3.458
2.20	3.267	3.321	3.375	3.429	3.483	3.537	3.591
2.10	3.388	3.444	3.500	3.556	3.612	3.668	3.724
2.00	3.509	3.567	3.625	3.683	3.741	3.799	3.857
1.90	3.630	3.690	3.750	3.810	3.870	3.930	3.990
1.80	3.751	3.813	3.875	3.937	3.999	4.061	4.123
1.70	3.872	3.936	4.000	4.064	4.128	4.192	4.256
1.60	3.993	4.059	4.125	4.191	4.257	4.323	4.389
1.50	4.114	4.182	4.250	4.318	4.386	4.454	4.522

Add to tariff on full-duty sugars above 98° 0.60 cent per pound as protection against finished imported sugars.

Exhibit D

Table showing duty against Cuba to be applied according to suggested paragraph 501 in brief of T. G. Gallagher

New York City, c. and f. value of 96° raw sugar, in cents per pound	Sugar degrees						
	94	95	96	97	98	99	100
3.90	0.9680	0.9840	1.00	1.0160	1.0320	1.0480	1.0640
3.80	1.0648	1.0824	1.10	1.1176	1.1352	1.1528	1.1704
3.70	1.1616	1.1808	1.20	1.2192	1.2384	1.2576	1.2768
3.60	1.2584	1.2792	1.30	1.3208	1.3416	1.3624	1.3832
3.50	1.3552	1.3776	1.40	1.4224	1.4448	1,4672	1.4896
3.40	1.4520	1.4760	1.50	1.5240	1.5480	1.5720	1.5960
3.30	1.5488	1.5744	1.60	1.6256	1.6512	1.6758	1.7024
3.20	1.6456	1.6728	1.70	1.7272	1.7544	1.7816	1.8088
3.10	1.7424	1.7712	1.80	1.8288	1.8576	1.8864	1.9152
3.00	1.8392	1.8696	1.90	1.9304	1.9608	1.9912	2.0216
2.90	1.9360	1.9680	2.00	2.0320	2.0640	2.0960	2.1280
2.80	2.0328	2.0664	2.10	2.1336	2.1672	2.2008	2.2344
2.70	2.1296	2.1648	2.20	2.2352	2.2704	2.3056	2.3408
2.60	2.2264	2.2632	2.30	2.3368	2.3736	2.4104	2.4472
2.50	2.3232	2.3616	2.40	2.4384	2.4768	2.5152	2.5536
2.40	2.4200	2.4600	2.50	2.5400	2.5800	2.6200	2.6600
2.30	2.5168	2.5584	2.60	2.6416	2.6832	2.7248	2.7664
2.20	2.6136	2.6568	2.70	2.7432	2.7864	2.8296	2.8728
2.10	2.7104	2.7552	2.80	2.8448	2.8896	2.9344	2.9792
2.00	2.8072	2.8536	2.90	2.9464	2.9928	3.0392	3.0856
1.90	4.904	2.9520	3.00	3.0480	3.0960	3.1440	3.1920
1.80	3.0008	3.0504	3.10	3.1496	3.1992	3.2488	3.2984
1.70	3.0976	3.1488	3.20	3.2512	3.3024	3.3536	3.4048
1.60	3.1944	3.2472	3.30	3.3528	3.4056	3.4584	3.5112
1.50	3.2912	3.3456	3.40	3.4544	3.5088	3.5632	3.6176

Add to all tariff on sugars above 98° 0.48 cent per pound as protection against finished sugars imported from Cuba.

STATEMENT OF JAMES N. McBRIDE, BURTON, MICH., REPRESENTING THE SUGAR-BEET GROWERS OF MICHIGAN

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. McBRIDE. Mr. Chairman and gentlemen of the committee, I am representing the Sugar Beet Growers of Michigan. I have been a grower for 20 years—not every year, however. Occasional rotations do not permit of our growing sugar beets.

In the first place, I want to clear up a little misconception in regard to convict labor in Michigan. I probably had as much to do with it as anyone. Around the Owosso Plant of the Michigan Sugar Co. there was a very large crop of beans last year at a very profitable price. The northern territory of the bean area was drowned out. So when they came to get contracts for sugar beets in the Owosso territory it was rather difficult, owing to the apparently large plantings of beans. So that the chamber of commerce took the matter in hand, and we undertook to get a thousand acres additional to what was already contracted. About that time a number of weeks of rather wet weather occurred around there, and it was a question of whether those beet fields could be plowed and put in or not; it was a question of whether labor could be obtained.

The Governor of Michigan told me he had about 100 men that he would like to see employed from the road camp in the center of the sugar-beet district. There was a barracks right there for those men. The Michigan Sugar Co. therefore never made an application whatever for labor from the convict side. I personally went to Jackson and took the matter up with the governor, and we did have 100 convicts at work weeding beets in Michigan as an experiment.

We have a type of convict that comes to us on account of the high wages at the automobile plants and he is not a skilled worker. He does not hold his job. He becomes dissolute and commits petty crimes. We also have a large colored population there that we are trying out in connection with this experiment. Now, gentlemen, that is all there is to the convict-labor situation in Michigan.

Senator WATSON. How long did they work?

Mr. McBRIDE. Not over two weeks.

Senator SMOOT. Did you request that action on the part of the governor?

Mr. McBRIDE. I requested it of the governor on behalf of the thousand acres that we had there.

Senator WATSON. What did you pay them?

Mr. McBRIDE. They are paid by the acre just the same as the others.

Senator WATSON. What does it amount to?

Mr. McBRIDE. I can not tell you.

Senator WATSON. You pay just the same?

Mr. McBRIDE. We pay the same.

Senator HARRISON. Does the convict get it or does the State get it?

Mr. McBRIDE. The convicts get 5 to 8 cents an hour owing to their conduct on the road. The State gets the rest.

Senator SMOOT. I suppose there is a certain understanding or a certain law followed that wherever a convict is let out that way the State gets so much and he gets so much.

Mr. MCBRIDE. As a rule, there is no State employment on contract in Michigan except where the State is building roads on their own account. The matter had little precedent. The Vaughn Seed Co. up there run into bad weather and they took 100 men or so from the camp for several weeks and they saved the situation that otherwise would not have been saved. So that was the only precedent we had, and that was the first time it was tried out.

Senator WATSON. You pay those men the same wages as you pay other men for like services?

Mr. MCBRIDE. Absolutely. There has been a great deal made of that convict question. It was an experiment with us, and it was not chargeable to the sugar companies at all. In fact, they were not keen for it. However, we wanted to try out the experiment and we who wanted the extra acreage were responsible for that movement.

Senator SHORTRIDGE. It is generally thought that it is beneficial to the unfortunate man in prison to let him work out in the open and earn a little something.

In the State of California a certain amount of his earnings goes to his perhaps dependent family and it is looked upon as a philanthropic and wise provision.

Mr. MCBRIDE. It is doubtful in Michigan whether the actual cost of roads is decreased by the use of convict labor, but what it does do is it gets them out into the open and makes them appreciate what a good day's work, a good honest day's work is.

Senator SMOOT. Does it displace any other labor?

Mr. MCBRIDE. It does not. You can not get the ordinary laborer to work on the job of weeding beets in Michigan.

Senator SMOOT. You can not anywhere else with the exception of perhaps our home State.

Mr. MCBRIDE. As a practical beet grower, we have our labor of cultivation and planting; we have other crops on hand, and it is impossible for the farmer to provide that seasonal labor at the time the crop has to be blocked and pinned and harvested in the fall. It is a God-send to a great amount of labor that needs caring for in that way. Michigan has had a wonderful influx of Bohemians, Hungarians, and others that the second generation are making the best citizens of our State. They first became beet weeders, they then became land tenants, and then landowners, and their children have taken prizes in our schools for intellectual capacity. The sugar-beet industry has been an important factor in that direction.

I want to discuss with you the situation in reference to contracts. Several years ago when the Owosso Sugar Co. was not a part of the Michigan Sugar Co., I had a hand in making a participating cooperative agreement for the price of sugar beets. At the end of the year the total amount of beets sliced was multiplied by the average sales price of that whole amount and divided on the basis of 45-50. The sugar company paid $1 a ton for delivery at the factory. Now, since the sugar beet or beet sugar price has gone down we are eliminated. The Owosso factory to-day is paying $7.75 f. o. b. the station for beets. They are paying 75 cents more than they have paid at other times.

Senator SMOOT. They were compelled to do it?

Mr. McBRIDE. They were compelled to do that. Last year the run was about 48 days. It ought to be 80, 90, or 120 days. So they were obliged to come across and give this additional amount.

Senator WATSON. You make your contracts in advance?

Mr. McBRIDE. We make our contracts in advance.

Senator WATSON. With the farmer?

Mr. McBRIDE. With the farmer.

Senator WATSON. That is the only way in which they will cultivate the beets at all?

Mr. McBRIDE. Yes, sir.

Senator WATSON. What was the price you paid last year?

Mr. McBRIDE. Last year it was on the basis of $7, I think, at the home station and $1 additional to the farmer who delivered with truck or wagon.

Senator WATSON. What does that amount to to the farmer?

Mr. McBRIDE. Michigan has had some little difficulty with what I would call damping off. That is a bacterial disease which comes in wet weather. Our tonnage has not been as heavy as it was in other places or in days past.

I wish you gentlemen would go into the economics of soils and so forth. I heard you say to a Cuban man that the Cuban soil was becoming depleted. Our sugar-beet soils are becoming depleted also, and we are only able to carry on where we are feeders of livestock and where we are able to carry the fertility back to the soil. Sugar beets, to be sure, manufacture the sugar from the air, but I have been interested in going too deep down, following the sugar beet clear down to the bottom of the roots, and sometimes we will have to follow a beet down 2 feet into the subsoil. It brings up the potash from the subsoil and in the old alcohol plants up there that was one of the interesting things, to see the recovery of the potash from the soil. It was really quite an item. And we have to have potash in our soils to grow the beets.

I do not know but what Michigan has had some unfortunate experience in the location of their sugar beet factories, in that some of them were located in what we might call the potato area. The potato area is a silicate soil, lacking potash. Those plants have been abandoned. So we have to have sugar grown in what is called the old bed area geographically. The old lake bed area extends in from Saginaw Bay and Lake Huron probably 40, 50, or 60 miles. There are some exceptions. We have our sugar beet area there and also our bean area. Michigan produces 65 to 75 per cent of the total little white bean crop. That excludes the white bean of California, the limas and so forth.

Senator WATSON. Do you rotate them with beets or do they require the same content?

Mr. McBRIDE. They are in a measure competitive. In other words, the bean is what is called a reverted lagoon. Theoretically the bean could get its nitrogen from the air. Practically we have increased the yield per acre, and with the shortness of the season, compelling it to get its nitrogen form other sources in the soil, and that is pretty nearly true of beets also.

Michigan is a great lamb-feeding section. We ship in western lambs and the lamb feeders are the ones who have the best beet fields and best bean fields. The actual depletion of soil content is one of the big economic problems of the country.

Senator WATSON. Your fertilizer naturally or by commercial processes?

Mr. MCBRIDE. Both.

Senator WATSON. By rotation of crops?

Mr. MCBRIDE. We try to put them on a basis where the nitrogen has been left by the clover roots. Then we use a high grade mixed fertilizer containing potash, phosphorus and nitrogen. The nitrogen gives them the early start and gets them above the weeds. The potash is essential to the manufacture of starch of sugar in plant life.

Senator SMOOT. Sugar, I suppose, is the best crop for a rotation crop of any that is grown?

Mr. MCBRIDE. It is one of the best. We are troubled with Canada thistles, and the rotation of sugar beets with their cultivation is a great cleanser. We have finally reached the point there where Michigan will have to have an addition to the price of sugar beets, and, of course, the price of sugar, or $50,000,000 of property will go with practically no salvage.

The sugar companies there—and I will not touch upon this officially for the record because I am interested as a grower and not as stockholder or manager—has disclosed those figures to us in order that we may know their situation. They have lost money for the last three years.

We have, in addition to the other situation of sugar beets, a labor situation. Detroit is one of the highest wage centers in the United States, and Flint and Lansing and all of those automobile centers lie adjacent to us, and we are paying $100 a month for common farm labor. The bringing in of the foreign labor is a godsend to us. There comes the period of threshing, or hoeing, and so forth, and we can get a few days off from that period with our foreign help.

So, in addition to the regular growing of beets, we have an economic factor there.

And I want to discuss blackstrap molasses a little bit.

Senator HARRISON. You have to employ this foreign labor, don't you?

Mr. MCBRIDE. Absolutely.

Senator HARRISON. You can not get along without it?

Mr. MCBRIDE. The farmer who has his cultivation to take care of has to have this seasonal help.

Senator HARRISON. Your regular labor there just can not do this kind of work, or will not?

Mr. MCBRIDE. No.

Senator HARRISON. That is general in the whole sugar-beet industry, so far as you know?

Mr. MCBRIDE. Yes.

Senator HARRISON. And you have to employ these percentages of Mexican labor and other labor to do it, and these convicts, as the case warrants it; that is right, isn't it?

Mr. MCBRIDE. We have to have that seasonal labor.

Senator SMOOT. How long a time do you have on the thinning of beets?

Mr. McBride. Our season sometimes extends long by reason of rains and unfortunate conditions, and extends over three or four weeks. It should not extend over two weeks.

Senator Smoot. Two weeks is the average?

Mr. McBride. Yes, sir.

Senator Smoot. On the digging of the beets?

Mr. McBride. The same thing. We have to have our beets out of the ground by the 1st of November. Otherwise we are in danger of having them frozen in.

Senator Harrison. What per cent of the labor do you say is Mexican in Michigan?

Mr. McBride. I think I would better leave that to somebody else to answer. It would be simply an estimate on my part from local observation.

Senator Harrison. It is large?

Mr. McBride. Yes, sir.

Senator Harrison. They work in one field for two weeks and then go to another place?

Mr. McBride. They are housed around, and trucks take them from this field to that field.

Senator Harrison. They haven't any home particularly, but just move from one place to the other as they get the work?

Mr. McBride. That is the situation.

Senator Smoot. They can not thin all of the beets, because that is all done at the same time. So far as the Mexicans in the West are concerned, they are returned to Mexico.

Mr. McBride. We have use for those people in addition to the use in the sugar-beet raising. I am afraid that we who live in the automobile district can not make you people understand the great necessity of labor, because we have that constant call for labor at high prices in that market.

Senator Harrison. I think we understand that.

Mr. McBride. Now, to those who understand the sugar-beet industry and the blackstrap molasses, they are what chemists call incompatible. For practically every ton of beets manufactured there is about 40 per cent of dried pulp. In round numbers that would be about 50 pounds.

Senator Shortridge. Of pulp?

Mr. McBride. Of dried pulp. That dried pulp is the basis of the various chicken feeds and dairy feeds. And we have to have blackstrap molasses to put back in there because it is easily absorbed, and with the various protein content that gives us the most desirable type of dairy feed possible. So we can not argue and do not want to argue for a duty on blackstrap molasses, which practically comes back to the sugar beet pulp trade and the feed industry. It is a great item.

You see, when you make alcohol out of corn you take the starch and convert that into sugar and into alcohol, and you have the protein feeds or gluten feeds. You have to have the carbohydrate that is in the sugar-beet pulp. And we place that with the oil meal and cottonseed meal and blackstrap molasses to make a thorough feed mixture. To the man interested in poultry there is no feed so good as beet-pulp feed, which takes up water. You see, it furnishes the feed there that is easily soluble in the digestive tract and is palatable.

Senator WATSON. Do they make blackstrap molasses from beet-sugar quite as much as from cane?

Mr. McBRIDE. The sugar-beet sirup after it has gone through the Steffans process, has very little left in it. Occasionally there are in Michigan what are called osmose plants, and the final extraction of the sugar from sirup. When that was done we feeders occasionally tried to feed the beet sugar. But it is not desirable. I am a lamb feeder in Michigan, as well as a dairyman, and I have had a wide experience in these feeds and in handling beet-pulp feeds on the farm.

Senator WATSON. What do you mean by a land feeder?

Mr. McBRIDE. A lamb feeder, I say. We buy the western lambs from Idaho and Montana and we feed them for six months and then send them on to New York, Buffalo, or Detroit. That is a great business in our part of the State. That is how we come to know the values of these mixed feeds.

Senator SMOOT. Do all of you people sell molasses?

Mr. McBRIDE. Yes. But in our part of the country we have our pulp dried. I am quite familiar with the western part of Colorado.

Senator SMOOT. A great deal of the pulp there is fed direct to the cattle.

Mr. McBRIDE. Yes. We have a good dairy feed in the fall under ordinary conditions from the beet crops. They can not be fed entirely because of the excess amount of potash in the top. If you clip off the top, that is where the potash is carried, and if that is left on the soil you will not deplete it so much, but are bringing it up from the stratum below the ordinary plow depth. That is why these great roots go down there.

Senator SHORTRIDGE. To get the potash?

Mr. McBRIDE. Yes.

Senator WATSON. How is the production of the sugar beet in Michigan now as compared with former years?

Mr. McBRIDE. We are decreasing, and for two reasons, or for three reasons. One is the high cost of labor, and we have some damp seasons, and I believe the general fertility of the soil during this period of farm production is less. The people have been obliged to increase their crops where they could, and they have not been able to keep up the soil. George Washington would starve to death if he tried to farm Mount Vernon now.

Senator WATSON. How about your refineries? How many have you now as compared with former years?

Mr. McBRIDE. They are all in existence, but they are not running.

Senator WATSON. How is that?

Mr. McBRIDE. They are standing there.

Senator WATSON. How many are operating?

Mr. McBRIDE. Four were idle last year.

Senator WATSON. Four out of how many?

Mr. McBRIDE. Out of 17, I think. We are the high labor cost section in producing beets by reason of these economic conditions. We ought to have a 6-cent sugar. And 6-cent sugar is not high-priced sugar to anybody.

Senator SMOOT. You mean refined sugar?

Mr. McBRIDE. Yes, sir. That is what we think of in the beet-sugar territory as refined sugar.

If you will measure the House bill's per acre with a 12-cent duty on butter and the average cow producing 300 pounds—and that is low. A man with high bred would laugh at your saying 300 pounds—there is $36 we get from a cow's product. With the 2.40 rate on beets you see it will take three more acres to care for a cow. The House bill has granted us a tentative duty of $2.50 a hundred on beans. That is $1.50 a bushel. A dollar and a half a bushel would be equal to $18 or $20 an acre in our good bean territory.

Unless you carry this level of prices along on the sugar-beet business you crowd that out and build up these others to where you get a surplus, and then down goes the house of cards that has been built up.

Senator HARRISON. You think if one should be put up on stilts the others should be?

Mr. MCBRIDE. There should be a general level carried on. An engineer told me one time that if he had the building of all the roads, the grades would have been very different. But he came in a hundred years after they started.

These grades have started here and the industries have been adjusted to them. So when you take these great products of Michigan, like wool, that ought to be 36 cents. We are the second wool-producing section in the Union. We have a vast amount of wool coming directly to us from feeding western lambs.

You have to maintain the sugar industry there to furnish us feed and to balance up our soil as a cleanser. And incidently it does support a lot of labor. One of the economic facts in connection with the sugar business in Michigan is that about the first of November when the factories start up—and they should run 120 days—that is about the close of the open season for labor. So we get three months or more of additional labor, which, if it were not for the factories there, would simply be idle.

When a day's work is not done to-day it never will be done. It may be done to-morrow but the day's work is lost. We add millions of dollars to the labor income practically at the end of the out-of-door construction season, when road building is over, and if we can through November, December, and January we have employment there, and that does a great deal to take up the slack in industry.

Senator CONNALLY. In that same period when you are short of labor?

Mr. MCBRIDE. How is that?

Senator CONNALLY. Is that the same period you have to have the Mexican labor?

Mr. MCBRIDE. Oh, no. Then we are through with it and the season is over. On farms where there is a certain amount of work to do we can take care of and have taken care of our Bohemian and Czechoslovakian people. I am a great admirer of those people. We have not been able to do as well and we have not had the opportunity, with the Mexican people. On the other hand, they do go to school there, and their children get an opportunity.

Senator WATSON. Are those Mexicans that live around there American citizens and have they been Americanized and taken out naturalization papers?

Mr. MCBRIDE. A good many of them are Texas and southwestern Mexicans that have a legal right to be there.

Well, gentlemen, I guess that is about the whole story from the standpoint of the sugar-beet grower the cattle feeder, and the sheep feeder in Michigan. But we certainly have to sustain that industry. And in that little town the Owosso Sugar Co. pays taxes of $40,000 a year. If that factory fails there that is quite an item to drop on to one township in valuation.

Senator WATSON. How much sugar does that institution refine a year?

Mr. McBRIDE. They have a capacity there of 12,000 acres.

Senator WATSON. How much in ton capacity a year?

Mr. McBRIDE. We ought to have 120,000 tons of beets there to operate satisfactorily.

Senator WATSON. How much sugar would that make?

Mr. McBRIDE. You can figure in round numbers 250 pounds of sugar, and on the Steffens process 10 pounds more, to the ton of beets.

Senator SHORTRIDGE. Just state that again. I would like to carry it in mind.

Mr. McBRIDE. About 250 pounds of refined sugar to the ton of sugar beets. There are certain mechanical losses. That does not quite figure out on a 14 per cent basis. That would be 280. There are certain degrees of impurities and mechanical losses. As a matter of fact, the sugar-beet factories pay for more than they slice in Michigan. There are losses—dirt, waste, and so forth. So that does not carry all the the way through.

Senator WATSON. Do you have the per capita consumption in mind?

Mr. McBRIDE. In the United States?

Senator WATSON. Yes.

Mr. McBRIDE. I believe it is 12½ or thereabouts. I used to be fairly well posted.

Senator WATSON. Then it would take practically a refinery such as you have there, and with that output, to furnish enough sugar to feed the people in a congressional district?

Mr. McBRIDE. Yes, sir.

Senator WATSON. So that one factory like that in a congressional district would be required to supply the home demand?

Mr. McBRIDE. Yes. Because when we get into the candy or siliceous soils we can not grow beets satisfactorily; so we must maintain it in that territory.

Senator CONNALLY. Can you beet growers compete with the Philippines in their labor cost and their production cost?

Mr. McBRIDE. No; we can not.

Senator CONNALLY. Can you compete with Hawaii?

Mr. McBRIDE. No; we can not.

Senator CONNALLY. You say that you have to have this cheap foreign labor in this gathering period. That is right, isn't it?

Mr. McBRIDE. This is not cheap labor in one sense. They are making good wages.

Senator CONNALLY. In other words, the American can not do this work?

Mr. McBRIDE. He can not do it because he is otherwise employed—driving his plow or his tractor.

Senator CONNALLY. I mean you haven't any American labor available at the time?

Mr. MCBRIDE. Yes, that is right.

Senator CONNALLY. Isn't the chief object of the tariff to protect our American labor against foreigners? And do you want to keep up the tariff and then bring in this labor from abroad, too?

Mr. MCBRIDE. If you saw how the Czechoslovakians——

Senator CONNALLY. I am talking about the Mexicans.

Mr. MCBRIDE. They have only been there for a few years, and they are getting opportunities they have never had before in their lives.

Senator CONNALLY. I am sure of that. They settle up there in your State and live there?

Mr. MCBRIDE. Some of them.

Senator CONNALLY. And crowd out American white labor?

Mr. MCBRIDE. That is a presumption. It is not crowded out. Tell us where we can get American labor.

Senator CONNALLY. There is a lot of unemployment over the country.

Mr. MCBRIDE. That type will not go out onto the farms.

Senator CONNALLY. They will not do that?

Mr. MCBRIDE. No; and they are not acquainted with it. When a man has been off the farm for 20 years and comes back he is not the farmer he used to be.

Senator SMOOT. Do those Mexicans that labor in your beet fields go into the automobile factories in the winter?

Mr. MCBRIDE. As a rule not. There is a good deal of winter construction under certain conditions, and they have some labor there. But that is the period when the factory usually employs them. We haven't any labor troubles from the standpoint of men seeking labor. Take up any Michigan paper and you will read there are so many common laborers, so many carpenters, and so forth wanted.

Senator CONNALLY. These Mexican laborers do not make enough money in two weeks working with this beet sugar industry to live the year round; they have to do something else the rest of the year.

Mr. MCBRIDE. Two weeks is not correct. First is the blocking. They go through and cut out all of the weeds for 8 or 12 inches from the plant.

Senator CONNALLY. About how long in the year?

Mr. MCBRIDE. It will take nearly two months from the very beginning until the last field is put in. If I am raising 40 acres, 10 acres is put in at a time, a week apart, as nearly as we can do it. So we take care of a period there of perhaps four weeks, although that is a little long.

Senator CONNALLY. How long are they actually employed in the whole year?

Mr. MCBRIDE. They will be employed in the neighborhood of four months in weeding, blocking, hoeing, pulling, and topping.

Senator CONNALLY. He works four months and has to do something else eight months, has he not; or must be a charge on the community?

Mr. MCBRIDE. During the period when he starts the last week of May or the first week of June he is employed during June and July, and in August and September he is as busy as he can be working for farmers doing threshing and doing all kinds of farm work in their very, very busy season. Then some time in the middle of September or the last of September he begins pulling and topping those beets and then helps to load them onto the trucks and haul them to the factory.

Senator SMOOT. These people go back to Texas?

Senator CONNALLY. Most of them have to go back to Mexico, if the law is enforced.

Senator SMOOT. If they have a right there in Mexico, that is where they do go; they go back to Mexico. But when a Mexican has come in here and has a right to be here but as yet hasn't got his citizenship papers, you can not send him back.

Senator CONNALLY. Certainly not.

Senator SMOOT. A great many of these Mexicans that go to Michigan are from your State, and they have a right to be in America.

Senator CONNALLY. I understand that.

Senator SMOOT. It is only the seasonal labor. They do not stop there. They make enough money during that time so that they can make that trip.

Senator WATSON. Does the Mexican working in your beet field, or whatever he may be, get the same price as your Czechoslovakian or Bohemian or American?

Mr. MCBRIDE. Absolutely. The price is the same per acre.

Senator SHORTRIDGE. Of course, we all know that there are a certain number of people in the United States of the Mexican race who are here as of right; they were born here, in Arizona, in California, and in Texas, and possibly in other States, and they are citizens. And those who come here even temporarily, if the children are born here, the children are citizens of the United States. There are a certain number permitted to come in under regulations, presumably to return to Mexico. We understand that. And you have stated it very clearly.

Senator HARRISON. Then, as I understand it, the sugar-beet raiser in Michigan has not been prosperous?

Mr. MCBRIDE. He has not.

Senator HARRISON. And the sugar refiners in Michigan have not been prosperous?

Mr. MCBRIDE. No, sir.

Senator HARRISON. Neither have made money?

Mr. MCBRIDE. That is it.

Senator HARRISON. The only ones who have made money are the Mexicans and the fellows who do the work in the fields?

Mr. MCBRIDE. They have made the average fair wage.

Senator HARRISON. And those conditions have existed with a rate of protection of 1.76 against Cuban sugar, and the Tariff Commission said to equalize the cost of production here and abroad they were entitled to 1.23.

Senator SMOOT. The Tariff Commission did not say that to-day.

Senator SHORTRIDGE. Let me ask you this question. I think you mentioned it, but it has been discussed far and wide.

Have the colored people—men or women—engaged in that line of work to any considerable extent in Michigan?

Mr. MCBRIDE. No, sir; they have not. The only colored people doing that work now are under duress with guards. And they are going up and down those beet fields; and the fellows raising cane, as I told the governor, should raise sugar beets awhile.

Senator SHORTRIDGE. I merely wanted to know whether they had sought employment in that field of labor.

Mr. McBRIDE. No, sir.

STATEMENT OF A. E. CARLTON, REPRESENTING THE HOLLY BEET SUGAR CO., COLORADO SPRINGS, COLO.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CARLTON. Mr. Chairman and members of the Senate committee, you have been offered a great many complicated solutions of this situation. To my mind it should be worked along a more direct line.

My appearance before you is in behalf of the Holly Beet Sugar Co., the second largest company in the United States, and the beet growers who are producing beets for our 10 plants located in Montana, Wyoming, Colorado, Idaho, and California.

As a result of a careful study over a period of 12 years past of the problems of the beet grower and the factory, my idea of the tariff required by the industry has not changed since my appearance in 1922, at which time I urged the necessity of a duty of 3 cents a pound.

My contact with the beet grower naturally is a business one in that our company, perhaps more than any other, considers the farmers' problem as an element of major importance. We borrow money to deposit in country banks and to loan the beet grower; we place cattle on a gain basis on the beet growers' farms to enable them to feed up their beet tops, hay, and all their unmarketable roughage; we aid them by trucking the beets from the field to the factory, as well as operating tractors to aid them in fall plowing.

The industry, as I have said, requires now even more than it did in 1922 a tariff of 3 cents a pound, or 2.40 on Cuba. We need this for two reasons.

First. Beet growers should have a price of $1 a ton above the present $7 prevailing price in the Middle West, where the large percentage of beets are grown. The beet growers can only use a quarter of their available land for beets, because of the necessity of rotation, as in all other crops, and the rotating crop is one that usually yields a meager income. As a result, the farmer must make his money from the beets.

Second. The purchasers of the beets, or the factory, requires the 2.40 Cuban tariff if they are to withstand the attempt of the National City Bank and associated owners of the Cuban industry to swamp the markets of this country with cheaply produced Cuban sugar.

These powerful banking interests have brought about a market price for sugar which without a 2.40 tariff will result in the ruin of the beet industry.

If the United States is entirely dependent for its sugar supply upon a foreign country, naturally, the price is beyond our control, and we will pay for any losses incurred in bringing about such a condition.

Our beet contracts were written last January and were on the basis of the price heretofore prevailing of $7 a ton. Had we foreseen the continued pressure on the sugar market and anticipated the time required to bring about an increase in the tariff, we would have seriously considered reducing the price to the pre-war price of $6 per ton, but it was really unthinkable, because the beet growers would have gone bankrupt.

Like Mr. Welch, my 12 years' experience in the beet-sugar business financially has been a blank. I haven't lost a million dollars, but I have had $2,000,000 in the industry for 12 years without any dividends. However, the problems have been very interesting because of the appeal of the agricultural situation. The farm problem will be solved largely by introducing efficiency in farming. The horse motive power on the farm is disappearing, and tractor plowing, tractor cultivation, and trucking are now largely used.

Protection of the farmers, however, is a basic requisite.

Government reclamation projects, such as the lower Yellowstone and the Rio Grande Valley, are gradually gaining ground, and the farmers are looking hopefully toward the future.

A few months ago Senator Shortridge visited the Delta district near Stockton, Calif. He could tell you of the bankrupt condition of the potato grower, which was largely due to constant cropping and the high freight rates preventing a wide market for potatoes. Our company came in there three years ago; and with the farmers all broke, we, of necessity, furnished the entire amount of money required to produce their crop. The first year 500 tons of beets were produced, last year 154,000 tons, and this year the crop will be about 225,000 tons. With 120,000 acres of land available and the successful growing of beets demonstrated, the sugar production will increase rapidly, provided the Congress will afford the necessary protection.

When the powerful New York interests urged the Cuban administration to produce without limit the price level soon reached the point where the present tariff failed to prevent serious losses to the beet industry, and we are now faced with this condition. Congress alone has the power to prevent the successful consummation of the program heretofore referred to.

Another means of lessening the protection of the present tariff of 1.76 has been the importation of cheap foreign refined sugars. To avoid such a condition in the future, an additional tariff of one-half cent a pound should be exacted on importations of the refined commodity.

We have had this sugar come right in from Hershey to Los Angeles.

Senator Shortridge. Refined sugar?

Mr. Carlton. Yes; refined sugar, at less than our freight rate from our Tracy plant to Los Angeles.

Senator Shortridge. From where does that come?

Mr. Carlton. The Hershey refinery in Cuba, and at $3.50 a ton, while our rate is $4.60 a ton from Tracy to Los Angeles.

Senator Shortridge. In other words, the Hershey Corporation ships refined sugar from Cuba through the canal and around up to Los Angeles at ocean freight rates less than the freight rates on the railroad from Tracy down to Los Angeles.

Mr. Carlton. That is right. It is about two-thirds of the rate.

Another factor of some importance has been the demoralizing price influence of constantly increased volume of Porto Rican and Philippine sugar coming into the United States markets tax free. While my knowledge of conditions in Porto Rico and the Philippines is extremly limited, it would appear that a tax of a cent a pound on the importation of 500,000 tons with the Cuba preferential rate on any excess, would avoid a future menace to our industry as well as equalize a lower cost as compared to beet. The tax free entry of Philippine sugars into the United States is a source of future danger to the beet industry. Under these conditions it is difficult to finance the construction and development of additional beet sugar production in the United States.

With a Cuban tariff of 2.40 with reasonable limitations, a tax on Porto Rico and the Philippines, the United States beet sugar output should and, I believe, will double within five years. The farmer will hesitate to purchase the necessary equipment and the bankers to furnish the capital for additional factories until and unless problems are settled definitely, determined on a basis insuring the industry from the danger of cheap production and a temporary market at cost or less than cost.

Congress and the American people want increased sugar production at home. You have always given a tariff with a rate almost high enough to develop the industry. To my mind it is almost high enough. But "almost" is like bringing a drowning man to the surface.

Senator SHORTRIDGE. Rather than to the shore.

Mr. CARLTON. Yes. He has to have air. We have almost had air. You can not legislate a tariff rate that will prevent Philippine expansion unless you propose to write off the beet sugar business here. You can only please the American bankers and bankers of Cuban overproduction by a tariff that will destroy the beet industry. You can only please the Philippines or Porto Rico by giving them tax free entry to the United States market, and not only on sugar but on fats and everything else that they produce. If you really want a domestic beet sugar industry, meet the situation with an effective tariff, as they do in European countries. They are not only doing it this year, but they did it last year, and they continue right up to to-day. Within a few days Belgium, I think, has changed her tariff. They change quickly over there, but it takes two or three years over here. Our creditors are on our heels before Congress can act.

If you do that, you can get the production up towards the 8,000,000 tons of beet sugar produced in Europe.

My associations have largely been, perhaps more than any other company, with the Government reclamation projects. We were requested, in connection with the trouble about the wheat situation, particularly in the Red River Valley of the North, by Eugene Mayer and Mr. Murphy, of the Minneapolis Tribune, and Dr. Lee Coulter, president of the State agricultural college of North Dakota, to put up a beet factory there. The trouble there was that the ground had become foul from constantly cropping wheat.

Half of the farmers' load taken to the elevators was weeds.

As a result of a conference here in Washintgon, a beet factory was constructed there.

Senator HARRISON. When was that?

Mr. CARLTON. That was about four years ago.

The year before that there was the Lower Yellowstone project, a project which was a very great source of concern to the reclamation department. Up there two banks of a million dollars capitalization each have closed. The country has just gone to pieces.

Another thing about it up there, besides the foul ground, was the freight rate. They could not move to distant markets the crops like potatoes and things of that kind that are 95% water.

I would like to put into the record here a matter with which Doctor Mead is very familiar. I woud like to put in a telegram that he sent from Yuma, Ariz.:

> Your telegram of June 25th which reached me to-day. Sugar beet factories on reclamation projects have been an important influence in improving agricultural practice and increasing the incomes from farms and enabling settlers to meet their payments. Irrigated agriculture without sugar beet factory would be impossible in many sections of the West.

This beet culture and cleaning up the soil from weeds and cattle feeding is practically the only industry on many reclamation projects that can be successfully operated from the farmers' standpoint.

Senator HARRISON. Doctor Mead in this telegram does not indorse those rates?

Mr. CARLTON. No; he does not say anything about that.

I have had quite a good deal of experience with the Tariff Commission. On every hearing here we were summoned to appear, and did so. The membership of our organization was here, and we presented our earnings statements and balance sheets, certified by public accountants. That was true of 100% of the beet industry in that hearing. We have constantly heard about the $1.23 difference in cost. I am very sure that that is not founded on facts, because my recollection is quite plain that in the three years the Tariff Commission investigated they had approximately five per cent of the Cuban production and I think one year as high as thirteen per cent. But in many instances those reports were voluntary reports. They were from a foreign country and not audited.

It is commonly said that the Cuban keeps three sets of books, one for the owner, the second for the banker, and the third for somebody else.

I have personally felt that it has been very unfair to the beet industry to constantly quote a difference of 1.23 as representing the difference between the cost of Cuban sugar and the beet sugar, when every fair-minded investigator knows, and will admit, and the present price of Cuban raw sugar demonstrates the fact that the difference is probably twice that.

And for the Tariff Commission, supported by the tax payers of this country, to present such junk to the American public and let them be fed on it—that is a crime.

The facts are that the differences in cost are well over 2 cents. I think we pay the beet growers alone between 3 and 3½ cents per pound for sugar in the beet. The Cuban cane producer gets something like a cent for sugar in his cane. I would like to see a fair investigation, and I would like to see real books from Cuba, and audited by competent American auditors, and see the No. 1 set of books, and not the No. 2 and No. 3.

Senator SHORTRIDGE. I want to ask you this question, Mr. Carlton. For some reason, Russia has a tariff of 4.194 on refined sugar. We may get a lesson from that.

Brazil, to the south of us, has a tariff on refined sugar of 17.6 cents. And it is presumably in order to develop their domestic sugar production.

As I understand your theory, it is that an increased tariff enacted by us would result in an increased United States production of beet or cane sugar.

Mr. CARLTON. No doubt of it. I am very familiar with the industry. It would develop very fast if there was just a certainty that we would not be subjected to the very things that we have experienced in this onslaught of Cuban raws.

I believe it is quite possible next year that Cuban raws will be sold at 1.25 instead of 1.75, as they are now. They could afford to spend millions of dollars in order to have the market in the United States for themselves. They would get it back in six months or a year.

Senator SHORTRIDGE. In other words, you want to be industrially independent.

Mr. CARLTON. Yes, sir.

STATEMENT OF I. D. O'DONNELL, BILLINGS, MONT., REPRESENTING THE NORTHWEST AGRICULTURAL FOUNDATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator WATSON. What is your business?

Mr. O'DONNELL. Farmer.

I had a brief statement before the House committee and I would like to add a little to that before this committee, and I have just a few words explaining some new matters that have come up, and possibly touching verbally a little on the brief that was submitted.

As I said, I am a farmer. I live at Billings, Mont. I have been in Montana for 47 years and a farmer all of this time. I have never quit. I have been on the same farm for 45 years. I have been growing sugar beets about 23 or 24 years, since the factories started, and I worked more or less with the sugar-beet development work through some of our Government agricultural administrations.

My part in this discussion is to emphasize the importance of sugar beets in better agriculture.

I might say that I represented here before, and do this time, the Northwest Agricultural Development Foundation, representing Minnesota, North and South Dakota, and Montana. My particular part here was to represent the irrigation end of the State, and especially sugar beets. Other members represented wheat, flax, and so forth.

I feel that there is no need to tell this committee that agriculture has had a hard time. The matters in Congress would indicate that.

We are simply pioneering. We are great believers in agriculture, and we have done wonderful work, but we are still in the pioneering stage in farming in the United States.

I would like to emphasize the fact that farming is hazardous in every way. Even if you take out a life or accident policy from the insurance company you will find that farming is as hazardous, if not more so, than almost any other occupation.

It is hazardous in this way. A hail storm of 15 minutes will wipe out a year's work on the farm. A late frost or an early frost will completely ruin a year's work on crops.

Farming is long time and does not come and go quickly. It takes two years to grow a bushel of wheat; it takes four years to grow a 3-year old steer. I sent that statement into a farm paper on one occasion and they corrected it and said I made a mistake. I just want to bring that point out.

It takes five to seven years to grow a box of apples in the Yakima Valley or in any of the western sections. It means an expenditure of $25 an acre year leading up to that box of apples.

This is just to emphasize the long-time farming and the serious hazards we have.

My farm has been going for 45 years and is just in nice shape now to go on. It is a good farm. We have made a living practically every year, but we are getting in shape to go on now after 45 years.

Senator WATSON. Now, tell us about sugar.

Mr. O'DONNELL. Yes; I am coming to that. I want to emphasize that the single crops have never paid. Corn in Illinois, a 15-year survey shows, is a total failure. Straight wheat farms in the western country are failures. Alfalfa has been a failure. Single crops, outside of a few specialized instances, have been a failure from the agricultural standpoint.

We have tried out these various things and we are looking for diversified farming. So, in order to succeed, I say the everyday farmer, not the specialist, not the expert here or there, but the everyday farmer must diversify. He must establish a good system of rotation. There is no mistake in that.

The farmer must have livestock. He may be a specializer here or there and a few have succeeded, but ninety-odd per cent are going to be everyday farmers.

The farmer must cultivate to succeed. We have tried these various things singlehanded, and we have tried various things in our rotation; we have tried potatoes. And last year we could not sell a potato. That is one of the peculiar things. We can not give potatoes away in Montana, but I see they are four for a quarter up here on Long Island.

We have tried corn, but the great Northwest is not a corn country. But we have found out that the sugar beet fits in in that great western country, the great Northwest. We find that it is nearly something that fills the bill in a good system of diversification, and it fits in better than any other single crop that grows.

The sugar beet encourages and promotes thorough cultivation; it promotes crop rotation; it increases livestock—three of the most important factors in better farming to-day.

Sugar beets increase the crop following. Sugar beets stabilize our markets, and not only stabilizes the market of its own but the market of other things, like alfalfa, which is the foundation in the West for better farming.

Sugar beets stabilize land values. In the so-called years of deflation the sugar-beet land values have held up better than the land values in any other section in the Northwest.

Sugar beets balance farming. Farms have to be balanced in the way of crops and in the way of a market.

Farms are just like stock feeds. You have to have a balanced feed. You can feed all of the best feed on earth of one kind but your stock will get poor, but a mixture well balanced will cause the stock to thrive. A farm to succeed must be well balanced.

Sugar beets balance the general farm. They balance the labor on the farm. One thing that the everyday farmer needs is a job the year round. The wheat farmer works only three months, and I imagine the cotton farmer does not work much wore. But on the balanced farm we have something to do every day in the year, with vacations now and then.

The beets fill in perhaps better than anything else. They give us more work in the spring and another month's work in the fall. They make for better use of our equipment, more use of our stock, horses and such animals as that, and more use of our own labor on the farm.

The growing of sugar beets means the smaller farms which we are trying to encourage in the Northwest. It means intensive farming, it means better use of small capital. The man in the sugar-beet district can take a small farm and small capital and succeed when in some of these other things he could not.

It reduces the wheat surplus. We were pretty good wheat growers out there and during the war we did get good prices for wheat. Some of them shifted over to wheat at $2.20. Since that time they have been coming back.

It encourages livestock growing, which is perhaps one of the most important things for better farming.

The by-products of sugar beets, both of the factory and of the farm, are important. In fact, I was just speaking to a gentleman here who said the farmer could not live if it were not for making use of his by-products of every sort.

The pulp and molasses from the factory are both wonderful feeds, both encouraging investment in livestock. The tops on the farm are one of the most important things that encourages livestock. And the livestock, in turn, means more fertilizer, which is getting to be the important thing on the farm. Out West we did not used to consider it, but at the present time it is one of the main factors.

Sugar beets is the only crop with a price guarantee.

In most every section in Montana, in every irrigated valley they are looking for and wanting the opportunity of growing sugar beets.

The Red River of the North, the great spring wheat section in the world, is now looking for some crop to cultivate to take the place of or mix with their wheat. Two small factories have been built there in late years, and they are going fine. That was the great potato district. They had a lot of potatoes last year and perhaps that is the only real small center of the United States that had a great bunch of bank failures—in the potato districts. They have not gotten over it.

The only bright spots in the West during the deflation period have been the sugar-beet districts. The bright spots in the reclamation projects all through the West were the sugar-beet districts. I heard

Doctor Meade describing the Belle Fourche project of South Dakota, and he said they would have taken a dollar for the Belle Fourche project. But the factories in there this year had 12,000 bushels of sugar beets, and he said they are meeting the payments and the project is one of the best in the United States.

Senator HARRISON. Do you know any other section of the country any better fixed than these sugar-beet sections?

Mr. O'DONNELL. I am just saying that they are the bright spots in the western district. During the deflation the Huntley project, only 15 miles from my home, which has the reputation of having paid more in and being more up to date with their payments on the 10-year time and 20-year time than any other project in the West, and that project had sugar beets from the first, growing 25 per cent of their acreage in sugar beets.

The sugar beets mean good roads. That is what the farmer has to have. It means better equipment. It means good livestock.

Senator HARRISON. Do you want the tariff reduced or increased?

Mr. O'DONNELL. I am not saying anything about the tariff. I want anything that will encourage us to grow sugar beets. And that seems to be the problem—that we are going to require a tariff in order to get a better price for sugar and, in turn, get a better price for beets. The beets have made good. They are all used. There is no crop grown in the West to better advantage than the sugar beets. Sugar beets have trained us to be better farmers and cultivators and to make better use of everything on the farm than any other single crop grown.

Sugar is a food, as you all know, and is perhaps one of the most concentrated foods. It is sold by retailers at a loss, and almost every retailer in the United States will say he sells sugar at a loss. It is used as a trade getter. I can not understand that. Wheat, potatoes, and other things seem to stand up better by themselves. They do not use potatoes, even as cheap as they are, as a trade getter or as an inducement to bring in purchases for other articles.

But I say that sugar needs help of some kind. It needs a guardian angel of some kind from somewhere. I hardly know what you would call it.

Senator HARRISON. What labor do you use?

Mr. O'DONNELL. The labor I referred to is cheap labor. The great bulk of our labor has been Russians, Belgians, Germans, and a few Hollanders. Of late quite a sprinkling of Mexicans have come in. But they are not cheap labor, as often referred to. They are expert laborers, and they work on a contract of $25 an acre when they are working on beets. In other words, they work some by day and some by contract. They do handwork on our beans, and so forth.

The Russians and Germans are most of them citizens of the United States. They became citizens 10 or 20 years ago in the State of Nebraska and then came out into our country.

A great many of these Mexicans are native born. The family I had on my farm last year was born in California, and they seemed to take a great deal of pride in telling us about it.

As I say, they are not cheap labor. They are high-priced labor. They are higher priced labor than the average labor throughout the country. They make big wages. They are splendid workers, and they are experts in their line, I would say.

The fact was mentioned to-day that the American would not do this work on his hands and knees. The American is different. The American will shovel and drive a team, for instance, shoveling 20 tons of beets on a big high rack and perhaps shovel them off in a day's work at $2.50 a day and his board. The Russian or German, 14 or 15 years old, the kid, the old man, or the old lady—not one of them will make $7 a day in the field of the others. I say it is expert work. They are experts with the hoe; they are experts wherever you put them.

I had the pleasure of following a bunch of them a week ago in my bean field. I think I am somewhat of a man myself, although I am three-score and ten, but I think I am a good hoer, but I could not begin to play with those fellows. They could make rings all around me in hoeing the beans. So I say they are experts, because I am a worker myself.

There are possibilities in this beet work. There are possibilities of labor out West. It is the Indian. Montana has a lot of Indians. They are about like the Mexicans, I would say, just as good, or maybe a little better. We are trying them out in the beet fields and they are making good. And you would be surprised how fast they pick up the work.

The work to some extent is seasonal work. There is a rush in the spring and in the fall. And I have great hopes that in the West we can develop a wonderful work through our various tribes of Indians.

I have had some experience with the Black Feet Tribe in northern Montana. Quite a number of those families worked in the beet fields, and the farmers who had them last year want them back again. They are good workers, and it is a work that fits in with their general utility.

If there are any questions you wish to ask, I would be glad to answer them.

Senator WATSON. How many acres of beets do you cultivate?

Mr. O'DONNELL. My farm has consisted of 640 acres. We have been running about 240 of sugar beets a year. I have been the largest individual grower in my district for 20 years.

Senator WATSON. Do you grow them over and over in the same field?

Mr. O'DONNELL. No, sir; we rotate on a 7 year rotation—alfalfa about three or four years, small grain one year, beets two years, and then back to small grain and back to alfalfa.

Senator WATSON. How is the yield per acre one year with another?

Mr. O'DONNELL. The average yield for our district is 11 tons. The better farmers run up to possibly 14 tons and the poorer farmers drop down to 8 or 9 tons.

Senator WATSON. Where is the factroy that buys your crop?

Mr. O'DONNELL. Billings, Mont., the largest operated factory in the United States to-day.

Senator HARRISON. Who owns it?

Mr. O'DONNELL. The Great Western Sugar Co.

STATEMENT OF KIRT GRUNWALD, PATCHOGUE, LONG ISLAND, N. Y.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GRUNWALD. Mr. Chairman and Senators, you have listened to American citizens pleading for foreign countries, and I as a man of foreign birth appear before you to plead for the United States. My profession is an agricultural engineer. I believe that through my work I have had probably a greater opportunity to investigate territories in the United States in regard to sugar-beet culture, and also that I have probably come in contact with the American farmer more than other men in the pursuit of agriculture. I have been in the United States since 1901 and in the sugar-beet business from early youth in Russia and Germany.

Senator SMOOT. Are you in that business now?

Mr. GRUNWALD. I am in the business of agricultural engineer.

Senator HARRISON. Are you engaged in the growing of sugar beets now?

Mr. GRUNWALD. No; not at the present time.

Senator HARRISON. When did you cease?

Mr. GRUNWALD. I never ceased.

Senator HARRISON. Well, you never were in it, then?

Mr. GRUNWALD. I was in it, but my profession brings me in it all over the United States, into agricultural development, and sugar beets is one of those things. To show you to what extent the various sections of the United States can grow sugar beets I have prepared a map.

Senator HARRISON. Whom are you representing—yourself?

Mr. GRUNWALD. I am representing myself as a professional agricultural engineer.

Gentlemen, I have prepared an outline map of the United States. The stars are the sugar-beet factories that are located to-day in the United States from the Pacific coast to Ohio on the east. You will find that most of the sugar-beet factories are located in the West, mostly on irrigation projects, of which mostly the Government reclamation projects are represented.

Senator WATSON. They look pretty thick up there.

Mr. GRUNWALD. Here is Nebraska.

Senator WATSON. Over on the other side.

Mr. GRUNWALD. This is Michigan, Wisconsin, Indiana, and Ohio, but the bulk is west. You will see territories in green here. They are the future sugar-beet territories of the United States.

Senator HARRISON. I notice you have got Delaware, New Jersey, and Long Island included therein.

Mr. GRUNWALD. Yes, sir.

Senator HARRISON. There are no factories there now, are there?

Mr. GRUNWALD. No factories east of Ohio now. You will find some green marks up in Montana and in Colorado. There are still territories in Montana and in Colorado where sugar-beet culture can be extended. The biggest undeveloped territory that can produce in the neighborhood of 2,000,000 acres in sugar beets in the eastern half of North Dakota, Minnesota, South Dakota, part of Iowa, and part of Indiana. Wisconsin also has a future.

Senator WATSON. How did you determine that?

Mr. GRUNWALD. Through my knowledge of the fundamental principles of agriculture. I have been over those sections.

Senator HARRISON. At whose expense did you do that?

Mr. GRUNWALD. I am in the same position, Senator Harrison, as a lawyer employed by his clients. I have been employed by different sugar companies, by insurance companies, by bankers, and others who have faith in my knowledge and in my profession.

Senator SMOOT. Whom are you representing now?

Mr. GRUNWALD. To-day I am representing no one except myself as an agricultural engineer.

Senator HARRISON. You are not on the pay roll of anybody?

Mr. GRUNWALD. I am not on the pay roll of anyone.

Senator HARRISON. You just have been. You have done work for these sugar-beet interests and in the course of that work that is how you have come to find out about these conditions; is that right?

Mr. GRUNWALD. Yes, sir. I have been employed in the agricultural end of it by the different sugar companies in the United States. In my investigation of agricultural conditions six years ago, I came from the West to the East. I made a survey from Aroostook County, Me., to Delaware, and the northeastern section of the Atlantic seacoast. We found a condition where in certain sections of the Atlantic seacoast on account of the 1-crop system of farming and the abuses of commercial fertilizer, the pests and diseases have come in and also there have been grown crops, such as potatoes, that are a surplus and naturally are not bringing in the money that the farmers should get. Therefore it has become the purpose to introduce in those sections where there was only the 1-crop system of farming and the agricultural business getting worse, the sugar-beet industry.

Senator SMOOT. Can they raise sugar beets in Aroostook County, Me., as well as potatoes?

Mr. GRUNWALD. In any section in the northern part of the country where potatoes will grow, sugar beets will grow successfully. You will find in North Dakota and Minnesota that if the farmer will put in 1 acre out of 8 in sugar beets there will be 2,000,000 acres available for sugar-beet culture, which means that those two States can produce three times as much sugar beets as the whole United States is producing to-day.

The question was asked repeatedly why the American farmer has not responded to the development of the sugar-beet culture. That is for this reason: Like everything else the farmer is in the same boat that unless necessities drive him, he will not do anything. Another thing is that there has not been adequate protection to develop the sugar-beet industry.

You must remember also that the American farmer to-day is in the most receptive mood to increase and put his land into sugar beets if he will get adequate protection. For this reason when you look at this map again and see North Dakota you will find that that is the State who laid the foundation for the Nonpartisan League, an agitation for farm relief. Why did they do that? It was because the growing of wheat up there had reduced the fertility of the land to such an extent that they could only produce about 5 bushels of wheat to the acre.

We go now into Minnesota. There you have the Farm Labor Party. The Farm Labor Party came into being for the same reason.

Go down into Iowa. In the northern section of Iowa you have from there the greatest advocate for the McNary-Haugen bill. You will find in that section of the country the farmers were growing corn instead of growing the corn and feeding it to livestock; they grew corn by itself and got into difficulty.

Senator HARRISON. There were some great advocates in Indiana of the McNary-Haugen bill, too.

Mr. GRUNWALD. I am coming to that. I am going to give you a picture of the agitation for farm relief all over the United States where the one-crop procedure of farming was conducted.

Senator SHORTRIDGE. That is what you want to develop, rather than any political phases. Develop the physical facts, whether beets can be grown in those sections or not.

Mr. GRUNWALD. I will stand corrected.

Senator HARRISON. You think, then, this tariff would cause a production of beets in those territories and kill out the Farm Labor Party and these other movements?

Mr. GRUNWALD. No; I do not mean that. That was originated for no other reason except the one-crop system of farming depleted agriculture and they wanted legislation to help solve their problem. That is the thought I wanted to express.

Then if you go over here you will find in the State of New York, in the Connecticut Valley and in Aroostook County, Me., Long Island, and New Jersey, that they are the future sugar-beet territory of the East. Why? There are potatoes grown here, tobacco grown here, potatoes over here in New Jersey, and also potatoes throughout the South here. That has brought about a condition by which they are producing more than the American public can consume and also by the application of too much fertilizer without lagoon crops is destroying the fertility of the soil.

Senator HARRISON. But there are no sugar factories in that section?

Mr. GRUNWALD. No, sir. You will find that the one-crop system of farming—I do not care where it is practiced—is a detriment to the community where the farmers follow those practices. It is a southern section. In the investigation it is shown that 250,000 tons of sugar can be produced from the sugar beets grown there.

The introduction of the sugar-beet industry for sugar alone is not the only question. It is to bring in rotation of crops, produce by-products, feed for livestock, and barnyard manure for the soil to rebuild the soil that they have to grow every other crop that they have to grow in those sections of the country. With an adequate protection in the form of tariff on sugar you would have an opportunity to-day to solve and help to solve one of the big agricultural problems in sections of the United States where sugar beets can be grown.

There has been an appropriation made by the United States Congress of a half million dollars to help to solve the agricultural problem. It will not be long before a group of farmers will organize themselves in territories where sugar beets are grown and will appear before the Federal Farm Board for help in connection with the development of the sugar-beet industry in those sections of the country, and sugar beets will help to solve more of the agricultural problems in those sections than anything else.

Senator WATSON. Does it take the same chemical composition of soil to grow sugar beets as to grow potatoes?

Mr. GRUNWALD. Practically the same. I will answer the question this way, the success of plant life, practically 90 per cent is climate and 10 per cent soil, for the reason any of us can take care of the soil but none of us can change the climate.

Senator SHORTRIDGE. Where potatoes can be raised successfully you can raise sugar beets?

Mr. GRUNWALD. Yes, sir.

Senator SHORTRIDGE. You have indicated the territory in the United States where beets can be raised?

Mr. GRUNWALD. Yes. Will you permit me to file also my statement on sugar in the Philippines?

Senator SMOOT. Yes; you may file it.

STATEMENT OF B. G. DAHLBERG, CHICAGO, ILL., REPRESENTING THE SOUTH COAST SUGAR CO. AND THE SOUTHERN SUGAR CO.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DAHLBERG. I am president of the South Coast Co. and another company, owning and operating sugar plantations in Louisiana. We have there a total acreage of about 50,000 acres, of which 20,000 are at present in sugar cane.

We operate five sugar mills. The annual capacity of the sugar mills in Louisiana of our company is a figure which I will give you in a minute.

I am also president of the Southern Sugar Co., which company is farming a large sugar development in Florida.

My interest in the sugar business came about four years ago through the fact that I am also president of the Celotex Co., which manufactures an insulating lumber out of the refuse of sugar cane or bagasse. That has two values, one as fuel and the other as fiber for the manufacture of fiber products. The Celotex Co. started about seven years ago in Louisiana, produced then 30,000 feet per day. We are now producing almost a million and a half feet per day.

Senator WATSON. From sugar cane?

Mr. DAHLBERG. From sugar cane.

Senator SHORTRIDGE. Of what?

Mr. DAHLBERG. Insulating lumber.

Senator SHORTRIDGE. Is that square feet?

Mr. DAHLBERG. A million and a half square feet per day.

Senator SHORTRIDGE. Half inch thick or what?

Mr. DAHLBERG. One-half inch thick; yes.

That industry alone employs about 4,000 men at the present time. In 1924 and 1925 I became very much concerned about the supply of this raw material or fiber. I caused a special study to be made of the sugar-cane business in the United States and found out that it faced extinction. It faced extinction for two reasons—poverty and pests. Poverty by reason of the fact that the sugar growers could not sell their sugar for enough to cover their costs, and pests by reason of the fact that bugs and insects had gotten into the cane and was destroying the industry. In 1926 it got so bad that we had to go to Cuba for our raw material. In 1926 the sugar business in Louisiana had dwindled down to where the entire State produced only about 40,000 tons.

A very careful examination convinced me of two things, first that given the proper money, capital requirement and new blood, the pests could perhaps be overcome by cleaning out the plantation, or rebuilding them and starting all over again. The planters were unable to do that. We did that with these plantations that I spoke about.

At the same time the United States Department of Agriculture in conjunction with ourselves went into the question very fully of new types of cane, and new ways of fighting these pests. New canes were discovered, a breed between a wild cane from the Himalayan Mountains and the pure cane from Java. Those canes were brought over to Louisiana and the slow rehabilitation of the sugar business in Louisiana started.

Senator WATSON. What experts did you have help you to do that?

Mr. DAHLBERG. We had Doctor Brandeis, chief pathologist for the United States Government; we employed Doctor Rosenfeld from the Argentine. We had in consultation Doctor Jesuit from Java and Mr. Ageton from Cuba, and 10 or more others.

The Louisiana cane situation has come back to this extent: In 1926 Louisiana produced, roughly, 40,000 tons of sugar; in 1927 about 90,000 tons of sugar; in 1928 about 150,000 or 160,000 tons of sugar; and this year will produce around 200,000 to 250,000 tons of sugar.

Senator WATSON. When you speak of that many tons of sugar, do you mean refined sugar?

Mr. DAHLBERG. Yes, sir; that is refined sugar.

Senator WATSON. How has the acreage increased? Has the acreage increased or has the production per acre increased?

Mr. DAHLBERG. The production per acre has increased? The sugar acreage or the acreage which at one time has been broken up for sugar, only about one-fourth of it or a third of it is in sugar to-day. In other words, there are about three times as many sugar acres in Louisiana as is employed to-day.

In hunting for a way of rehabilitating Louisiana I caused a survey to be made of the United States in order to find out where else in the United States sugar cane can be grown. I have employed experts from the department and from foreign countries, and so forth. To cut a long story short they told me that Florida would produce sugar cane. I satisfied myself as to that and I went down there in the Everglades of Florida, employed engineering concerns and talent and laid out a program, cut through a swamp, induced the railroads to build in, got hard-surfaced roads in there, put up a water-control works under a plan similar to that employed in Holland, and to-day on what was four years ago a waste swamp far away from transportation, without people, without roads, without anything but snakes and alligators, we now have 20,000 acres of cane in full growing, with railroads, roads, people, towns, and the beginning of a very large sugar development. Our experience has proven that sugar cane can be grown physically in Florida. We are growing it in Florida.

Senator SMOOT. How many crops have you now raised in Florida?

Mr. DAHLBERG. Four crops and each one gets better.

Senator WATSON. How many acres have you down there for future development?

Mr. DAHLBERG. I will come to that. We have ourselves enough land, and our program contemplates our raising on our own properties on a 5-year program, 500,000 thousand tons of sugar per year. There is availabe in Florida suitable for the growing of sugar enough land so as to make in Florida from a million and a half to two million tons of sugar per year. There is available in Louisiana enough land to make substantially a million tons of sugar in Louisiana. So that those two States can produce from two to three million tons of sugar via sugar cane, provided we can have adequate protection against the competitor who is now dumping sugar on us at ruinous prices. That is Cuba.

So far as Florida is concerned, Cuba enjoys no advantages whatever, so far as sugar making is concerned, above Florida, except her taxes, her Government, and her labor. The cost of raising sugar cane in Florida above the cost of raising sugar cane in Cuba is due only to these three things—Government, labor, and taxes.

Senator WATSON. What do you mean by government?

Mr. DAHLBERG. Government restrictions, schools, everything that goes to make up a good government which costs money. In other words, if our people were willing to live the way they do in Cuba, we could get them to work for less per day. They do not want to live like that; we do not want them to; we want them to live like good, honest human beings and American citizens. Therefore we have got to pay them more money; therefore the sugar must cost more money. If we all want to go back to the barbarian stage, the American people can have sugar far cheaper than they get it now, but I am assuming that this Government is not ready yet to go back to that stage.

Mr. DAHLBERG. The point I want to make is this. I do not know the reason, so far as Florida is concerned, why we should have to go to Cuba for sugar to the extent of 2,000,000 tons. So far as Louisiana is concerned, with new and improved agricultural methods, new canes, Louisiana is a true cane-raising State.

When I went down to Florida they laughed at me and said, "Now, we know he is crazy. The idea of anybody going to Florida to raise sugar cane or anything else."

Senator HARRISON. Did the Florida people say that about you?

Mr. DAHLBERG. Yes, they did; only they said worse.

Senator SMOOT. They are not saying it now?

Mr. DAHLBERG. No; they are not.

The general impression throughout the country is that raising sugar cane in Louisiana is a forced crop, that it is a crop that does not belong in Louisiana, that it belongs in Cuba.

The fact of the matter is that with improved agricultural methods, with new types of cane, with breeding up the cane with really practicing agriculture, really spending more money on the land as it ought to be spent, the lower half of Louisiana is as well fitted for the growing of sugar cane as any place in the world. Florida is as well fitted from the standpoint of climate, soil, rainfall, sunshine, as any place in the world, and Florida can grow as good sugar cane and make just as good sugar as any place in the world.

Senator HARRISON. I understand you to say that the saccharine content in the sugar raised in Louisiana is just as pronounced and just as great as that raised in Cuba?

Mr. DAHLBERG. No, sir.

Senator HARRISON. It is not?

Mr. DAHLBERG. Not yet. I stand here and say that it will almost be. I say this, that Louisiana will produce as many tons of sugar per acre as Cuba. I say that Florida will produce as many tons per acre as Cuba. We may have a little less sugar content in some of our cane, but we also get a greater tonnage per acre. It is tons of sugar per acre that counts.

Our own annual capacity in sugar is 72,000 tons, Florida at the present time is 48,000 tons, making a total of 120,000 tons of sugar from sugar cane. And in connection with that we also produce 6,000,000 gallons of molasses.

The two States combined, as I said, are capable of producing around two and a half million tons of sugar, which means about 150,000,000 gallons of molasses. There was some question as to where we will get the molasses that we need. It can all be grown in this country if labor conditions are equalized.

Senator HARRISON. How long would it take us to reach that point at the rate we have been going for the past 15 years?

Mr. DAHLBERG. At the rate my company has been going it will be reached in five years.

Senator HARRISON. I am not speaking of your company, but of the total production of sugar cane in this country. At the rate we have been going how long will it take to reach that figure you just gave?

Mr. DAHLBERG. At the rate Louisiana has been going the last two years it will take about seven years.

Senator HARRISON. In the last few years you have found this new kind of cane?

Mr. DAHLBERG. Yes, sir.

Senator HARRISON. And you have helped that situation?

Mr. DAHLBERG. Yes, sir.

Senator HARRISON. Taking it over a 15-year period it is not so pronounced, is it?

Mr. DAHLBERG. What?

Senator HARRISON. The increase in the production. There has been a falling off?

Mr. DAHLBERG. It is perfectly obvious if the new canes were found three years ago it would have had no effect upon the production 10 years ago. So the effect is only felt in the last two years.

Senator HARRISON. So, in answer to my question, in the last 15 years there has not been a great increase in the production of sugar cane in Louisiana?

Mr. DAHLBERG. That is correct.

Senator HARRISON. Well, you got at it finally.

Mr. DAHLBERG. I want to point out one thing more in regard to tonnage. The statement was made that there has been no increase in sugar production in the United States for some time. I think perhaps the gentleman talking about that and asking questions about that has forgotten that there has been an increase of around 700,000 to 800,000 tons of corn sugar in the United States in that period.

Apparently, in some of the questions the poor, old corn farmer, as usual, has been forgotten.

I want to bring out one thing more. At that time we were getting our sugar from the outside. The making of sugar is an industry. When we make a ton of sugar a great many factors are employed.

To illustrate, for every ton of cane sugar that is turned out the railroads haul 12 tons to 15 tons directly connected with the sugar business. That does not include the groceries and the shoes and the boots and everything else that is necessary to house and clothe the people.

We hear a lot of railroad statistics, and I want to again point out that when a ton of sugar is imported from Cuba the railroads haul 1 ton, but when 1 ton is produced in the United States the railroads haul 10 to 15 tons of traffic.

If I might be permitted to do so, I want to say this: The question might come up that if the sugar business is so hopeless, why have I gone into it to such a great extent? I will say that I had quite a battle with some of my partners before they said. "All right; we will go into it." I said, "Here is a food necessity that the United States must have to live, only 40 per cent of which is produced in the United States, 60 per cent coming from the outside. If you can show me any business that is in that condition, all right. For instance, suppose I would say to any of you gentlemen I know a commodity that the United States uses every day and must use. and all of it comes from without the United States, but I have discovered a secret process whereby we can make it within the United States and sell it at a reasonable price to the people in the United States; would that be a good business for you to go into, provided you believed in the United States?"

The reason I went into this was that 60 per cent of this important food commodity must be imported. It seemed to me that it was a good business to go into, first, because it converted waste lands, and so on and so forth, and dying properties and put life into them. and it put life into the South, and it seemed to me that was an interesting thing. I am interested in business in two ways—to make some money, of course, and then to do something so that after I get gray-headed and whiskered I can say, "At least I helped this man or helped that situation."

I believe so thoroughly in the common sense of the people of the United States and I believe so thoroughly in the Government of the United States that, so far as I was concerned, I did not hesitate to bet my money on the United States.

And while the tariff situation for the moment was discouraging, I figured that that would be just a temporary situation, and that sooner or later the people would wake up and protect their own industries if those industries could prove that if given protection they could live and maintain themselves.

Senator WATSON. Did you ever investigate the beet-sugar situation?

Mr. DAHLBERG. Only incidentally.

I would like to make just one more remark. Something has been said about this tariff costing the people of the United States $280,000,000 a year. That is juggling figures. This is the fact:

The total tariff that we are asking for and that has been proposed by the House is 2.4 cents or $48 a ton. That will be collected on 3,000,000 tons from the outside, or $144,000,000. That $144,000,000 goes into the Treasury of the United States and becomes part and parcel of the property of everybody in the United States. So that is not a burden. It is money in their pocket. It goes to pay taxes, expenses for which they would have to pay other taxes if they did not pay it in this way.

The balance of the $144,000,000 which does not go into their pockets through the Treasury, represents the 2.4 cents on that part of the sugar that is produced in the United States.

And it represents what?

It represents wages and materials and supplies and boots and shoes and transportation and everything else, and spent in the United States with the people of the United States, the money going to the people of the United States.

Now, what would happen? Suppose we took the tariff off entirely and declared this to be a free-trade country? I am going to give you a picture of what I think would happen.

We can draw a pretty good idea of what would happen from what did happen at one time during peace time.

Senator WATSON. Are you talking about sugar now?

Mr. DAHLBERG. Yes, sir; I am talking about sugar.

If that is a criterion the people of the United States would have to pay 20 cents more per pound for sugar, or a total annual bill of $2,400,000,000.

The Senator said he was interested in large figures.

Senator CONNALLY. Do you mean by that that the sugar would be higher?

Mr. DAHLBERG. Yes, sir.

Senator CONNALLY. You would make more money, would you not?

Mr. DAHLBERG. We would be out of business. This is on the supposition that we go out of business.

Senator HARRISON. Why don't you fix the figure at a dollar a pound?

Mr. DAHLBERG. No, sir; because history fixes it at 20 cents.

Senator HARRISON. At 20 cents?

Mr. DAHLBERG. Yes, sir; history fixes it at 20 cents. I am not saying that this would happen, but that is what history applied would make the figure.

Knowing something about the sugar business I would have no hesitancy in giving it as my opinion under oath that if the sugar business were wiped out in the United States and we were forced to go to Cuba for our sugar it would cost us a great deal more per year than the $144,000,000 which we spend among ourselves now, and that entire amount would go not to ourselves, not to the United States or to our own people, but to Cuba or some other foreign country.

Under the present tariff and the prices in Cuba the sugar-cane business is breaking. We are maintaining ourselves at the expense of capital expenditures. We are operating, I think, with as improved methods, with as competent an organization, with as up-to-date machinery as any place in the world. On the present sugar situation it is impossible to support ourselves.

I believe—and we are betting many millions of dollars on this belief—that with the rates reported by the House of 2.4 cents the United States sugar section, so far as it relates to cane sugar, will live, will make a little money, will be able to expand, and gradually, 5 or 10 years from now—it will be a gradual expansion—we will be able to produce all the way from 2,000,000 to 3,000,000 tons of sugar per year.

Senator HARRISON. You think you can exist, do you not, on the present rates?

Mr. DAHLBERG. No, sir; I do not. Not unless the price goes up.

Senator HARRISON. Four years ago you say you went into the business?

Mr. DAHLBERG. Yes, sir.

Senator HARRISON. Did you believe then that the rates would be increased?

Mr. DAHLBERG. Yes, sir. I believed this, I believed that eventually we would get the protection that was required on the conditions as they would run over a period of years. My view of the business and my conduct of the business is in trying to find out how we would average 5, 10, or 15 years. If I had been looking at the then conditions at that time I certainly would not have gone into the sugar business in the United States.

Senator HARRISON. So you would have thought it would have been a very unsafe business if the rate and the law were going to remain as it is now, that you could not have existed?

Mr. DAHLBERG. And Cuba dumping sugar on us at the present prices; yes, sir.

Senator SMOOT. Sugar was very much higher four years ago than it is to-day?

Mr. DAHLBERG. I have to take into consideration conditions other than the tariff.

Senator HARRISON. Isn't it a fact you went into the sugar business simply as a by-product of your celotex?

Mr. DAHLBERG. That is not a fact.

Senator HARRISON. It is not?

Mr. DAHLBERG. No, sir.

Senator HARRISON. Do you own any sugar plantations in Louisiana?

Mr. DAHLBERG. Yes.

Senator HARRISON. Do you buy your product from other people?

Mr. DAHLBERG. Yes, sir.

Senator HARRISON. And you have done fine. That is a great by-product you have. But I can not understand exactly why you went into it thinking that there was going to be an increase in the tariff on sugar.

Mr. DAHLBERG. I have tried to explain it to you. Here is the United States which is normally a self-relying, self-sustaining people, and here is an important food commodity, one of the most important food commodities, of which the United States must import 60 per cent. I went into that business because I just bet that the United States would sooner or later so fix it that the producers of that commodity within the United States would have a chance to prosper with the rest of the United States—for no other reason.

Senator HARRISON. Would you mind telling the committee—I do not want to ask you if you do not want to tell—just what the capitalization of the Celotex Co. was, and the increase on the stock, and the dividends declared, and so forth?

Mr. DAHLBERG. Yes; I will be very glad to tell you. We have put into the Celotex business in cash about $11,000,000. We have taken out of the Celotex Co. in cash, dividends, an average of a little less than 8 per cent. And that is modest when you consider the risk run, the energy we have put into the business, and the amount of money that we have had tied up on an experiment.

Senator HARRISON. I mean on Celotex. What is the price of the Celotex stock on the market?

Mr. DAHLBERG. The price of the Celotex, the preferred stock, is around 88. It pays 7 per cent. The common is around 57.

Senator HARRISON. What was the original price of the stock?

Mr. DAHLBERG. We organized in this way: The first bunch of stock was sold one share of preferred with a share of common as a bonus for $100. Next, a share of preferred and a half a share of common for $100. Next, $80 for the preferred and $30 for the common. Next, $50 for the common. And the last $2,500,000 of stock that we ourselves bought, or our stockholders bought, we paid $65 for it. And it is 58½ to-day.

Senator HARRISON. I did not catch the first.

Mr. DAHLBERG. It was 58½. The last we bought we paid the corporation for two and a half million dollars of stock at the rate of $65 per share.

Senator HARRISON. Have you declared any stock dividends?

Mr. DAHLBERG. No, sir. We have split up our stock. Our original common stock was some years ago put upon a 6 per cent basis. We issued two shares for one and had the new stock carry 3 per cent. So there has not been a stock dividend. We get two pieces of paper which only pay 3 per cent each, and formerly we had one piece of paper at 6.

Senator HARRISON. You do not use any stuff for the making of Celotex except sugar cane?

Mr. DAHLBERG. We use some wood fiber.

Senator HARRISON. What per cent of wood fiber?

Mr. DAHLBERG. About 13 per cent.

Senator HARRISON. That is largely dependent upon sugar cane?

Mr. DAHLBERG. Yes, sir.

Senator WATSON. Can you continue to operate your Celotex plant and raise sugar cane for the purpose of producing Celotex unless you make a profit out of the sugar?

Mr. DAHLBERG. No, sir; we can not.

Senator WATSON. You favor the House rates?

Mr. DAHLBERG. I am in favor of the House rates, yes, sir.

(Mr. Dahlberg submitted the following brief:)

BRIEF OF B. G. DAHLBERG, CHICAGO, ILL.

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: Availing myself of the courtesy of the committee, I am supplementing what I said in my oral testimony.

Like everyone else who has appeared before the committee, I am speaking for the thousands of investors who in good faith have put their money into an industry which is dependent for success on the American principle of protection. In addition, I am earnestly speaking for tens of thousands of American sugar-cane farmers and laborers and those dependent on them. The livelihood of these people is in jeopardy, and they are unable to come here and speak for themselves.

In the first place, I want to briefly answer the principal arguments of those who claim that if our home-grown sugar is given necessary protection, their foreign-grown sugar will be kept out of our market. It is respectfully submitted that there is no obligation on the Congress to insure dividends or prevent shrinkage of capital invested by Americans in enterprises under foreign flags, except in so far as such enterprises might be threatened with local confiscation or unfair discrimination. Such capital takes the same risk of profit or loss that an American individual does who goes abroad and opens a store or engages in any other kind of business. The welfare of another, smaller nation makes a strong appeal to the big heart of America. However, welfare begins at home. I know of no reason why, if you save a man's life you have got to support him all the rest of his days at the expense of your own children. There is no need to appeal to sentiment in this situation. We have got to buy the sugar we can not raise ourselves from across the seas for a long period of years—for such a long period that any foreign nation which is intelligent and progressive will have ample opportunity to prepare itself for the day when the United States will grow all the sugar that it consumes. Cuba can adjust herself because the proposed increase of 0.64 cent in our tariff will have no immediate effect on her, since it is admitted that a corresponding rise in price will not affect the amount consumed. All the sugar and molasses that we need above what we produce must be bought from Cuba.

The opponents of what we consider necessary protection for home-grown sugar and molasses speak of this industry as if it was dwindling and had no future, and say that its production "can not be readily increased." This is a misstatement. They say that it must be dependent on the poorest, lowest, and cheapest form of foreign labor. This is not the fact. Every day the genius and heart of the American people are bettering conditions, improving methods, and developing a higher type of labor in one great industry after another. The sugar industry is no exception to this. Generalities and misstatements can not wipe out the facts.

Sugar an agricultural product.—Sugar is an agricultural and not an industrial product. The greater part of the cost of producing raw sugar goes to labor on the ground. The expansion of the sugar industry in this country will give profitable employment to many thousands of farmers, will withdraw these men together with millions of acres of land from competition in other branches of farming now suffering from the evils of overproduction, and help to balance our national agriculture. The encouragement of this industry is an effective method of giving to the farmer the relief which has been promised him and to which he is entitled.

Revival of sugar industry in Louisiana.—The introduction into the cane fields of Louisiana, within the past few years, of new varieties of sugar cane is now reviving this very important branch of agriculture established as long ago as 1795. After a more or less continuous decrease of production during recent years, culminating in a crop of only 47,000 tons in 1926, the industry has turned the corner and is now on the upgrade. The estimated production for the current season is 161,500 tons. The new canes, a product of the crossing of Javanese cane with a wild cane from the Himalayas, are hardier than the old canes and not so susceptible to climatic changes, more resistant to disease and insect pests, and yield a heavier tonnage of sugar per acre.

Its establishment in Florida.—Drainage in the upper Everglades in Florida has opened up a new territory exceptionally well suited for cane growing, and within the past three years the industry has become established there on a commercial basis. The production for the current season will be about 25,000 tons. The development of Florida sugar growing has already resulted in the employment of thousands of workers, the opening up of roads and the building of railroads and towns and the establishment of schools, furnishing a livelihood to additional thousands of people.

Natural conditions.—In the cane-producing sections of Louisiana and Florida the climatic conditions and the character of the soil are ideal for the production of sugar cane of the new varieties and under the improved methods of agriculture. Both soil and climate in Louisiana have stood the test for over a century and a quarter, and the rich black humus of what used to be waste swamp lands in Florida contains the very elements essential to the production of a hardy cane, rich in sugar content. There is no territory in the world better adapted for the production of sugar on a sounder commercial basis.

Labor conditions.—In both Louisiana and Florida the climate is healthful, the character of the work is not arduous, and the living conditions of the farmer and laborer are excellent. No foreign labor is employed in the cane fields or the sugar mills at any season of the year.

The Celotex industry.—Within the past few years a new industry has been founded on the by-product of the sugar mills. Celotex, an artificial board with unique temperature-insulating and sound-absorbing qualities, is now being manufactured from bagasse—the refuse cane after the sugar has been extracted—heretofore of value only as a fuel. During the past year the entire output of bagasse in the United States was taken by the Celotex Co., the business of which is constantly expanding. This company employs 2,000 men throughout the year and approximately 1,500 more during the bagasse baling season of about three months. Last year's production of this material from bagasse was equivalent to the boards manufactured from a hundred square miles of timber, thus practically aiding national forest conservation.

Sugar the cheapest article of daily food.—Sugar is the cheapest article of daily food consumption. and the only one which shows no increase in price to the consumer since the World War. Pound for pound it contains more calories—potential heat energy—than any other food in customary use. It is sold ready to eat and in the highest state of purity, and is easily and quickly assimilated.

Potential production in the United States.—In Florida there are about 1,000,000 acres of reclaimed swamp lands or lands which can profitably be reclaimed, ideally adapted for the production of cane sugar. The cane lands in Louisiana comprise about 500,000 acres more. On these 1,500,000 acres sufficient cane can be grown to produce each year from two and one-half to three million tons of sugar and from 125,000,000 to 150,000,000 gallons of molasses, giving employment to farmers and mill operators. The beet-sugar growers, under the ruinous sugar prices and low tariff rate which now prevail, produced more than 1,000,000 tons of sugar during the past season, and under proper tariff conditions their business is capable of almost indefinite expansion.

Actual production.—During the season 1927–28 there were produced in the continental United States some 1,200,000 tons of cane and beet sugar, and we imported 1,886,000 tons from our insular territories, including the Philippines (duty free), and 3,650,000 tons from Cuba. In other words, we produced in the States only about 18 per cent of the amount which we consumed. These figures do not include some 1,000,000 tons of corn sugar, the production of which was, of course, of substantial advantage to the American corn farmer. As is well known, we export a surplus of many basic articles of food; as to others, we import a small part of our requirements; sugar is the only basic article of food of which the greater part of our supply is obtained from overseas.

Policy of other nations.—The prime necessity of insuring a domestic supply of sugar is well illustrated by the tariff policy of other nations, almost all of which impose a heavy duty on its importation. For instance, the import duty on raw sugar in Great Britain is 1.8 cents per pound (plus a bounty to domestic growers), in Germany 2.7 cents, and in Russia 4.19 cents; and the South American countries impose tariffs running from 2.18 cents in Venezuela to 17.6 cents in Brazil. Twenty-eight foreign nations which impose a protective tariff on the import of sugar know its economic advantage. Money paid for foreign products goes out of the country. The price paid for a tariff-protected home product goes into the treasury of the home government to the extent of the duty. This money stays in the country, diminishes the amount to be raised by taxation, and frees a similar amount to the consumer with which to purchase other home products. It is the simplest and easiest way of maintaining a nation's prosperity. World-wide experience has indorsed it.

Sugar a war necessity.—Because of the great amount of food and energy stored in each pound of sugar, it is a prime necessity in time of war, and no country can afford to risk a sugar shortage. In the event of an effective hostile blockade, this country would be reduced to about one-third of her present consumption, her military efficiency would be seriously impaired, and the price then paid for sugar would be many times any slight additional cost resulting from the proposed increase in the low rate of tariff now in force.

Conditions under present tariff.—The American sugar producer, receiving American standard wages and working with machinery at American prices, can not compete with the Cuban who employs his labor at 60 cents a day unless, like other American producers, he receives the benefit of a tariff designed to give protection. Cuba has increased her production from two and a half million tons in 1914 to five and one-half million tons and is now dumping sugar on the world market at a price lower than it costs her to produce it. Since Cuba seems to insist on so conducting her sugar business as to ruin herself, a proper tariff is absolutely necessary to protect our farmers and wage earners from a similar fate. If the American producer should be forced out of business, the field will be open for Cuba to treat us as she pleases, and we all remember paying 30 cents for our sugar when Cuba had us at her mercy for a time in 1920.

Conditions under proposed tariff.—The minimum tariff on 96 test raw sugar under which the American farmer and producer can continue to exist is at the rate of 2.4 cents against Cuba, coupled with a tariff of not less than 4 cents a gallon on blackstrap molasses for all purposes.

Given this reasonable measure of protection, the industry can live—and not only live, but grow and expand, affording employment to tens of thousands of farmers and other workers, keeping the capital of the United States within the limits of the United States and furnishing to our own people an ample supply of this basic food, in peace as well as war, free from control or manipulation by any foreign country.

The Sherman Act has for many years prevented monopolies and combinations to raise the price of sugar and other necessities of life in the United States, but it can not reach the producers of other lands. Nothing but an adequate tariff can preserve our home production and protect our people from foreign-born trusts. That is the kind of protection that the American consumer needs. The industrial consumer buys the products of the farmer producer—the agricultural consumer buys the products of the industrial worker. The American people are 90 per cent producers and consumers. One group can not be injured without hurting the others. The farmers are suffering now. They need help. The proposed slight increase in the tariff on sugar and molasses is the most concrete form of farm relief before the Congress.

Very respectfully yours,

B. G. Dahlberg,
President the Southern Sugar Co., Dahlberg Co.,
The South Coast Co., the Celotex Co.

Subscribed and sworn to before me this 1st day of July, 1929.

[SEAL.] Mary P. Stone,
Notary Public, District of Columbia.

My commission expires October 29, 1932.

STATEMENT OF DAVID W. PIPES, JR., HOUMA, LA., REPRESENTING THE AMERICAN SUGAR CANE LEAGUE OF THE UNITED STATES

[Including blackstrap molasses, par. 502]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. Pipes. I am president of the American Sugar Cane League of the United States; also managing partner of the estate of H. C. Minor, a sugar planting and manufacturing firm, Houma, La.

Senator Smoot. To what paragraph do you desire to refer?

Mr. Pipes. The sugar schedule.

Senator Smoot. Paragraph 501?

Mr. Pipes. Yes, sir; and on molasses also.

Gentlemen, we feel that our case in Louisiana has been fairly well presented in evidence and by brief and the testimony of Mr. Kemper before the House Ways and Means Committee.

However, there are just a few points that I would like to emphasize, some things that have developed since the hearing.

Our association has made a very close investigation since the testimony was introduced and, as nearly as we can ascertain, there are

500,000 acres of highly cultivatable land which could go into sugar cane.

Senator SMOOT. In Louisiana?

Mr. PIPES. In Louisiana—if we had adequate tariff protection.

Senator HARRISON. How much is there now in sugar-cane production in Louisiana?

Mr. PIPES. There are about 225,000 acres in cane. That involves an additional 100,000 to 150,000 acres, because we plant a certain portion of our lands in legumes in order to keep up the fertility of the land. So when we speak of cane that legume land is involved.

Senator HARRISON. There are 225,000 acres?

Mr. PIPES. At the present time.

Senator HARRISON. What is the most cane acreage you have had in production in Louisiana?

Mr. PIPES. I dare say we have had as much as 400,000 acres or 450,000 acres in the past.

Senator SMOOT. That was the old character of cane?

Mr. PIPES. That was w[illegible] the yield of which about as much as with thes[illegible] gone through a violent epidemic of d[illegible]ith the low prices prevailing and w[illegible]op[illegible]e people, almost put our indust[illegible] business. [illegible] ma[illegible], the business declined very[illegible]ve the [illegible]s here.

In 1926, i[illegible] bei[illegible]n the Ag[illegible]l Yearbook, it was 47,16[illegible]

The new[illegible]ere [illegible]922. I am very proud[illegible]hat we[illegible]hem from the Depar[illegible]f Agric[illegible]ase [illegible]siness we had never[illegible]ny atte[illegible]na. Ja[illegible]one ahead with it, w[illegible]reedin[illegible]awaii has done a goo[illegible] Lou[illegible]s not.

It takes [illegible]e just got a few pieces[illegible] then a few [illegible] then [illegible] acres. We are not into [illegible]tion yet[illegible]

In 1926 the[illegible] was [illegible]6 tons. T[illegible]canes began to have an effect, [illegible]70,79[illegible]n 1928, 132,054 tons.

Our association th[illegible] in excess of 200,000 tons. We have ample m[illegible] the present time to produce over 400,000 tons.

Senator HARRISON. As a matter of fact, for the last three or four years the cane production in your State has been coming back?

Mr. PIPES. Yes, sir.

Senator HARRISON. Really, your crop is in a more stable position now, and the condition is better, than it has been at any time in the last three years?

Mr. PIPES. Only in so far as cane production is concerned.

Senator HARRISON. There is a better feeling among the cane producers now than at any other time in the last three or four years?

Mr. PIPES. Yes. They know they can produce from the cane again, but they are very much disheartened and discouraged over the price of sugar and the tariff protection they have at the present time. In other words, we have a real hope, but it looks as though it might be thwarted through lack of protection.

There are 132 factories in Louisiana, and at the present time 65 of those are idle. As I say, it has been a combination with us of diseased canes, and lack of protection, and the world-wide prices of sugar, and the dumping here in the United States.

Senator HARRISON. How long have they been idle?

Mr. PIPES. They have been idle pretty much since this diseased condition came.

Senator HARRISON. They are idle more by virtue of the disease effect upon the cane than because of the tariff proposition?

Mr. PIPES. The combination of the two, questionably.

Senator HARRISON. Well, say, after the passage of the 1922 law, giving you the increased tariff protection, and before the diseases came in, were you doing pretty well?

Mr. PIPES. No; we were not.

Senator HARRISON. Why?

Mr. PIPES. Louisiana has followed, as I said awhile ago, out-of-date methods. We swung onto methods of agriculture—this plant-breeding work—only since the introduction of these new canes. The picture has entirely changed. Our methods were not right, and we were not keeping up with the scientific development going on, particularly in Java and Hawaii.

Senator SMOOT. Java has done the same thing, and, of course, that brings a cheaper sugar than was ever anticipated would be produced in the world.

Mr. PIPES. Java is leading the world in that type of work.

Senator SHORTRIDGE. Perhaps you stated it, Mr. Pipes, but just when did you begin to introduce the new improved type of cane?

Mr. PIPES. The new varieties were introduced into Louisiana in 1922, just a few seed pieces. It was a Department of Agriculture propagation. As Secretary Jardine brought out yesterday, and one of the beet farmers from Wyoming, it takes a long time for agriculture to develop. It takes a year between crops. Then those few seed pieces grew into a few acres, the few acres into a few hundred acres, and then into a few thousand acres; but it was virtually 1926 before they took effect to any extent.

Another point about cane is that it is not a 1-year crop; it is a 3-year crop. We have a plant cane crop, a double crop, and a second double crop. So the farmer planting cane is not into full production or cheap production until they get the three crops. It is much more expensive to plant than double cane which is coming up free from the roots. So we are not in the full production.

Senator SHORTRIDGE. Your ratoons grow all right?

Mr. PIPES. Yes, sir.

Since then we have taken up the work very vigorously. Our State legislature has made extra appropriations, associations have gone at it and we have followed it, and we have gotten from Congress, I am thankful to say, extra appropriations, and there is a breeding station established in south Florida which is now producing thousands per year bred especially for Louisiana use.

So with the exception of the low prices and what we consider inadequate protection we have more hope in Louisiana than we have had for a generation.

Senator HARRISON. The advent of this new cane and the coming of the Celotex factory, which uses up the by-products of the cane, have been very fine influences upon your industry?

Mr. PIPES. There is no question about that. Of course, the introduction of the new cane has brought not only the breeding work in cane, disease studies of all kinds and agricultural studies of all kinds, and the possibility of using implements in place of hand labor. In other words, in Louisiana we were following more or less routine tropical practices. We are not doing that any more. We are going at the thing from a modern viewpoint which I think will lead to wonderful results if we can get this tariff situation corrected and if the dumping of sugar into this country will let up sufficiently to give us a chance.

Senator HARRISON. Has your concern made money this last year?

Mr. PIPES. We have not made money for seven years. I can truthfully say I do not believe there is a plant in Louisiana, unless they have some outside funds of some kind, that has made a dollar in the last five years.

Senator HARRISON. You did better this last year than you did year before last?

Mr. PIPES. No.

Senator HARRISON. You did not?

Mr. PIPES. No, sir. The prices declined, and, as I say, we are not yet into full production.

We have asked for 2.40 against Cuba, 3 cents against the world, except when sugar sells below 2½ cents. When it reaches that point, we ask, as filed in our House brief, for additional protection. In all cases when foreign goods imported into the United States from any source shall be sold cost and freight at a price less than 2½ cents per pound.

Senator SMOOT. What do you mean by that? Do you mean raws?

Mr. PIPES. Raws.

Senator SMOOT. You want $3 against the world and $2.40 against Cuba?

Mr. PIPES. Yes, sir.

Senator SMOOT. And if it falls below 2½, you want additional protection?

Mr. PIPES. We want additional protection; yes, sir. In other words, there is a dumping of sugar into the United States.

Raws sold yesterday on the New York market at $3.54 less $1.76, which means $1.78 c. i. f.

Senator SMOOT. That is about 20 to 25 or 30 cents higher than it was.

Mr. PIPES. Than just a while back. We did not think it was possible for sugar to go c. and f. as low as it did. It went to $1.625. It may go down again. If so, $2.40 will not protect us against Cuba. We ask for additional protection when raws get below 2½ cents.

Senator HARRISON. You believe in a sliding scale, then, do you?

Mr. PIPES. No, sir. I do not, for this reason: That we know what we have under a straight tariff; we do not know what we might get under a sliding scale. We made up a lot of scales, but it was a question of how it was going in and how it would be enforced.

Senator WATSON. And it is according to where it starts and how far it slides?

Mr. PIPES. Yes, sir; and we have not been able to devise anything up to the present time that looks solid. And we are in the position where we can not do any experimenting.

Senator HARRISON. We have some magicians now at work upon some amendments that they are going to spring at some time, probably after you have gone back to Louisiana and will not be able to explain your approval or disapproval of them. You will probably read about them in the paper.

Mr. PIPES. If we could get the same protection for which I am asking under the sliding scale, we would not have the slightest objection to it. It is just the fear of the new thing that makes us want to stick to the straight-line principle.

Senator SHORTRIDGE. Will you state your proposition again, please? When the price of sugar drops to——

Mr. PIPES. At a price less than 2½ cents a pound, and for 96 test, than an additional duty shall be placed upon such sugar equal in amount to the number of points at which said sugar was sold below 2½ cents per pound.

Senator SHORTRIDGE. You had not finished your statement when you were interrupted.

Mr. PIPES. No; I had not.

I would also like to emphasize that we are asking for a limitation against the Philippines, that that limitation be 500,000 tons, and that any amounts over and beyond that shall have a tariff assessed against it, giving them a 30 per cent preferential instead of a 20 per cent preferential that we are giving to Cuba.

Senator SMOOT. You would not object to 600,000 tons?

Mr. PIPES. No, sir; there would be no vital objection to that. As a matter of fact, we would not object to 700,000 tons.

Senator SMOOT. In other words, you do not want to interfere with the investments of the King of Spain in the Philippines?

Mr. PIPES. We do not mind sugar coming in from the Philippines in reasonable amounts; but, frankly, we are very much concerned. Our association, from the investigation we have made, figures that the possibilities of Philippine expansion are enormous. They had a limitation put upon them at one time and we think it is nothing more than right and fair and proper that another limitation be put on. We have asked that it be 500,000 tons. We have no objection to 700,000 tons or their present production. But to leave the thing wide open, we think, is dangerous in the extreme.

We also asked for a duty on blackstrap of 4 cents as against Cuba. Blackstrap is a by-product of sugar manufacturing. Our costs in Louisiana have always been relatively high. We have the greatest hopes in the world in these new canes and these modern methods, but they are nothing but hopes at the present time. Our people are in a desperate condition, and some tariff on blackstrap would be of great assistance to us.

Gentlemen, there was a statement issued recently in Washington on behalf of farm organizations which hit us to such an extent in Louisiana that I would like to take the liberty of reading a paragraph from it. This statement is entitled "The Consumer and the Protective Tariff," issued on behalf of the national agricultural organizations, with whom we are affiliated.

Senator HARRISON. Does that indorse your position?

Mr. PIPES. I indorse this fully. It is just a paragraph or two on this subject, as well expressed.

The purchasing power of the farmer determines the success of many factories and of the wage earners in the consuming centers. And the urban consumer depends upon the buyer power of farmers.

So it is all an interlocking and interdependent nation-wide organization. Plain horse sense shows that any industry wiped out by a foreign competition dangerously damages every other domestic industry, and that American high standards and the welfare of the consuming public depends upon the protection of all domestic industry. The dust storm raised about a few cents on sugar, butter, beef, etc., is not for the benefit of the consumer, but for the benefit of the importers who collect the toll and of the foreign capitalists whose investments are in these cheap labor foreign fields.

That expresses our thought so well that I took the liberty of reading that, and I would like to offer it for the record.

(The paper referred to is printed in full following the testimony of Mr. Ogg.)

Mr. PIPES. In conclusion I would like to say in the purchase of cane from the cane growers—the factories of Louisiana grow some of their cane and purchase the rest of it—we pay for cane based upon the price of sugar, $1 for each cent raw sugar sells for in the New Orleans Exchange. For instance, if sugar sells for $3.65 we pay $3.65. There is a little bonus for an extra sucrose content. So the grower shares with the factory, depending upon what the market might be.

We also think that the beet and the Louisiana cane production particularly here in the United States is the best insurance policy and the cheapest insurance policy that the consumer can have against real high prices, as evidenced by what happened during the war.

That covers our case.

BRIEF OF THE NATIONAL GRANGE

[Including maple sugar and maple sirup, par. 503]

In the hearings before the Ways and Means Committee of the House on the sugar schedule the National Grange requested that the duty on sugar of 96° test be increased from 2.206 cents per pound to 3 cents per pound. Since Cuba, the source from which most of our sugar is derived, enjoys a preferential rate of 20 per cent, the 3-cent rate would make the effective rate against Cuba 2.4 cents per pound.

The purpose of the grange in recommending this increase in the duty on sugar, which was granted in the bill passed by the House, was to give the domestic growers of sugar cane and sugar beets more adequate protection. We are impressed by the fact that while the United States consumes more than 5,000,000 tons of sugar annually, less than 20 per cent of this sugar is produced within our continental borders. By giving proper protection and encouragement to the growers of sugar cane and sugar beets, therefore, we have an opportunity to diversify American agriculture.

It is true that the growing of sugar cane is now confined to two States—Louisiana and Texas—but sugar beets are being grown in nearly half the States of the Union, and there are other States in which they could be produced just as advantageously. The opportunity is presented to us, therefore, to devote to the growing of sugar beets a considerable acreage which is now being used in the production of crops of which there is a surplus. Since one of the most difficult problems with which agriculture has had to grapple in recent years is the surplus it would seem to be good economy to turn so far as possible from the growing of surplus crops to the production of crops of which there is a domestic shortage. This applies in the case of sugar beets.

The United States Tariff Commission is authority for the statement that the average wage of farm labor in Cuba, as given by the Cuban sugar producers themselves, is $1.25 per day. On the other hand, the Department of Agriculture has shown that in the sugar-beet-producing States in 1923 wages of farm laborers ranged from $2.60 to $3.55, and in 1927 from $3 to $4.40 per day, without board. The cost of housing Cuban laborers is also much lower than the cost of housing farmers and beet laborers in the United States.

There are about 100,000 farmers engaged in the growing of sugar beets and the seasonal labor they employ totals about 70,000. The acreage devoted to the growing of sugar beets has averaged between seven and eight hundred thousand each year during the past five years. There is no good reason why this acreage should not be doubled or trebled, if proper protection be given to the industry. Any doubts or reservations which may exist in the minds of consumers regarding the wisdom of giving reasonable protection to those who produce the cane and the beets for the manufacture of sugar should be dissolved by our experiences during the World War, when sugar was a luxury that could only be secured in limited quantities and at exorbitant prices. Had the domestic sugar industry been more fully developed, we might have been spared the deprivations and cost which attended that experience.

However, it can not be too strongly emphasized that if the domestic sugar industry is to be given proper protection, it will be necessary to place a duty on sugar imported from the Philippine Islands. In our opinion an increase in the tariff on sugar will do the American farmer little good unless sugar imports from the Philippines are made dutiable at least on the same basis as imports from Cuba.

The annual production of sugar in the Philippine Islands now is approximately 750,000 tons a year. The late Governor General Leonard Wood, on his return from the Islands, gave an interview which was published in the Seattle Post-Intelligencer, during the course of which he said: "The Philippines will in the near future be to a far greater extent than at present the source of some of the world's most important raw materials—rubber and sugar, in addition to hemp, tobacco, and copra. The Islands produce less than 1,000,000 tons of sugar now but can produce 5,000,000 easily."

We are sensible of the fact that the people of the Philippine Islands were placed under the American flag by the destinies of war and not from choice. They are, therefore, entitled to fair and considerable treatment. In advocating that sugar and other imports from the Philippine Islands be made dutiable, the grange, in common with other farm organizations is perfectly willing that the revenues thus derived should be segregated and paid into the treasury of the islands.

This would not be materially different in principle from the policy which we now pursue in paying from the treasury of the United States any amount that may be needed to balance the budget of the Philippines. Should this proposal prove unacceptable for any reason, then the proper thing would be to give the Philippines their independence. As is well known, the Philippine Islands are capable of tremendous agricultural expansion and continued free trade between the Islands and the United States can not have any other than a disastrous effect upon the farmers of this country.

Maple sugar and maple sirup.—Referring to paragrpah 503, with reference to maple sugar and maple sirup, the Grange renews its request that the duty on maple sugar be made 9 cents per pound, with 6 cents per pound on maple sirup.

FRED BRENCKMAN,
Washington Representative.

STATEMENT OF JOHN A. McCARTHY, PHILADELPHIA, PA., REPRESENTING DOMESTIC CANE-SUGAR REFINERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Whom do you represent?

Mr. McCARTHY. I represent the following domestic cane-sugar refiners: Pennsylvania Sugar Co., Philadelphia, Pa.; Arbuckle

Bros., New York City; Spreckels Sugar Corporation, New York City; Texas Sugar Refining Co., Texas City, Tex.; Godchaux Sugars (Inc.), New Orleans, La.; Savannah Sugar Refining Corporation, Savannah, Ga.; Henderson Sugar Refinery Co., New Orleans, La.; Imperial Sugar Co., Sugar Land, Tex.; Revere Sugar Refining Co., Boston, Mass.; and Western Refinery, of San Francisco, Calif.

Senator WATSON. What are all of those concerns you have mentioned?

Mr. McCARTHY. They are domestic cane refiners.

Senator WATSON. That is, they use the domestic product?

Mr. McCARTHY. They use the foreign and domestic cane sugars but are in the domestic refining business.

Senator SMOOT. What do you mean by the domestic refining business?

Mr. McCARTHY. They buy sugars from Porto Rico, sometimes from Hawaii, and also from Cuba, and they refine cane sugars.

Senator WATSON. In the United States?

Mr. McCARTHY. In the United States.

Senator SMOOT. You are sugar refiners?

Mr. McCARTHY. Yes, sir.

Senator WATSON. Do you raise any sugar?

Mr. McCARTHY. No; none of these companies raise any cane sugar.

Senator WATSON. You do not deal in beets?

Mr. McCARTHY. They do not deal in beet sugar; no. They are in competition with the beet sugar.

Senator CONNALLY. The Imperial Sugar Co. raise a little, do they not?

Mr. McCARTHY. They raise some, not much.

I would like to say that the domestic cane refiners are interested primarily in the duty only on refined sugar coming into the United States from abroad.

Senator SMOOT. There is not very much of that coming in, is there?

Mr. McCARTHY. Two hundred and fifty-four thousand tons in 1928 and the threat of more.

Senator SMOOT. From foreign countries?

Mr. McCARTHY. From foreign countries; 185,000 tons from Cuba and 40,000 tons from Porto Rico.

Senator SHORTRIDGE. That is refined sugar?

Mr. McCARTHY. That is refined sugar.

Senator SMOOT. From Cuba it comes from one company, does it not?

Mr. McCARTHY. No; several companies, but most of it from one company.

Senator SMOOT. Hershey & Co. produces most of it?

Mr. McCARTHY. Yes, sir. Seven thousand five hundred tons from San Domingo, 5,700 tons from Mexico, 14,000 tons from Central America, and 2,700 tons scattering.

Senator CONNALLY. How about Haiti?

Mr. McCARTHY. I do not think any refined sugar comes from Haiti.

Senator WATSON. Nor from Java?

Mr. McCARTHY. No.

Senator WATSON. You are speaking purely of the refined sugar?

Mr. McCARTHY. Of purely the refined sugar.

At the outset, gentlemen, I think it might be well to understand that there is no standard definition of refined sugar. Refined sugar as spoken of in America means—and in the United States—a raw sugar which has been subjected to some treatment which makes it fit for household or manufacturing consumption. One of the difficulties which——

Senator WATSON. How many processes are there in the refining of sugar that you can say this is refined sugar and this, on the other hand, is not? Where is the line?

Mr. McCARTHY. There is no line.

Senator WATSON. Where is the line of demarcation between the refined sugar and the raw sugar?

Mr. McCARTHY. There is no line which anyone short of an expert could define in connection with the different types of refined sugar that may be produced and that are produced.

Senator WATSON. When you speak of raw sugar it conveys a definite idea, though, does it not?

Mr. McCARTHY. Yes, sir. For example, you take plantation granulated that is made in Cuba.

Senator WATSON. In what form do these imports come in of which you speak?

Mr. McCARTHY. They come in in the form of sugar, which I am speaking of; comes in in the form, most of it, of granulated, comparing with the American fine granulated sugar.

Senator WATSON. Are these imports that come in fit for table use immediately, without further processing?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. The total, outside of Cuba, that came in here was about 85,000 tons. That is all that came into the United States.

Mr. McCARTHY. There were 185,000 tons came in from Cuba, and that mostly was white granulated sugar fit for table consumption.

Senator SHORTRIDGE. The total imports were how much—the total imports from all quarters?

Mr. McCARTHY. Two hundred and fifty-four thousand tons. Now, when I speak of——

Senator WATSON. Pardon me just a moment. How much do all of your companies refine—those which you have mentioned?

Mr. McCARTHY. About 5,100,000 tons.

Senator WATSON. And the total consumption in the United States is between six and seven million?

Mr. McCARTHY. Oh, six.

Senator WATSON. Between six and seven million tons?

Mr. McCARTHY. Yes, sir.

Senator WATSON. Your various companies refine in the United States——

Mr. McCARTHY. In the United States about 5,100,000 tons.

Senator SMOOT. The report for 1927—I have not got 1928 here—shows that Cuba imported 960 tons of 100 per cent of refined sugar. That is all she imported into America.

Mr. McCARTHY. The statistics prepared by the Sugar Institute——

Senator SHORTRIDGE. What are you reading from, Senator?

Senator SMOOT. From the Tariff Commission report of 1927. I have not got 1928 here. From outside of Cuba the refined sugar was a total in 1927—as I say, I have not got 1928—was 88,000 tons.

Mr. McCARTHY. In 1928, after a careful investigation by the Sugar Institute and by various refiners, the information was conveyed to me—and I think it is absolutely reliable—that there was 185,000 tons came in from Cuba in 1928.

Senator WATSON. He has not the 1928 figures. You are talking about one set of figures and the witness is talking about another.

Senator SHORTRIDGE. Who makes up the Sugar Institute?

Mr. McCARTHY. The Sugar Institute is a combination of 10 refiners who were formed for the purpose of stabilizing, if possible, the sugar industry in this country and cutting out the abuses and unfairness in distribution which had previously existed. Its cardinal purpose and its fundamental purpose was not to have two sets of prices, one to the big and one to the little consumer or distributor of sugar. I may say very frankly to you gentlemen that prior to the formation of that institute a large distributor of sugar could purchase sugar to such a tremendous advantage as against the small purchaser or small distributor that it was only a question of time until the small distributor was out of the business.

Senator SMOOT. I want to get back to these importations, because your statement is something I have never heard before, and I do not believe your figures are correct. From two sources here in the Government we have the same information, which is exactly the same, and it is 87,000 tons came from Cuba.

Senator WATSON. What year?

Senator SMOOT. In 1927.

Senator WATSON. But he is giving you the figures for 1928.

Mr. McCARTHY. It is a matter as to which I can readily show the sources of information and I will show them if I may. I want to say this, however, that it is utterly immaterial, so far as my view is concerned and the view of the same refiners whether the importations are 85,000 or 185,000.

I want to make it clear and explicit to this committee that as beet sugar in America is sold on the basis of the price of Cuban sugar f. o. b. New York and is the price of those sugars all over the United States when refined, whether from Porto Rico, Hawaii, the Philippines, or Louisiana. Every ounce of sugar sold in this country takes the price of the Cuban sugar based on the Atlantic seaboard. We all understand that.

I want to call your attention at the outset to the fact that we are compelled to compete on the Atlantic seaboard in a highly sensitive sugar market, and this competition and fluctuation in price is so well known as not to need any further discussion. This, however, happened in 1928 in the experience of my own company, that there came in from Cuba a quantity at different times of refined sugar, dumped at points on the Atlantic seaboard, sold to one or two distributors whose price was immediately lowered as against those who purchased from us, compelling the Atlantic coast refiners to meet that price. That was reflected all over the country, and one of the reasons for the depression of the sugar business to-day is the reflection of that threat all over the United States. It is impossible for a domestic sugar refiner, speaking of the cane-sugar refiners, on the Atlantic coast, the Gulf or the Pacific coast to compete with that for three reasons: First, in the refining of sugar in Cuba or in the West Indies or any place, there is no fuel cost. The bagasse furnishes the fuel. There is absolutely no comparison between the labor cost that we are compelled to pay in Philadelphia—I am not in business in Louisiana but some of my people are——

Senator WATSON. Explain what you mean by bagasse?

Mr. McCARTHY. That is the ground-up pulp from the cane or the pulp from the ground-up cane.

Senator WATSON. Do you not have the same in this country that you have in other countries?

Mr. McCARTHY. We bring the raw sugar in.

Senator WATSON. You mean in no sugar cane whatever?

Mr. McCARTHY. No, sir.

Senator WATSON. What proportion of the sugar cane raised in the United States do your people refine?

Mr. McCARTHY. Well, the Louisiana people, of course, refine whatever sugar is raised in Louisiana and what few tons or comparatively few tons may be raised in Texas.

Senator SMOOT. The price of sugar fluctuates as the 96 per cent Cuban sugar fluctuates?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. Now, you do not make any difference in the price of sugar on account of refining, do you?

Mr. McCARTHY. Where?

Senator SMOOT. Anywhere in the United States. For instance, to-morrow morning if Cuban raw sugar sold for 10 cents higher, the basis of the price of refined sugar would be on that basis of 10 cents, would it not?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. That is what I say. It makes no difference. It does make a difference, however, if Cuba was refining sugar?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. But the highest amount that ever came in from Cuba in one year was 87,000 and of that Mr. Hershey produced a certain percentage. I do not know what percentage but a great part of it. And he used that in his own business, is that not true?

Mr. McCARTHY. No; that is not true.

Senator SMOOT. Well, say why it is not true.

Mr. McCARTHY. I will say it is not true for this reason, because Mr. Hershey did sell in the United States, if I may say so, sugar in 3 or 4 or 5 different places to people in the United States who were also buying sugar from our various refineries.

Senator SMOOT. For what purpose?

Mr. McCARTHY. Bought it to sell over the counter to the domestic trade.

Senator SMOOT. How much sugar did he sell?

Mr. McCARTHY. That I do not know.

Senator SMOOT. It could not have been very much. How much refined sugar does he produce in Cuba?

Mr. McCARTHY. That I do not know. I do not know how much refined sugar he produces, but I know what the sum total is.

Senator SHORTRIDGE. To resume, you were giving the three reasons. I think you ought to be permitted to go on.

Mr. McCARTHY. Let me point this out: A man in the West Indies selling sugar to the United States can send it to any point on the Atlantic coast or any point on the Pacific coast at a freight rate of about 14 cents. He can do that for this reason: He is not compelled to ship in American bottoms. He can choose his own bottoms to do it. I was told by Mr. Sullivan, connected with the refinery in San Francisco, the Western Sugar Refining Co., that this year there was sent from Cuba into San Francisco, with the option to the consignee of landing at either Seattle, San Francisco, Los Angeles, or San Diego, sugar on that basis of 14 cents. We can not do that. It can not be sent from Philadelphia to San Francisco for 14 cents, nor would it be desirable to do it.

When, for example, some of the fruit packers in California wanted drawback sugars——

Senator SMOOT. How much sugar did you ever send to California?

Mr. McCARTHY. We only sold a few thousand bags back in 1927 at a time when a packing concern in California wanted drawback sugar at that time and they could not get it.

Senator SMOOT. That is what I thought. Why are you talking about California, then? It does not interfere with your business, does it?

Mr. McCARTHY. I am not saying it does in the slightest degree. I am trying to explain to this committee, and I want to do so and propose to do so if I may. I want to show that if the refining of sugar in Cuba is allowed to develop, I want to say emphatically the difficulty with that situation is the threat of its further continuance; not so much that we have suffered now, but if you are going to protect the American sugar industry—and by that I mean both beet and cane—you have got to provide against the importation of refined sugar, because cane and beet can not possibly compete unless that differential is clearly made; they can not possibly refine it in competition with the labor cost, the freight rates, and the fuel cost, and the thousand and one other advantages.

Senator SMOOT. Whatever rate we impose, you want it imposed upon refined sugar?

Mr. McCARTHY. On refined sugar; yes, sir.

Senator WATSON. What do you propose in reference to the House rate?

Mr. McCARTHY. May I take up that in section 501? I will answer that question right away. I am speaking entirely on behalf of my own refinery now, and I think I express the sentiments of all the cane refiners. Taking the industry as a whole, if I were talking now in terms of to-day, if I were thinking about the profits of a business for the next six months or a year, we are in deadly competition all the time with beet. If you put beet out of commission, if that is exterminated, the check balance on the Cuban is absolutely destroyed. Therefore, speaking now and hoping to retain my own job for some little time in the future and under prosperous conditions, it is essential for the cane-sugar industry that that balance of power between cane and beet, being wholly produced within the United States, should be maintained.

I am speaking now not for this minute, this month, or this year, but I am speaking now about the future. If the beet industry is not protected and fully protected as against that threat, both of Cuban raw and Cuban refined and all other sugars that can come in from abroad, then the cane industry is going to be at the mercy of the threat and peril of foreign sugar. So I am not speaking in any selfish sense for the minute.

Senator SMOOT. Let me ask you this question: The American Sugar Refining Co. made a very good profit this last year?

Mr. McCARTHY. Oh, yes.

Senator SMOOT. The refiners generally have?

Mr. McCARTHY. Yes, sir. Our company has, and I am here to see that they are to continue on some decent basis. For example, my plant employs between eight and nine hundred men. I think the lowest wage paid to anybody in the plant is 55 or 60 cents an hour for the ordinary laborer and it gets up to $1.60 an hour. There is no such record of wages in the Tropics. Our men live and live decently. You take and make a comparison between the refined sugar here and the sugar refined in the Tropics and there is no such labor situation as that.

I want to come now to paragraph 501, if I may.

Section 501, in the opinion of those who understand the technical side of the sugar business, destroys the traditional yardstick in use for years as the basis in sugar values per degree, expressed in terms of hundred pounds of raw sugar. Every plant I ever heard of, certainly every plant in Cuba, in Porto Rico, in Hawaii, in Louisiana, and the Philippines—those plants are built for the purpose of producing sugars testing approximately 96°. Now, there is more than mere accident in the selection of that figure.

It is, first of all, what the cane juice generally produces in the refining, but more than anything else a Porto Rican making his sugar at 96° or a Cuban or a Louisianian or in Hawaii, that sugar deteriorates little or not at all if stored for 2, 3, or 4 months in a climate that we have been having, for example, this summer here. That 96° is the basis upon which all the cane plants have been coordinated to meet the raws coming in on that basis.

Senator SMOOT. Is not the basis of the 96° sugar the fact that in refining it they can make sugar there by the centrifugal process more advantageously at 96°?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. And generally do?

Mr. McCARTHY. Yes, sir.

Senator SMOOT. That is the basis of writing the law?

Mr. McCARTHY. It is fundamentally the law. The cane juice coming into a raw-sugar plant is more readily made into 96° sugar than any other. I tried to get that out, but I should say, in addition to that, there is the other commercial fact, that sugar testing 96° will keep for a longer period of time than sugars of lower polarization, for the simple reason that those sugars contain a greater element of moisture, molasses, and so forth.

I just want to give you an illustration of what happens if we take the provisions of paragraph 501 of the House bill and adopt that schedule just as it is. I am going to take an unusual illustration, one that does not happen often but one that might happen, because it brings out clearly the point I want to make.

If we brought in enough sugar upon the basis of 2 cents per pound testing 96°, and when that sugar was landed at our dock it tested

94°, the sugar necessary to make 100 pounds of refined, plus the duty, would cost us $4.5872. The very next day under this House bill, if we had enough sugar put on the dock upon the same basis, 2 cents of 96° sugar, enough to make 100 pounds of refined, that sugar would cost us $4.8158, or a difference for the identical raw material, duty paid, to make the identical amount of refined sugar, or 22.86 cents.

Senator SMOOT. The duty would not be the same, however?

Mr. McCARTHY. Certainly not. The duty accelerates from 94 to 98 under the House bill in a progression.

Senator SMOOT. And it always has.

Mr. McCARTHY. What we ask for is that the additional duty to cover refined begin at a point so that no sugar will ever come in here. to wit, 98°.

Senator SMOOT. Wouldn't you prefer to have it upon the basis of refined sugar?

Mr. McCARTHY. No. If you have it upon the basis of refined sugar.

Senator SMOOT. That would cut it all out.

Mr. McCARTHY. Yes; cut it all out. Put it upon the basis of refined sugar and it would absolutely cut it out.

Senator SHORTRIDGE. What do you mean by that—cut it out?

Mr. McCARTHY. I mean instead of going up and down, if you had an absolute duty on refined sugar it would help that situation. I do not mean cut out in the sense of destroying the duty. That was a bad use of words.

Senator SHORTRIDGE. What does the bill call for?

Senator SMOOT. Ninety-eight.

Senator CONNALLY. You want a differential on the refined sugar as distinguished from the raw product?

Mr. McCARTHY. A differential on the refined sugar as distinguished from the raw sugar for the protection of the domestic cane and for the protection of the beet.

Senator WATSON. What is the difference?

Mr. McCARTHY. A difference of 60 cents per 100 pounds. Of course, that would be reduced from 60 cents to 48 cents in the case of Cuban refined, which would be ample to protect us.

Senator CONNALLY. You want to protect the home refiner?

Mr. McCARTHY. Yes.

Senator CONNALLY. Against the Cuban refiner?

Mr. McCARTHY. Yes.

Senator CONNALLY. You want to prevent American companies going down to Cuba and refining it there and bringing it in on the rate they would bring in raw sugar and destroy your industry?

Mr. McCARTHY. That is right.

There are two more points I want to make. We are perfectly satisfied and pleased at the provisions relating to drawbacks. I want to point out an additional thought. I don't know whether this has been brought out before.

Suppose a man or a company like the Bordens Condensed Milk Co., or any one of the packers of fruit or any packer using a great deal of sugar in commodities for export—if he has to earmark that product as it goes into his house, just as we do, if a condensed milk man was making up his export milk in the month of January and had earmarked the sugar as duty-paid sugar that went into it, he would have to hold that identical milk from January until, perhaps, July, when he would have the chance to export it. Under this he can export any milk provided that his drawback will only be equal to the amount of duty paid sugars which come into the house.

Senator SMOOT. Are you satisfied with that?

Mr. McCARTHY. That is perfectly satisfactory.

Senator SMOOT. I thought it was nothing more than fair, although there is a chance there, of course, of escaping the tax.

Mr. McCARTHY. There has been one other provision called to my attention. In speaking of this, so far as I am personally concerned, I am wandering far afield, because I do not understand enough of the technical side of it, that is, the chemistry of the sugar business, to express it as clearly as I might.

There is a paragraph, 506, which provides "sugar candy and all confectionery not specially provided for, and sugar after being refined, when tinctured, colored, or in any way adulterated, 40 per cent ad valorem."

Senator SMOOT. That is the existing law.

Mr. McCARTHY. Yes; that is in the existing law. Now, this is what has happened. I have not had the opportunity of verifying it as completely as I would like to, but I understand sugar can be brought in, colored by ultramarine blue, which can be very easily removed. In fact, in the old days, long before my days, they formerly used ultramarine blue to whiten granulated sugar before it was put on the market, and upon the same theory that old-fashioned people used to put the articles in blue paper to preserve the whiteness.

Now, that sugar came, and that sugar, if allowed to come in colored, could be washed out for a trifling few cents a hundred pounds, and you have a perfect crystalized granulated or any other form of sugar coming in at ¾ of a cent per pound instead of the regulation duty for standard granulated.

In other words, I do not want to insist upon this, but I would like to have the committee look into that provision.

Senator SMOOT. Mr. McCarthy, the first time that that question ever arose, if I remember it, was in 1909, and there was an investigation made of it at that time. As I understand, from that time to this there has never been any tincturing. Whether it can be detected or would be detected, or whether anybody feels justified in doing it and importing sugar that way and taking the chance, I don't know; but it never has occurred. I have watched it very closely, because I know everything you have said in relation to it is absolutely true, if it can be done.

Mr. McCARTHY. I don't know whether it can be done or not.

Senator SHORTRIDGE. Your information has warranted you in stating that there was imported 185,000 tons from Cuba?

Mr. McCARTHY. That is the information I have.

Senator SHORTRIDGE. Or from all sources?

Mr. McCARTHY. My information is this: 185,000 tons from Cuba, 40,000 tons from Porto Rico, 7,500 tons from San Domingo, 5,700 tons from Mexico, 14,000 tons from Central America, and 2,700 tons scattering.

In view of what the chairman has said I will withdraw the statement entirely and ask leave to submit it in the form of a brief which I file before the hearing is over.

Senator SHORTRIDGE. Why withdraw it? You think it is correct, do you not?

Mr. McCARTHY. I think it is absolutely correct.

Senator SHORTRIDGE. All I would invite you to do would be to furnish evidence corroborative of it or sustaining your figures.

Senator WATSON. For the purpose of your argument, what is the difference if it is 85,000 or what?

Mr. McCARTHY. For the purpose of my argument I say 85,000 tons, or even 40,000 tons, if it threatens to increase, is a real menace, not perhaps to my refinery or not perhaps to a half dozen refineries I have named, but in a sensitive sugar market if you have a big customer buying sugar from several refineries, or buying beet sugar from several refineries, who is able to say that he has been buying sugar at 20 or 30 or 40 cents a hundred under the beet price, the beet fellow has to come down to meet it, and so do we.

Senator SMOOT. And Mr. Hershey refines his sugar in Cuba, but, so far as the record shows, he uses it mostly, as I understand it, in his own business. But on the sugar that he does sell he has a rate over the barge line from Philadelphia up to Chicago that absolutely bars you people from reaching Chicago unless you meet his price, about 15 cents on an average.

Mr. McCARTHY. May I also say again that he can, if he gets big enough, load ships in any port in Cuba and land the sugar on the Atlantic seaboard.

Senator SMOOT. Of course, before he could do that the land on which he has his plant now would not be worth anything.

Senator HARRISON. Have you the figures of these various concerns that you repreesnt as to the profits they made last year and the year before?

Mr. McCARTHY. No, sir.

Senator HARRISON. And the per cent of increase?

Mr. McCARTHY. No, I have not.

Senator HARRISON. Do you think they made profits in 1928 over 1927?

Mr. McCARTHY. I would say without hesitation that they did, for the reason that 1927 was, without question—and I think everyone will bear me out, beet, cane, and everyone else—the worst sugar season we had for a long time until a short time ago.

Senator HARRISON. Do you think they made as much as the six largest refineries in proportion?

Mr. McCARTHY. That I would not be able to answer.

Senator SMOOT. You can say if you did make anything you did make more because they did not make anything but they lost a good deal of money.

Senator HARRISON. The National City Bank says six domestic beet-sugar refineries increased in 1927 from $3,957,000 and in 1928 they made $9,027,000, a percentage of 128 per cent.

Mr. McCARTHY. I don't know about that.

Senator HARRISON. You did not make that much, any six of yours?

Mr. McCARTHY. I am very sure we did not.

Senator HARRISON. It is a pretty good profit, is it not?

Mr. McCARTHY. We made some money.

Senator HARRISON. But 128 per cent increase is a pretty good profit?

Mr. McCARTHY. 128 per cent, even to me, is a lot of money.

Senator SMOOT. It wouldn't amount to anything if you did not make it?

Mr. McCARTHY. No; it would not.

STATEMENT OF WILLIAM H. HOODLESS, PHILADELPHIA, PA., REPRESENTING DOMESTIC CANE SUGAR REFINERS

[Including tinctured sugar, par 506; drawback and refunds, sec. 313(b)]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HOODLESS. I represent the same interests as Mr. McCarthy.

I merely wish to supplement what Mr. McCarthy has said, and I wish to call attention to the fact that in speaking about refined sugars imported into this country we are not speaking entirely about Hershey. There are several other refiners in Cuba besides Hershey. There are also refiners in the Philippine Islands. And there is considerable sugar that comes in known as "plantation granulated," or washed sugars, which is a process of refining.

Senator SMOOT. We take the figures of the Tariff Commission, and that amount of sugar came into the United States from anybody.

Senator SHORTRIDGE. I think this ought to be cleared up. It seems almost incredible to me that there should be such a great difference in the figures.

Senator WATSON. How much of this kind of which you are now speaking was sent into this country?

Mr. HOODLESS. I can not say without looking up the exact figures.

Senator SMOOT. I will send up to the Tariff Commission, also the Treasury Department, and whatever is right we can put in at this point.

Mr. HOODLESS. I should also like to speak about the progression of the rate in the application of the tariff from 94 to 100 as advocated in the House bill. If the bill was enacted, a person buying 100 pounds of sugar of 96 test at 2 cents, as an illustration, and buying another 100 pounds of sugar at 97 test, would pay 2.03 cents for the 97° test sugar as against 2 cents for the 96° sugar.

Senator SHORTRIDGE. What do you mean by that—advanced; that is, I mean, the price of the raw sugar?

Mr. HOODLESS. Yes; raw sugar advanced.

Senator HARRISON. To what do you attribute the advance?

Mr. HOODLESS. That is very hard to say; there are so many stories coming out of Cuba about this, that, and the other thing, and a corporation in Cuba selling great amounts of sugar to Europe at slightly higher prices than obtained three or four weeks ago, that everybody thought the situation might improve, and went into buying their supplies.

Senator SHORTRIDGE. This proposed rate has nothing to do with it?

Mr. HOODLESS. Sir?

Senator SHORTRIDGE. The proposed rate has no influence upon the rise, has it?

Mr. HOODLESS. No, sir; not at the present time.

Senator SHORTRIDGE. Why do you say "at the present time"?

Mr. HOODLESS. Because it is so indefinite as to whether or not it will be enacted and there is a great deal of confusion in the minds of people as to what will be done.

Senator WATSON. We agree with you entirely on that proposition.

Senator HARRISON. What would it do if they felt pretty well convinced that the rate was going to be increased?

Mr. HOODLESS. If I was a manufacturer and I thought the tariff was going to be enacted I would try to lay in a certain definite amount of sugar to try to get the benefit of the tariff.

In the 100 pounds of 97 test sugar there would be 1 pound more sugar. He would pay 3 cents additional to the seller, and there would be a duty imposed on that additional pound of 10 cents. In other words, the 3 cents plus the 10 cents would make the 13 cents for the single pound of sugar in the 97 test as against the 96 test.

We had a movement in the sugar market yesterday, when it was 4.85. To-day it is 5 cents. How could we recover the 13 cents under this H. R. 2667 when we are selling at the present time at 5 cents?

Senator SHORTRIDGE. I do not follow you there.

Mr. HOODLESS. Perhaps I can clear that up. One hundred pounds of sugar of 96 test contains 100 pounds of material, 96 pounds of sugar and 4 pounds of nonsugar. One hundred of 97° test contains 97 pounds of sugar and 3 pounds of nonsugar.

Therefore, when we purchase the 100 pounds of 97 test from the seller upon the basis of 2 cents per pound 96 test, which is the standard, we pay 2 cents for the pound of sugar of 96 test—we pay 2.03 cents for the pound of sugar of 97 test. That is our standard. We pay them a small allowance for that extra degree of polarization which represents only 1 pound of sugar. We pay 3 cents additional; that is, for that extra pound. And then this duty would make us pay 10 cents more for that 1°.

Senator SMOOT. But that has nothing whatever to do with the law. We make the basis of 98 per cent, and if there is 1 per cent more than that they pay the rate provided for in this bill; if it is below that, they deduct the amount provided in the bill. As to what arrangements you have as to the importing of the 97 per cent and the 94 per cent, I don't know. I don't know what that is. But the bill itself could not be written to take care of that; that is some arrangement you had between you and your seller.

Senator CONNALLY. Your point is that the tariff would make you pay 10 cents more?

Mr. HOODLESS. For 1 pound of sugar.

Senator CONNALLY. Than it would in the lower test?

Mr. HOODLESS. Yes.

Senator CONNALLY. Regardles of the price you paid in Cuba?

Mr. HOODLESS. Yes.

Senator SMOOT. How much 97-test sugar has ever come in?

Mr. HOODLESS. A great deal. When you say 96, it is really 95, 95½, 96, 96½, and 97, and when we get through the season the average is around 96.

Senator HARRISON. Did I understand you to say that sugar yesterday was 4.85?

Mr. HOODLESS. Yes, sir; there was a market movement yesterday. We announced an advance yesterday to 5 cents. The buyers come in there and take advantage of our price the day before of 4.85 to fill their requirements for a certain period of time.

Senator HARRISON. How much lower was it a few months ago?

Mr. HOODLESS. Two months ago?

Senator HARRISON. Yes.

Mr. HOODLESS. It was 4.75.

Senator SMOOT. 4.67, wasn't it?

Senator HARRISON. What was the cause of the increase?

Mr. HOODLESS. You mean the last raise, of yesterday?

Senator HARRISON. Yes.

Mr. HOODLESS. There was a slight step in the raw market in the last week or 10 days. Sugar got down to about five-eighths, and yesterday the change was reflected in the price of the refined.

Senator HARRISON. For the last two or three months there has been a general tendency for the price of sugar to go up?

Mr. HOODLESS. No, sir. It has been 4.75 for the last 65 or 70 days.

Senator HARRISON. It just increased from 4.65 to 5 cents?

Mr. HOODLESS. Yes. It was 4.85. The last time we had a selling movement the price was 4.75 cents, and we advanced it to 5 cents. When people purchase sugar generally they purchase for a period of about 30 days. At the end of 30 days instead of trying to maintain the price of 5 cents we cut it back to meet the raw sugar to 4.85. There was no business done, but the raw stiffened a little, and yesterday it advanced.

(Mr. Hoodless submitted the following brief:)

BRIEF OF DOMESTIC SUGAR REFINERS

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: This brief is presented on behalf of the following domestic cane-sugar refiners, and relates to paragraphs 501 and 506 of Title I, and paragraph 313 (b) of Title III of H. R. 2667: Pennsylvania Sugar Co., Philadelphia, Pa.; Arbuckle Bros., New York City; Spreckels Sugar Corporation, New York City; Texas Sugar Refining Co., Texas City, Tex.; Godchaux Sugars (Inc.), New Orleans, La.; Savannah Sugar Refining Corporation, Savannah, Ga.; Henderson Sugar Refinery Co., New Orleans, La.; Imperial Sugar Co., Sugar Lands, Tex.; Revere Sugar Refining Co., Boston, Mass.; Western Sugar Refinery, San Francisco, Calif.

It is proposed on behalf of the above-named cane-sugar refiners to protest against sections 501 and 506 of Title I of H. R. 2667 upon the following grounds:

1. Paragraph 501 of Title I affords the domestic refiners no adequate protection against imported refined sugar or plantation granulated manufactured abroad at low labor and material costs.
2. Paragraph 501 of Title I provides for a graduation of duty upon sugars which is based on false and confusing sugar values.
3. By the imposition of a relatively low duty on tinctured, colored, or adulterated sugar in paragraph 506 of Title I, any duty imposed in paragraph 501 may readily be evaded.

The drawback provisions of section 313 (b) of Title III are highly desirable, and we recommend the enactment of this section into law.

As drafted in H. R. 2667, paragraph 501 of Title I reads as follows:

"Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above 75 sugar degrees, and all mixtures containing sugar and water, testing by the polariscope above 50 sugar degrees and not above 75 sugar degrees, 1.5625 per pound, and for each additional sugar degree shown by the polariscopic test, but not above 94 sugar degrees, six hundred and twenty-five ten thousandths of 1 cent per pound additional, and fractions of a degree in proportion; testing by the polariscope 94 sugar degrees, 2.75 cents per pound, and for each additional sugar degree shown by the polariscopic test, one hundred and twenty-five one-thousandths of 1 cent per pound additional, and fractions of a degree in proportion."

I. Paragraph 501 of Title I affords the domestic refiners no adequate protection against imported refined sugar or plantation granulated manufactured abroad at low labor and material costs.

The tariff act of 1913 and acts prior thereto provided for a differential duty between raw and refined sugars. As a result thereof there was virtually no importation of refined sugar in the years subsequent thereto. The tariff act of 1922 made no provision for an additional duty on refined sugar, and as a result thereof refined sugar began gradually to be imported into the United States. By the year 1928 these importations had steadily increased, so much so that in the year 1928, 254,900 tons of refined sugar were imported, as follows:

	Tons
From Cuba	185,000
From Porto Rico	40,000
From San Domingo	7,500
From Mexico	5,700
From Central America	14,000
From scattering points	2,700

These sugars were sold in the American market in competition with foreign cane sugars refined in this country, with domestic cane and with beet sugars. It is a fact that they could be, and were, sold, in nearly every instance, under conditions which depressed the entire market for sugars of all classes in the United States. It is this invasion of the American sugar market by foreign-made refined, and the threat of its continuance and further expansion, that is in part responsible for the present depressed condition of the domestic sugar industry. Moreover, there is every indication that unless drastic steps are taken to prevent it, there will be a further increase in the importation of refined sugars and plantation granulated from foreign countries and from subtropical islands under the protection of the United States.

The challenge is thus made to those engaged in the sugar industry wholly within the United States to meet competition by foreign refiners operating under a standard of wages under which American labor can not exist.

The cane sugar refining industry of this country represents an investment of $250,000,000, with an annual turnover in excess of $500,000,000. This investment is owned by many thousands of individual investors, nearly all of whom are citizens of the United States.

It is proposed to show exactly how the situation thus presented affects American labor and American agriculture. The example of one cane refinery may be taken as typical of the others. This refinery melted, in the year 1928, 327,000 tons of imported raw sugars. There were expended in this refining operation the following sums for the various items involved in the refining process:

Labor	$1,584,501.83
Coal	506,014.68
Boneblack	80,438.24
Packages	1,255,597.67
Other materials and expenses	1,467,246.80
Freight	1,028,534.53
	5,922,333.75

The operation of this plant represents the melting of 327,000 tons of raw sugar as against a total of 5,130,228 tons of imported raw sugar from which refined sugar was produced in the United States in the same year. Based upon these figures, the total expenditure in the cane sugar industry for the year 1928 amounted to $91,203,939.75 for the items enumerated above, all of which represent labor, supplies and services of American origin. It is conservatively estimated that 90 per cent of this sum represents wages paid to American labor.

In the problem presented, the question is therefore not merely one affecting the sugar industry, but is one affecting the labor engaged in that industry, as well as the labor engaged in all of the industries contributing in the form of machinery, coal, oils, boneblack, miscellaneous materials and supplies, bags, containers, storage in warehouses at points distant from the home of the refiner, and insurance.

With labor engaged in the industry itself and those allied to it as the fundamental and predominant cost compensated for upon the American standard, it is readily understood, when a comparison is made with the conditions under which labor lives and works in the foreign countries engaged in the production of refined sugar, that the American industry can not possibly compete without the protection of an adequate import duty.

The wages paid in these foreign countries are less than one-quarter of those paid in the United States for the same services. Moreover, practically all of the supplies and materials used in these foreign countries in the production of refined sugar come from sources other than the United States.

This difference in the cost of labor and material between domestic and foreign sugar refiners is larger than the margin of profit the domestic refiner can possibly make in the course of his business. In addition to the substantial advantage enjoyed by the foreign producer in the cost of labor, fuel, and supplies, he is geographically so located as to have such a large advantage in the freight rate in the distribution of his product that this item alone practically puts the domestic refiner beyond the pale of any possible competition.

Great Britain was confronted with a problem similar to that now confronting the United States sugar industry, and for the protection of its domestic refined sugar producers, on April 25, 1928, there was placed an additional duty on refined sugar of 75 cents per 100 pounds. This 75 cents additional duty on refined sugar was made applicable to all sugars testing over 98 polariscopic degrees. Great Britain thus placed itself in line with practically all the important sugar-consuming countries who have a differential between raw and refined sugars to protect their own home industry.

Therefore, for the reasons above stated—

First. The cost to the foreign refiner for the actual conversion of raw cane sugars into refined is so much less, and the advantages due to geographical locations are so great, that the economies thus effected more than cover any possible margin of profit the American refined could expect to obtain. It is, therefore, conclusive that the American refining industry, paying American standards of wages and using American materials and shipping in American bottoms, can not possibly compete with the labor and material cost and the other advantages, especially in freight rates, enjoyed by these foreign countries.

Second. A great many sugar-consuming countries give protection to their home industries by placing a differential tariff on refined sugar as against raw.

II. Paragraph 501 of Title I provides for a graduation of duty upon sugars which is based on false and confusing sugar values.

The entire cane-sugar industry, both domestic and foreign, has been established upon the basis of a polarization test of 96° for all raw sugars. Every factory producing raw sugar in Hawaii, Porto Rico, the Philippine Islands, and Cuba has been built, equipped, and organized to produce or refine raw sugars of a polarization of 96°, a standard determined by the experience of many years in every cane-sugar producing country of the world as the most economical, from the standpoint of both the raw sugar producer and the refiner of raw sugar. The reason for this standardization is the fact that sugars of 96° polarization are of such a quality that they can be kept over long periods of time without substantial deterioration, whereas sugars of 94° polarization are subject to serious deterioration by inversion, which makes it economically unsound for them to be held in storage over any considerable period of time.

Moreover it has been found by experience that for the entire range of sugar degrees within which raw sugars normally fall the value of raw sugars to both producers and refiners varies per sugar degree by an amount approximately equal to 1½ per cent of the value of 96° sugar for each degree of sugar content. From the broad economic standpoint, therefore, any tariff duty upon raw sugar should vary up or down per degree approximately 1½ per cent of the value of 96° sugar.

This experience has become so crystallized in the sugar industry over a period of many decades that all open market contracts for the purchase of raw sugar fix the price with reference to a basic price for 96° sugar, with an increase for sugar of a higher content, and a deduction for a lower content.

But H. R. 2667 entirely ignores this standard, established as the yardstick in the sugar industry, by providing for a progression in duty from a basis of 1.5625 cents per pound, at 75° polarization at a rate of 0.0625 cents per degree to 94° polarization, and from that point to 100°, the rate of increase of duty is doubled to 0.125 cents per degree. In passing, it is necessary to call attention to the fact that previous sugar tariffs have uniformly proceeded in an even mathematical progression. The present tariff law, for example, proceeds from 75° to 100° at the even progression of 0.046 cents per degree per pound, or in the case of Cuba, with the 20 per cent preferential, 0.0368 cent per degree per pound.

It is proposed to analyze H. R. 2667 so far as it provides doubling the rate per degree of duty on the last 6° of polarization between 94° and 100°. Refiners purchasing sugars testing over 94° under the rate of duty provided in H. R. 2667 would be penalized by the payment of an additional duty that he could not recover from the sale of the finished product obtained from the raw sugar thus purchased. Therefore, raw sugars with a polarization of over 94° can not be marketed without forcing the purchasers of such raw sugars to stipulate that the additional duty above 94° would have to be for the account of the seller. This would cause unnecessary hardship, not only to the producers of raw sugar in Cuba, but also to all of the raw-sugar producing colonies of the United States, without in any way benefiting raw sugar producers, cane sugar refiners, or the Government of the United States.

The following is another illustration of the serious fallacy in departing from an even rate of graduation in duty:

Suppose a refiner purchases raw sugar and that the price is 2 cents per pound on the basis of 96-degree test. When the sugar is landed on his dock it is found to test 94 degrees. His net cost, duty paid, under H. R. 2667, for sufficient raw sugar to produce 100 pounds of refined sugar is $4.5872. Suppose, on the other hand, that the sugar landed on the dock, purchased at 2 cents per pound, tests 98 degrees. The cost of the raw material, duty paid, under H. R. 2667, necessary to produce 100 pounds of refined sugar, is $4.8158. In other words, the difference in the cost of the raw material would be 22.86 cents per 100 pounds more in the case of 98-degree test than in the case of 94-degree test, in order to obtain sufficient material to produce an identical amount of refined.

As a further illustration of the practical results of the application of the tariff as recommended in H. R. 2667, let us take the case of a refiner purchasing 200 pounds of Cuban sugar (on the basis of 2 cents for 96-degree sugar), 100 pounds of which is of 96 degrees polarization, and 100 pounds of which is of 97 degrees polarization. For the extra degree of polarization between 96 degrees and 97 degrees, he would give an additional allowance to the seller of 3 cents. To this must be added the additional 10 cents duty for the additional degree as proposed in H. R. 2667, making a total of 13 cents additional the refiner must pay for the 100 pounds of sugar of 97 degrees polarization, as against the cost of the 100 pounds of 96 degrees polarization. In other words, he would have to pay 13 cents additional for the extra pound of sugar contained in 100 pounds of 97-degree test raw sugar.

SUMMARY OF RECOMMENDATIONS AS TO SECTION 501

For the reasons enumerated above, it is suggested that the provisions of paragraph 501 be so modified as to provide, (1) that, starting with the basis of 75 degrees, the increased rate of duty per degree proceed by an even mathematical progression (taking cognizance of the relative values of sugar), so that each degree from 75 degrees to 100 degrees will carry the same increment per degree; and, (2) that, in addition thereto, a duty of six-tenths of 1 cent per pound be imposed on sugars testing over 98 degrees and/or plantation granulated and/or sugars which have been advanced in value or condition beyond that of what is commonly known as raw sugar.

The additional duty of six-tenths of 1 cent per pound, or the equivalent of 60 cents per 100 pounds, above requested, represents the amount by which foreign labor, material and freight costs are less than those of the American refiner.

With the Cuban preferential of 20 per cent, this additional duty on refined sugars will, in the case of Cuba, be forty-eight one-hundredths of 1 cent per pound, or 48 cents per 100 pounds.

In order to embody the changes in the above section which are requested by the domestic cane sugar refiners, we therefore respectfully recommend that paragraph 501 of Title I of H. R. 2667 be amended to read as follows:

"Par. 501. Sugars, tank bottoms, syrups of cane juice, melada, concentrated melada, concrete and concentrated molasses testing by the polariscope not above 75 sugar degrees and all mixtures containing sugar and water testing by the polariscope above 50 sugar degrees and not above 75 sugar degrees, 68½ per cent of the duty desired to be enacted on sugars of 96 sugar degrees as shown by the polariscope test, and for each additional sugar degree as shown by the polariscopic test 1½ per cent of the duty desired to be enacted on sugars of 96 sugar degrees as shown by the polariscopic test, and fractions of a degree in proportion; and, in addition thereto, upon all sugars testing by the polariscope more than 98 sugar degrees or which have been advanced in value or condition beyond that of what is commonly known as raw sugar six-tenths of 1 cent per pound additional.

III. By the imposition of a relatively low duty on tinctuder, colored, or adulterated sugar in paragraph 506 of Title I any duty imposed in paragraph 501 may readily be evaded.

As at present drafted paragraph 506 of Title I reads as follows:

"Par. 506. Sugar candy and all confectionery, not specially provided for, and sugar after being refined, when tinctured, colored, or in any way adulterated, 40 per cent ad valorem."

The attention of the committee is called to the fact that the above paragraph, as written, would make it easily possible entirely to circumvent the plain intent of he act and to permit the importation of sugars for the much lower duty of 40 per cent ad valorem, rather than the duty imposed in section 501, by importing refined sugar which has been tinctured or in some manner adulterated. This tincturing or adulteration would cost practically nothing and could be removed by the simplest kind of processes in use at the present time after the sugar had been imported into this country.

Thus refined sugar could, under paragraph 506 of H. R. 2667, be brought into this country slightly tinctured upon the payment of a duty of about three-fourths of 1 cent per pound, based upon prevailing sugar prices, as against a duty of 1.7648 cents upon Cuban sugar of 96° test under the act of 1922 or of 2.40 cents which would be imposed by the terms of H. R. 2667 as now drawn.

We therefore urgently request that paragraph 506 be amended to read as follows:

"Sugar candy and all confectionery, not specially provided for, and sugar, after being refined, when tinctured, colored, or in any way adulterated, when valued at less than 10 cents per pound, 4 cents per pound; valued at 10 cents per pound or over, 40 per cent ad valorem."

V. Drawback provisions of section 313 (b) of Title III.

We indorse paragraph 313 (b) of Title III, entitled "Substitution for Drawback Purposes," as enacted in H. R. 2667. This proposed paragraph creates a desirable simplification of the drawback regulations regarding duty-paid sugar contained in the present tariff act, and we urge the enactment of the proposed paragraph into law.

Respectfully submitted.

Pennsylvania Sugar Co. (John A. McCarthy, president, Philadelphia, Pa.; William H. Hoodless, vice president and general manager, Philadelphia, Pa.; Stradley, Ronon, Stevens & Denby, attorneys, Philadelphia, Pa.), Arbuckle Bros., Spreckles Sugar Corporation, Texas Sugar Refining Co., Godchaux Sugars (Inc.), Savannah Sugar Refining Corporation, Henderson Sugar Refinery Co., Imperial Sugar Co., Revere Sugar Refining Co., Western Sugar Refinery.

STATEMENT OF RUDOLPH SPRECKELS, SAN FRANCISCO, CALIF., REPRESENTING THE SPRECKELS SUGAR CORPORATION, NEW YORK CITY

Mr. SPRECKELS. Mr. Chairman and gentlemen of the committee, it would appear from the statement of the gentleman who has just appeared [Mr. Mead], that I am here to make an attack upon the California-Hawaiian Sugar Refining Co.

As a matter of fact, gentlemen, I may say it has been many years since I have been in the sugar business. I have been out of the sugar business for a period of 30 years. I have just recently come back into it through circumstances which I think will not interest the committee.

The Federal Sugar Refining Co., referred to here, was owned by my brother and not by me. I had a stock interest in that company, inherited from my father's estate, to the value of about $300,000. That was my total investment in the sugar properties for all these years, until recently. It is true that to-day I own what was the Federal Sugar Refining Co. I took up the obligations of that company and was the sole creditor of that company and as a consequence reorganized it and I am now the owner, with the exception of a few outside shareholders.

Since I came back into the industry it has been my purpose to bring about accord in the industry.

Senator HARRISON. When did you come back into the industry?

Mr. SPRECKELS. At the end of 1927, when I first took over the presidency in order to relieve my brother who was in bad health and who was obliged to retire. And when I found that the company was bound up under many million dollars of indebtedness, indebted to the banks to the extent of over $7,000,000, and without credit, I assumed those obligations and paid the banks out of my own funds That is how I happened to take up that situation.

I may say in connection with bringing about accord in the sugar industry, that when I appeared on the east coast I found that the methods of the refiners were practically identical with those of many years ago when I was a boy in my father's employ at Philadelphia in the refining business there. Subsequently I had interest in the Hawaiian Islands. I owned a half interest in two plantations, one of which has been mentioned here, the Hawaiian Commercial. I was interested in two of those plantations, and sold out those plantations in 1890 as a result of the Spanish-American War when I felt it meant the annexation of Cuba. Those are the circumstances, and whether they interest you or not, I have not been in the sugar business since.

When I came back into the sugar industry, the refining industry, I soon discovered what was related here as price cutting on the part of the Federal was not really price cutting. The facts were that my brother had an idea. He felt no one should sell their products at less than their publicly announced price. It was a well-known fact in the industry, and it will not be denied, that the other refiners were making concessions and rebates to customers to the extent of 10 points or more at times. That resulted in the Federal Sugar Refining Co., which is no longer in existence and which is now the Spreckels Sugar Corporation, piling up sugar, because when the other refiners wanted to sell sugar, knowing my brother would not make any concessions below his price list, all they needed to do was to make a concession of 12 or 15 points and take the market, with the result that his refined sugar would pile up. Then in order to move it he had to do what was testified the Hawaiians did when they had a lot of sugar on hand, cut the price. That is why the Federal was known as a price cutter. The circumstances are identical to what I have related, however.

When I took the presidency of that company I immediately told our sales force that they were to keep their list price identical with that of other eastern refiners, but that they were to meet the competition and if it was necessary to make a concession to get the business they were to do it. Within a very short time after that, the president of one of the great refining companies called on me and said, "Mr. Spreckles, I understand you are selling sugar below your list price." I said, "Yes; and you also are doing it." I said, "You have had a perfect picnic in the past because my brother would not indulge in the practices that you have, but I am in business in competition with you and I will meet the conditions as I find them.". He said, "Well, something must be done about that." I said, "Quite true."

I am a little ahead of my story. One of the first things that I took in hand was the formation of a sugar institute. I maintained that competitors should not sit in their respective offices practicing various methods of deceiving their competitors, and as a matter of fact, it was only deceiving them for a short while because the trade knew what was being done——

Senator HARRISON. Such as putting beet sugar off on them for cane sugar?

Mr. SPRECKELS. No; that is not involved. I may say this, that I felt it was essential in order to bring about accord and to get away from these bad practices that there should be organized an institute where the competitors might meet and discuss the problems of the industry and get away from suspicion and resentment and retaliation, such as has happened during that long period of years when I was out of the industry. I was told——

Senator WATSON. You did not establish that as a price-fixing institution?

Mr. SPRECKELS. Certainly not. I was told, getting back, that that was utterly impossible; that there was such animosity and such bitterness in the industry that it was hopeless to get these men in one room and to ever get them to sit down and discuss the problems of our industry.

I took this course. I called upon eight refiners. I said:

> Gentlemen, I have come into this business a stranger to you. I feel I want to know my competitors and I want them to know me. I would like to know whether or not you are satisfied with the conduct of the business?

Each one declared it was intolerable and chaotic. I said;

> Well, does it not occur to you we should form an institute and at least correct those evils and have publicly announced the terms and prices which will regulate and get away from that great evil of concession and rebates?

Each man in turn agreed he was in favor of it, but that, of course, the other refiners would never agree. Well, when I had, I think, seven or eight committed individually to that theory I asked the gentlemen to meet me at lunch. I then said;

> Gentlemen, I have talked to you individually. You have each expressed the opinion that the condition of the sugar refining business is chaotic and unbear-

able. You have each in turn assured me you are in favor of the formation of an institute, and I presume you are now in the same frame of mind. Shall we proceed?

As a result of that there was a committee appointed of three or four refiners, I forget which, but I know three. I was one of them.

But I could never get hold of the other members of that committee to meet with me and to really make any headway in regard to the formation of an institute.

I may state that it was known in the industry that the Federal Sugar Refining Co. was tremendously involved, indebted, and without credit, and while I do not charge this to be true, I rather suspect because of what happened that they were all hoping that the Federal Refining Co. would be sold on the auction block and eliminated from competition. So I got nowhere for many months.

I found, then, that the other eastern refiners sold sugar on 90 days' guaranteed prices and I found that my sugar, because I would not accede to that as being an absolutely improper and uneconomical and unsafe method of selling sugar, to guarantee a price for 90 days, and refusing to follow that, I found that my refined sugar was piling up. They were getting the business. It happens that one of the refiners, Arbuckle, to be specific, maintained a price 10 points below that of the other refiners, but one price did not constitute a market. So one day when a few of my competitors had sold away ahead with guaranteed prices, I announced a cut of 10 points down to Arbuckle's price, and that constituted a market. I really believe that it cost them millions of dollars to make good on their guaranteed sugar because, within 24 hours after I took that step an emissary from the largest refinery in America came to me and said, "Mr. Spreckels, how about the formation of this institute?" I said, "I have been waiting for the gentlemen for many months. What about it?" "Well, it can be arranged if you are agreeable to meet with the other refiners now, the other members of the committee, and proceed." I said, "I am perfectly agreeable." He said, "There is one question about it. Of course, this is your idea, but I think it would facilitate matters if you would allow someone else to take the leadership." I said, "I have no pride of authorship or of creating a constructive plan and it is immaterial to me who leads off in this thing." As a result of this, I met the following day members of the refining industry, the original committee, and they said, "What shall we do about this?" I said, "Obviously, the one thing to do is to send telegrams out to every refiner and ask them to come to New York for a conference on a stated date."

That was done. And every refiner was represented at that meeting, including the California and Hawaiian refiners. We sat for approximately a week from 11 o'clock in the morning to 5 or 6 at night, until we brought out the Sugar Institute; that is, perfected the plan and made up a code of ethics, which were then taken to Washington by our counsel and presented to the Department of Justice for clearance as to the purposes of the code of ethics as being within our rights.

So from that time on, of course, there has not been the cutting of prices. But strange to relate, the only refinery in America to-day that is not a member of the institute is the C. & H. Mr. Mead has told you their purpose; that they propose to sell their sugar when, how, and as they please. But they did join the Domestic Sugar Bureau, in which the beet and Louisiana cane people are associated together in an institute or a bureau, as they call it, with a code of ethics which, I think, are identical practically with the code adopted by the sugar group composing the refining group.

I am not seeking here to attack the C. & H.; I am not seeking to deprive them of a legitimate profit or of prosperity. But I have pointed out, and I broadcast my story and I defy the C. & H. to file a brief denying the statement; I defy them to file a brief contradicting one single statement I have ever made. I have been exceedingly careful in making my statement. It is true that the C. & H. has not always precipitated the cut in refined, but I have found their fine Italian hand back of every refiner's cut that has been made, and generally by an inconspicuous or a very small refiner.

For example, we have the case of March 4 this year, when the Imperial Refinery, a small refinery in Texas, cut the price from 4.90 to 4.75. The other refiners were alarmed at that because that meant a loss on every pound of sugar they were selling at that price.

Senator WATSON. How much do they produce?

Mr. SPRECKELS. I do not know their capacity, but they are small.

Senator WATSON. Do they make a market?

Mr. SPRECKELS. The very smallest makes a market, because the moment a price reduction is announced by any refiner, the others follow. That has been the system. Obviously, we must be in the market and we can not say to our customers, "We can not supply you at a price another refiner does." There is no escaping from that.

It so happens that Mr Rolf, of the C. & H., was a guest of the institute meeting shortly after that and some of us were criticising the action of the Imperial Sugar Refining Co. in reducing the price from 4.90 to 4.75 and Mr. Rolf made this statement, and it was made in the presence of the other members of the institute:

> You gentlemen should not complain because if the Imperial had not reduced their price to 4.75, I would have announced a price of 4.65.

Mr. Rolf made that statement.

Now we find here recently that the Godchaux Refinery makes a cut from 5 cents to 4.85. Again the refiners are rather puzzled as to what it meant, why it should be done at this time when, as a matter of fact, at that very moment on the Sugar Exchange the price of raw Cuban sugar was going up. They wondered why there should come this cut.

Senator SMOOT. The Cuban refined sells at 4.65?

Mr. SPRECKELS. Yes; but that is another story. I think we will get to that.

We were rather curious about it and I was inquiring as to why it was that Godchaux had made this cut. I got the statement that it was unless he went to 4.85 the Hawaiian had announced they were going to 4.75 and the little refiner, fearful he was going to lose 10 points more, reduced from 5 to 4.85 rather than to see the Hawaiian people do that, but I think it was an absolute threat, and before I get through I will ask them to deny it under oath somewhere, because I propose to find this thing out. If they want to file their brief they will have to answer a few questions. They have the habit of intimidating the small refiners, "Unless you cut your price we intend to make a price so much lower" and that is how they have gotten many of these reductions through another refinery, so that the stigma does not rest upon them.

Those are the things I am complaining of. Those are the things I think I have a right to complain of.

I desire to tell you the situation of the Hawaiian owned refinery. They are operating their refinery in the face of the fact in America we have an overcapacity of 50 per cent in refining and the only refinery in America that is operating at full capacity is the California & Hawaiian. Every one of the competitors in the industry, mindful of the fact they should not destroy the industry and those that are in competition with them, have practiced what we call self-regulation.

Let me show you what that means, what advantage these men gain, who unfortunately in their selfishness are doing this thing. What does it mean? It means that in operating at full capacity the California & Hawaiian Sugar Co. reduces their cost of producing the refined sugar at least 30 per cent over all of us who are running at half capacity or thereabouts. The overhead and all being counted, they get that advantage and a little more than that. The Hawaiian planters who own this refinery at Crockett, Calif., ship their raw sugar in hundred pound bags to the refinery and because that sugar comes in duty free the bags are not mutilated by Government sampling and the California & Hawaiian refinery is using that raw sugar bag to transport its refined sugar, gaining thereby over every sugar refinery in America, both beet and cane, and saving from 8 cents to 9 cents because we must buy new bags and the beet men must. There is the advantage the Hawaiians have, first through their selfishness in operating in the face of an overcapacity, running at full capacity; they have the advantage because their sugar comes in free of duty and because the plantations owing them have conformed to what is a good practice of their own refinery shipping their product in a bag which the refinery may use and it is used for shipping out the refined sugar, which gives them an advantage of 8 or 9 cents over other refiners.

Senator SMOOT. They ship 96 per cent sugar, do they not?

Mr. SPRECKELS. Right, and it is refined just as we refine it.

Senator SMOOT. You mean the outside bag?

Mr. SPRECKELS. It is the outside bag. That would amount to 19 cents if they got a cotton bag as well, but in this case it is the outside bag, for which they pay 10 or 10½ cents. I am not exaggerating when I say they can ship and thereby make a saving of 8 or 9 cents for doing that.

Senator SMOOT. Where does that outside bag come from?

Mr. SPRECKELS. Their bags are made in Calcutta.

Senator WATSON. Do the producers at Hawaii own the C. & H.?

Mr. SPRECKELS. Many of them are interested in it and own it. As long as the Hawaiian people are going to put in a brief, I would like the committee to ask the California & Hawaiian Refining Co. to enter here and to present here a statement of earnings of that refinery.

Senator WATSON. Why is it they can refine all the time at full capacity and the rest of you can not?

Mr. SPRECKELS. We all could do it. We could all run at full capacity and reduce our cost of refining 30 per cent, but suppose with a 50 per cent overcapacity each one of us would operate at full capacity, what would become of the refined sugar? Where would our profits go? What would happen? We could not live. That is fundamental.

Senator SMOOT. Do you think that that could be done—the eastern refineries shipping sugar from Cuba to New York? Could they use that same bag to bring it in and then reuse it?

Mr. SPRECKELS. No. They ship in in 350-pound bags, to begin with. We have tried to get them to ship in a smaller bag, but, Senator, since Cuba sugar pays a duty, the bags are punctured by the Government officials with an auger to take out a sample in order to determine the duty. Therefore, the bag is mutilated and could not under any circumstances be used for reshipment.

Senator SMOOT. Yes. I knew the bag was of 350 pounds capacity.

Mr. SPRECKELS. That is quite true. It would be mutilated, and, therefore, we sell it for what we can get. We can not use it. We must buy new burlap or new bags.

Now, I want to point this out, and I would like the California & Hawaiian people to reply to it. I state that it is a fact that the sugar they refine on the west coast is so large in volume that the population within their legitimate territory can not consume that quantity of sugar. Therefore, they are forced to take at least half of that or more—the percentage I can not tell you; I have not the figures before me—and they must ship that far afield into other territories and principally in competition with the beet industry. They go into other territory, in the Chicago market and elsewhere, which we have been told of by people. Of course, they are very active elsewhere in shipping their sugar. Only recently they shipped two cargoes of sugar to New York and entered them into the Bush Terminal and then put it into two barges, an uneconomic condition, if there ever was one.

Senator SHORTRIDGE. Shipped it by way of the canal?

Mr. SPRECKELS. Yes, sir.

Senator SMOOT. They shipped the refined sugar?

Mr. SPRECKELS. They shipped the refined sugar; yes, sir; two cargoes, just within the past few weeks.

That kind of competition, where the planters are selling their raw sugar in the form of refined, where they have an advantage in lower cost of refining and a preferential in the cost of bags, means that they are giving us competition here needlessly of a ruinous character.

I desire to point this out, that any increased duty will simply mean an increased earning by the plantation, any part of which they may contribute to their own refinery to still further reduce the price of refined sugar and the beet sugar and the Louisiana sugar compete not with duty paid raw but with the price of refined. I maintain here if you put a straight duty on imported raw sugar that we are going to build up the Hawaiian situation so that they can, and probably will, take away any benefit from that tariff that might otherwise accrue to your beet interests and domestic interests on the mainland. Those are concrete facts.

We have, of course, the question of an increased duty, but I want to say this to you, since the Federal was brought into it and the activities of my brother, my brother was active in promoting free trade on sugar. Now, gentlemen, that is not my theory. While selfishly the refiners, the cane refiners in the United States would welcome free sugar, because it means we would have less capital, less money tied up in the product until we realize on it——

Senator SMOOT. That is not the position taken by the American Sugar Refining Co. They wanted 50 cents.

Mr. SPRECKELS. They are talking about a duty on refined.

Senator SMOOT. They wanted 50 cents. So they would be perfectly secure with the 50 cents against the balance of the local production here in the United States, kill them, then they would have the whole market, but they were perfectly willing in 1922, and they asked at that time that the rate be only 50 cents.

Mr. SPRECKELS. Duty on raw sugar?

Senator SMOOT. Duty on raw sugar, 96 per cent.

Mr. SPRECKELS. My brother advocated that.

Senator SMOOT. He advocated free.

Mr. SPRECKELS. It is immaterial. If any refiner told you the truth, he would tell you that he would welcome free sugar. Obviously, from a selfish standpoint, you do not require so much capital, you have not so much capital tied up in the raw sugar, and it amounts to a tremendous sum of money when you are operating on a big scale.

I want to present this idea, that I believe that in this industry, as through life, the best policy is that of live and let live, and that is my motto, and that is my doctrine and that is what I am fighting for and always have and always will. I say to you that I believe our industry and the beet industry should be supported and protected and simply because I might save something in the way of interest on money that I have to invest in raw sugar by paying duty, I will not stand up here and tell you that we ought not to have duty on sugar.

On the other hand, I do believe also that we have an obligation to Cuba. I believe that we should treat Cuba fairly and maintain friendly relations there, without putting in jeopardy the question of protection that we give the beet-sugar people. I think that is fundamentally sound. I believe we should make every effort to compose our differences.

In fact, when I came to Washington, more than a week ago, I asked for a conference with the beet people and the Cuban people. I asked the refiners to appoint a committee of three, of which they made me chairman, and I requested the Cubans and the beet people to each appoint a committee of three to meet with us, so that the three branches of the industry might sit down together and work out a just solution, and work it out so that we could present it and defend it, not only from the standpoint of justice to each branch of the industry, but that we may go forward with a program, gentlemen, that was favorable to the American consumer. And we must bear in mind never to forget that we have 110,000,000 or 115,000,000 people in this country, who are entitled to our consideration as consumers. So we must so shape our legislation, and I am here to tell you that I believe that we can do it, so that we can protect the American consumer and the beet industry and the Louisiana cane industry and bring some order out of the refining industry. That is the purpose of my being here. I want to help find a solution for that problem, and it is a knotty one.

We have opposition. We find circulars and all that which are being put out. We find the newspapers attacking the thing; but I believe it is better to compose our differences and to go about in an orderly way to recognize each other's position in the industry.

Senator WATSON. What became of your efforts? What became of this committee?

Mr. SPRECKELS. The beet people did not want to meet with the Cubans, and the Cubans did not want to meet anybody. That is as far as I went, and I am through with that feature of it. So I am here representing myself, hoping I may throw some light on the situation and be helpful to you, gentlemen.

Senator WATSON. Have you in mind a solution that would solve this problem?

Mr. SPRECKELS. I certainly have. I was saying——

Senator HARRISON. Did I understand you to say that you certainly have?

Mr. SPRECKELS. I think I have. I have a suggestion or two to make, either of which, if it is possible to enact into law, would solve the problem. Coming here as a refiner, you may look upon me as one selfishly interested in the refining industry alone. If in any solution that I propose here you find I am thinking only of the refiner and that I am not protecting the other branches of the industry, plus the consumer, I hope you will forget that I ever appeared before you.

There has been much said about a sliding scale. Now, having in mind——

Senator HARRISON. Senator Smoot knows more about that than anybody else.

Mr. SPRECKELS. No; I think the industry has heard a lot of it, too.

Senator SMOOT. I think the Senator from Mississippi has said more than I have about it.

Mr. SPRECKELS. I have heard this for a long, long while. A certain sugar broker in New York told me that there was a sliding scale proposed two months ago.

Senator HARRISON. He did not say who was going to propose it, did he?

Mr. SPRECKELS. No; but I do know this, that this has been in the mind of the men in the sugar industry for a considerable time. I may say this, when I said that the beet people did not want to meet with the Cubans, the Hawaiians were represented, the Porto Ricans and the Filipinos, as well as the beet people were present at a meeting which I attended. At that meeting I outlined my proposal.

One of the gentlemen present told me that he thought my idea was all right in so far as what I wanted for the refining industry to maintain a price which would give protection to the beet industry was concerned. That was all right. But my plan was a sliding scale and that the men of the beet committee did not seem to like it. They said they were for the refining margin which I proposed if I would agree to stand up and advocate a flat 2.40 duty. I told them definitely that I could not support it, because, obviously, with a 2.40 rate, plus a better price for raw sugar which I hope will come back, because otherwise it means chaos in Cuba and other sugar-producing countries, perhaps, that that plus a refiner's margin would mean a refined sugar price which I could not justify to the American consumers, therefore I must be excused for not standing for a 2.40 flat rate. That is my position.

I am also opposed, if I may say so, to another proposition. The Senator from Mississippi has read a statement from the paper reputed to be an interview with a Senator here, with a statement from the Senator in reference to a sliding scale running as high as 3 cents. The Senator has stated that is not his position and I accept that, of course. But at this time I do want to declare if a sliding scale is proposed running as high as 3 cents, I would be opposed to it.

Senator SMOOT. The Senator from Utah has not decided upon anything.

Mr. SPRECKELS. Yes; you have stated that, but I say that I could not support that.

Senator SMOOT. Not if sugar was 4.50.

Mr. SPRECKELS. I would tell you about that. It works the other way. Three cents if the price of sugar goes down.

Senator SMOOT. Well, I say if sugar was 4.50.

Mr. SPRECKELS. Yes; but I mean 3 cents would result in about a half cent for Cuban sugar, which, of course, you will never get, because it will never be operative, Senator. And there is no use putting it in. You will not buy raw sugar at 50 cents.

Senator SMOOT. It will have a tendency to keep Cuba from having an overproduction.

Mr. SPRECKELS. No; not if they had no fear of paying the 3 cents. If you know you will never pay it—we know they are not prospering. They are not prospering at the present price of sugar.

Senator SMOOT. They could, though, if they would sell the sugar the way they sold it here a few years ago.

Mr. SPRECKELS. I am talking about as a practical proposition and I want to make myself clear on it. Frankly I do not propose a scale running to 3 cents, because I know it will never have any effect. So that it is not a question from the standpoint of the duty, but I do want to point this out——

Senator SMOOT. Of course, that is on refined sugar.

Mr. SPRECKELS. No. The statement was made——

Senator SMOOT. No man ever got such a statement from me of any kind.

Mr. SPRECKELS. You have stated that. I am merely discussing what appeared in the paper. I do not care where it came from. I am not questioning your position on it at all, but since it has been in the paper it means that the public are assuming that there is a thought of putting a duty as high as 3 cents against Cuba. I mean that is merely——

Senator SMOOT. I never heard it and I never thought of it.

Mr. SPRECKELS. No; the paper itself stated that.

Senator SMOOT. I say I never thought of it.

Mr. SPRECKELS. I am saying now, so that the record may go out to say and that the public may know, that I personally am not in favor of duty as high as 3 cents against Cuba.

Senator SMOOT. That is on 96 per cent sugar?

Mr. SPRECKELS. Yes. That is for two reasons. There is no good putting a thing in that is never going to operate. We will never get the price of Cuban so low that 3 cents duty will prevail, but the damage is done in this country and in Cuba for those who are agitating against any increase of duty and they will put out their propaganda that the Congress of the United States proposes to put a 3-cent duty against Cuba and punish the consumer in America. I do not believe that we want to have the idea go out in this country and have the public believe that there is contemplated legislation of 3 cents against Cuba. I am not afraid of that. Then why put it in there and have the opposition, if you please, have something to shoot at, because in your scale it sets out a scale as high as 3 cents in Cuba? Why give the opposition an opportunity to shoot at something that never will come into practice anyway?

Senator SHORTRIDGE. No one has stood for that proposal.

Mr. SPRECKELS. No, no. If you get a statement out in the public press to that effect, it is politically unwise to have that sort of thing go out and have that impression go abroad because it does bring together people that in their ignorance, not realizing that it will not become operative, will get together in opposition to it.

Senator HARRISON. Of course, the people get that impression when the newspapers quote the chairman of the subcommittee.

Mr. SPRECKELS. Yes. That is why I brought it out, and in the hope that that very thing might be quieted, shown to be impracticable, and inoperative and therefore unnecessary in the discussion.

Senator SMOOT. If I can convince myself of any kind of a sliding scale and can work it out, I assure you it will be on refined sugar and not upon 96 raw.

Mr. SPRECKELS. It is immaterial which way you work it out, excepting, Senator, I do not know how if you start with a duty on refined sugar you are going to maintain that price or any price here on refined sugar because of the competition of the California & Hawaiian. If you base it on refined and the California & Hawaiian are willing to sell their raw sugar in the form of refined without a refiner's profit, you are not going to get the benefit of the duty to the beet people. I will ask you to tell me how they are going to get the benefit of an increased tariff if the California & Hawaiian are going to sell their raw sugar without a refiner's profit and without a refiner's margin?

Senator SMOOT. Of course, they are not going to do it.

Mr. SPRECKELS. That is the answer, but why do a futile thing; that is all. Now, I want to suggest this and to put this with you in the record for your consideration. I have two proposals here on the sliding scale. I want them in here merely for the purpose of presenting it to the committee if the committee decides to bring in that phase in order to work out legislation that will be effective, with the idea in view that at least I have contributed a thought to it. It is thrown in for the purpose of having something before you that may get consideration.

Senator SMOOT. I will thank you for so doing.

Mr. SPRECKELS. Here is what I propose. Of course, in coming before you as a refiner I say to you that on this sliding scale, which relates to raw sugar, on this basis I would stand for the duty created under this plan of sliding scale on raw sugar. I have added in this table a refiner's margin. Now, I realize, gentlemen, there may be a question of constitutionality of it, so I am not coming here idly to present it to you and say that I know it will work or that you can adopt it. But, whether it does or not stand the test, I will go along with the duty proposed under this sliding scale on raw in order to make myself clear on that. So that I am not agitating for a refiner's margin except for the final figure, which means that with the refiner's margin fixed I know you are going to pass the tariff on to the beet industry and you are not going to do it in the absence of a refiner's margin between duty paid raw and the price of refined.

Senator SMOOT. The advantage of putting in the refiner's price, to which he would be entitled in the bill, is to work out and show exactly what the price on refined sugar should be?

Mr. SPRECKELS. Exactly.

Senator SMOOT. That is a part of the cost?

Mr. SPRECKELS. Exactly.

Senator SMOOT. I looked over the schedule that you left in my office. I have not had a moment's time to study it, however.

Mr. SPRECKELS. That was rather in the rough—very much in the rough. This is a very different scale from what you have seen, so far as I know.

What I want to say is this: There are many people working on a sliding scale, and I think there are a dozen plans or more that have been circulated and passed around for criticism, and this is one I happen to have brought out, and which I think will do the thing.

In fixing the refiner's margin here, Senator, I have proposed a base margin which also slides up and down with the price of raw sugar and duty. But I conceive this to be true, that you might have the objection that that is price fixing and that it will stifle competition. But I want to give it to you now. It is my purpose to fix this as a base, allowing the refiner to sell 10 points above the base or 10 points below the base, so as to have 20 points for competition.

Senator WATSON. Can you explain to us, so that we will know what you are talking about?

Mr. SPRECKELS. I am going to write a brief, of course, if you will permit me to do it.

Senator SHORTRIDGE. Give it to us in a word.

Mr. SPRECKELS. We have heard discussed here the fact that the beet-sugar people must have 6 cents or thereabouts in order to be satisfied and so as to enable them to prosper year in and year out, and in order that the industry may expand.

Senator SMOOT. That is on refined?

Mr. SPRECKELS. That is on refined. You must take refined. If they don't get it on refined, no matter what raw sells for, they are out.

I am taking now, for the purpose of illustration, a beet price over 6 cents, 6.027. That would mean a refiner's margin of 1.347; duty paid price of raw sugar, 96, at New York, 4.68. The rate of duty on Cuban sugar, 96, would be 1.85. The price of Cuban raw sugar, cost of freight to New York, 2.83. The full duty rates of raw sugar would be 2.3125. So the Cubans there would have a slight increase of $6. The beet-sugar people would get what they ask for. The refiner's margin, which I am ready to substantiate—that means the refiner's margin, which means a cent for refining and 7½ per cent on loss of sugar, etc.—the details of that I will give you.

Senator SHORTRIDGE. With the refiner's margin?

Mr. SPRECKELS. That is the difference between duty paid raw sugar and the price of refined. The refiners may, in competition there, sell 10 points below or 10 points above.

Senator SMOOT. Could we put that into the law?

Mr. SPRECKELS. I am putting it in here for you gentlemen to struggle with and I will tell you what I think about it. It may have no value whatever, but I think it has. It preserves competition in the industry to begin with. I maintain that Congress has the right to fix a tariff. If it has a right to fix a tariff, it has a right to enact laws which will make it effective in the way of protection to the industry that it seeks to protect. Now, I do not know whether that is good law or not.

Senator SHORTRIDGE. And the ways and means to achieve that end it would be competent for Congress to adopt?

Mr. SPRECKELS. That is what I have in mind.

Senator SMOOT. But it must be within the terms of the Constitution.

Senator SHORTRIDGE. Precisely.

Senator SMOOT. That is the question in my mind right at this moment.

Mr. SPRECKELS. It is in all of our minds, but it is a question whether Congress, having the right to put on a tariff for the protection of an industry, has an absolute obligation to see that that benefit will not be an idle thing and that it will not tax incoming sugar but that the benefits thereof will accrue to the benefit of the industry they are seeking to protect. That is my theory. I do not know whether it is good law or not.

Senator WATSON. What is the actual duty that you propose in your sliding scale to assess or impose?

Mr. SPRECKELS. It varies up and down. Look that over.

Senator SHORTRIDGE. The question as to the constitutionality of that method recalls to mind the discussion and the decision on the flexible tariff.

Senator SMOOT. This is quite different.

Senator SHORTRIDGE. Pardon me. The question is what power has Congress in respect to adopting a method or way to bring about the desired end.

Mr. SPRECKELS. To get the result of the tariff and let it accrue to the interest that you are seeking to protect. If you find in putting on a duty on raw sugar, because of other conditions and circumstances in the industry, it will not bring about a further benefit to the beet industry, then you have done an idle thing.

Senator SHORTRIDGE. We have a right to raise revenue by way of tariff duties and if Congress should pass a law which even though it was contrary to existing statutes, it would, nevertheless, be the law, even though it amended or entirely superseded or was contrary to an existing statute in respect to combinations.

Senator SMOOT. This is a very, very difficult and very serious question, not the result if enacted into law, but as to whether Congress has the power to enact it. I do not think we should discuss that now in any event.

Mr. SPRECKELS. No. I am giving this to you now and the reasons why I present it. I merely desire to point out that without refiner's margin I do not believe an added tariff will benefit the beet industry and I think I will demonstrate that very shortly.

Senator SHORTRIDGE. What was that sentence? I did not quite get it.

Mr. SPRECKELS. I say I will show you, I believe, that in view of the fact the Hawaiian planters own their refinery, running at full capacity and having the benefits they have and really being interested in the sale of raw sugar and not refined, that the margin between duty-paid sugar and the price of refined maintained by them will not reflect any profit under this tariff, the proposed 2.40 tariff to the beet interests.

Senator SMOOT. In other words, they will not take advantage of the tariff if it was imposed. That is the only way it could be effective?

Mr. SPRECKELS. They have not done it. When they are getting more profit why should we assume they are going to take any profit in refined? They have not done it in the past. Those are the things to be considered.

Senator SHORTRIDGE. For the simple reason that they get raw sugar in, of course, free from Hawaii?

Mr. SPRECKELS. Yes, sir.

Senator SHORTRIDGE. And leaving all other things out of consideration, they could sell the refined lower than those companies that have to pay the duty?

Mr. SPRECKELS. And yet make a tremendous interest upon their investment in refinery and plantation combined.

Senator SHORTRIDGE. Even though in one sense they might lose in the process of refining, getting the raw in without duty gives them a tremendous advantage?

Mr. SPRECKELS. Yes, sir.

Senator SHORTRIDGE. I follow you.

Mr. SPRECKELS. I would like to state this for illustration. If the legislation goes through and we have a 2.40 duty and the Hawaiian-owned plantations insist upon their present methods and you do not limit and restrict the exports of sugar from the Philippines, I am going to make this statement to you right now, that as a matter of self-preservation I personally would go to the Philippines, and every other refinery on the Atlantic coast would be foolish not to go to the Philippines and there own and operate their own refineries, bring in the duty-free sugar and be in identically the same position with the Hawaiian Islands. I personally would go to the Philippines tomorrow if I thought you would go through with this thing without corrective measures to hold it in line and without certain measures to curb the absurd tactics of the Hawaiian refinery.

Senator SMOOT. We have to consume that sugar, anyway, that Philippine sugar, unless there is a limitation put upon it. We can not limit the amount produced in the Hawaiian Islands?

Mr. SPRECKELS. I know you can not. But as a refiner, noting that, I could go to the Philippines, own my own plantations or the plantations own my refinery, I could get all of my profit just as the Hawaiians do.

Senator SMOOT. Surely.

Mr. SPRECKELS. Then I would be placing myself in the identical position of the Hawaiians and I am utterly astonished that the other Atlantic refiners have not seen that in order to hold their own with the Hawaiian competition, they must own their own plantations with duty-free sugar.

Senator SHORTRIDGE. Who are the principal owners of the C. and H.?

Mr. SPRECKELS. The Hawaiian plantations. They have a board of trustees.

Senator SHORTRIDGE. Who are the principal stockholders?

Mr. SPRECKELS. The different plantation agencies, as I understand it.

Mr. Mead could answer that.

Senator WATSON. What limit would you propose on the Philippines?

Mr. SPRECKELS. I am not proposing any.

Senator WATSON. I am asking you what you would propose.

Mr. SPRECKELS. Here is what I want to say to the Senator. I would deprecate more than anything in the world to see American capital go to the Philippines for the development and expansion of the sugar industry over there. The Philippines are engaged in many other industries that we might be helpful to them in augmenting to make them prosperous through cultivation of something of which there is not a tremendous world surplus. I think economically it is wrong. I maintain further than that that if the Philippines should so desire and American capital desired to expand the sugar industry in the Philippines, that they could grow enough sugar to supply the United States. But contemplate what would happen to us if we were dependent upon the Philippine sugar in the event of war.

Senator WATSON. We understand that.

Mr. SPRECKELS. We could not get a pound of it. That is my view of the matter. It would be a distinct menace to our Nation, because having become reliant upon that supply, having probably crushed out the beet industry on the mainland and what not, we would be defeated in a very short time, because sugar is an essential.

Senator WATSON. You have had a vast experience and we are now receiving your advice. Shortly we either will or will not impose a limitation. That is going to be a part of our business here, we five men, to recommend to the full committee. Now, in order that we may have the benefit of your advice, what do you say to that if we do fix it?

Mr. SPRECKELS. If I were deliberating upon it and had a vote upon the question, I would say that you must take into consideration those that are now engaged in the industry there. I would say, if I now were an owner of a plantation in the Philippines and producing sugar, I would welcome a limitation to the present output as a practical thing because it would lessen my competition.

Senator WATSON. There are about 700,000 tons produced over there now.

Mr. SPRECKELS. They are not producing that much now, but if you want expansion there and will give them 600,000 or 700,000 tons, well and good, but I am talking now in this respect, even though I were an owner of a Philippine plantation in the Philippines I would think if I could prevent further competition in my own market I certainly would want to see it limited.

Senator SHORTRIDGE. Suppose the sliding scale should be adopted or the increase in the tariff in the House bill as it comes to us?

Mr. SPRECKELS. To my mind, I would have to oppose it. If the House bill were adopted, I would expect dire results.

Senator SHORTRIDGE. Why?

Mr. SPRECKELS. Because of public opinion.

Senator SHORTRIDGE. I am not narrowing my thoughts down to a little history, but what would be the effect upon the beet-sugar industry in California?

Mr. SPRECKELS. If you tell me what refined sugar will sell for, I can tell you; but I can not tell you, and I think we will get no benefit from it.

Senator SHORTRIDGE. Around Spreckels or Watsonville.

Mr. SPRECKELS. They will share just as well as the beet-sugar industry. They have not been as well off because they have had the pest. The beet sugar company has had to go farther afield for its beets.

Senator WATSON. What would be the effect of the imposition of the House duty, and why?

Mr. SPRECKELS. I think that you would cause consternation in Cuba and would come pretty nearly giving a death blow to the American capital invested in Cuba, plus the Cuban. That is one result.

The second thing is that the agitation among the public in regard to this very high duty would be detrimental. People do not like a high duty unless there is a real benefit to a home industry. And I maintain that unless you correct, and unless the law and the Constitution permit you to put in legislation to correct the activities of the Hawaiian refiners, the beet people will get no benefit if you are going to put a duty against Cuban sugar and give the benefit to the homeland. It can not be passed on to them because of the price of refined sugar. Then, I think the party or the Congress that puts it in will have something to defend before the public.

Senator WATSON. That is to say, the American beet-sugar producer and refiner will not get the benefit of this tariff proposed so long as the California and Hawaiian refiners or the producers and refiners can go on with their present policy?

Mr. SPRECKELS. Exactly. That is what I maintain. And if it comes to pass that you adopt it, I think my words spoken here to-day will come true.

Senator WATSON. What will be the effect of your sliding scale? Suppose your sliding scale should be adopted?

Mr. SPRECKELS. My sliding scale contemplates a refiner's margin which would absolutely guarantee the benefits of the tariff which come to the producer. That you can guarantee with a certainty.

Senator WATSON. Would that be a sufficient guarantee to protect them from the Cuban competition?

Mr. SPRECKELS. Absolutely. And the Congress will realize that you must put a duty against edible white sugars coming in from Cuba.

Senator SMOOT. That is what we provided in the law.

Mr. SPRECKELS. I know you have. I do not think it has been on the correct basis, but then probably that will be corrected.

Senator SMOOT. That is all we want.

Mr. SPRECKELS. You certainly do not want to start at 94.

Senator WATSON. You made a statement I would like to ask you about. You opposed a sliding scale running up to three. Why?

Mr. SPRECKELS. Because no sugar plantation could exist for a day if the price went down to the low scale.

Senator WATSON. I would not vote for a 3-cent duty.

Mr. SPRECKELS. That is why it will not be operative, and you are putting something in there to create ammunition for the opposition.

Senator SMOOT. I have never seen a sliding scale suggested.

Mr. SPRECKELS. I have.

Senator SMOOT. Yes?

Mr. SPRECKELS. Yes, sir. Now, I am going to throw this in. It was hurriedly put together. But, to my mind this may overcome the question of constitutionality and what not as to the sliding scale.

To-day's market on Cuban raws is 1.83; suggested Cuban duty, 2.05; free raws, 3.88. Refiner's margin plus internal revenue tax, $2; cash discount, which is what we all give to the trade, of course, 12 cents. That makes 6 cents refined sugar price.

Now, I propose we shall have the margin and the Federal tax the same as you have on tobacco.

Senator SMOOT. That is a basis of 1.85, you say?

Mr. SPRECKELS. No; duty of 2.05, and internal revenue, and the refiner's margin which will work in this way. When the refiner's margin is $1—we will say the margin and tax will always be $2—when the refiner's margin is $1 the Government will get a tax of $1. When the refiner's margin is $1.25, a refiner will pay the Government 75 cents, and so on down. On the $1.50 margin. the Government will get a revenue of 50 cents.

Senator SMOOT. I don't think it will stand as to constitutionality.

Mr. SPRECKELS. You think not.

Senator SMOOT. No.

Mr. SPRECKELS. Then we have the sliding scale here.

Senator HARRISON. How much revenue would that bring to the Government?

Mr. SPRECKELS. You can imagine what that would bring. It would be tremendous. It would be a very big revenue.

I am throwing this in for your consideration because I think if it is possible you will have to call in experts.

Senator WATSON. I don't think we will have to call them in. After your testimony goes out they will come in.

Mr. SPRECKELS. No. I think my original suggestion is that the various branches of the industry, plus the consumers, be represented to work out an equitable plan, where it is a question of live and let live, and where justice is done to everyone.

Senator SMOOT. I will put these two in the record.

(The tables referred to are as follows:)

Tentative sliding scale of import duties on sugar (Spreckels)

Net cash refined, average three months, New York basis	Refiners' margin, approximate	Duty paid, price of raw sugar (96°) at New York	Rate of duty on Cuban raws (96°)	Price of Cuban raw sugar, cost and freight New York	Full duty rate on raw sugar	Price at which full duty sugar could come in, cost and freight New York	Amount of Cuban preference
Cents	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
6.86	1.420	5.440	1.00	4.4400	1.25	3.19	0.25
6.811	1.418	5.393	1.05	4.3430	1.3125	3.0305	.2625
6.762	1.412	5.350	1.10	4.2500	1.375	2.8750	.275
6.713	1.405	5.308	1.15	4.1580	1.4375	2.7205	.2875
6.664	1.401	5.263	1.20	4.0630	1.50	2.5630	.30
6.615	1.397	5.218	1.25	3.9680	1.5625	2.4055	.3125
6.566	1.395	5.171	1.30	3.8710	1.625	2.1460	.325
6.517	1.388	5.129	1.35	3.7790	1.6875	2.0915	.3375
6.468	1.388	5.080	1.40	3.6800	1.75	1.9300	.35
6.419	1.383	5.036	1.45	3.5860	1.8125	1.7735	.3625
6.37	1.378	4.992	1.50	3.4920	1.875	1.6170	.375
6.321	1.373	4.948	1.55	3.3980	1.9375	1.4605	.3875
6.272	1.368	4.904	1.60	3.3040	2.00	1.3040	.40
6.223	1.363	4.860	1.65	3.2100	2.0625	1.1475	.4125
6.174	1.359	4.815	1.70	3.1150	2.125	.9900	.4250
6.125	1.355	4.770	1.75	3.0200	2.1875	.8325	.4375
6.076	1.351	4.725	1.80	2.9250	2.25	.6750	.45
6.027	1.347	4.680	1.85	2.8300	2.3125	.5175	.4625
5.978	1.342	4.636	1.90	2.7360	2.3750	.3610	.475
5.929	1.340	4.589	1.95	2.6390	2.4375	.2015	.4875
5.88	1.333	4.547	2.00	2.5470	2.50	.047	.50
5.831	1.331	4.500	2.05	2.4500	2.5625	....	.5125
5.782	1.325	4.457	2.10	2.3570	2.625	....	.525
5.733	1.321	4.412	2.15	2.2620	2.6875	....	.5375
5.684	1.316	4.368	2.20	2.1680	2.75	....	.55
5.635	1.311	4.324	2.25	2.0740	2.8125	....	.5625
5.586	1.308	4.278	2.30	1.9780	2.875	....	.575
5.537	1.305	4.232	2.35	1.8820	2.9375	....	.5875
5.488	1.298	4.190	2.40	1.7900	3.00	....	.60

	Cents
To-day's market Cuban raws	1.83
Suggested Cuban duty	2.05
Free raws	3.88
Refiners' margin plus internal revenue tax	2.00
Cash discount, 2 per cent	.12
	6.00

Margin		Internal-revenue tax
1.00	+	1.00=2.00
1.25		.75
1.50		.50
1.75		.25

Cuban c. i. f.		Cuban duty	Free raws
1.83	+	2.05=	3.88
1.93		1.95	
2.03		1.85	
2.13		1.75	
2.23		1.65	
2.33		1.55	
2.43		1.45	
2 53		1.35	
2.63		1.25	
2.73		1.15	

All mainland-grown sugar to be exempt from internal-revenue tax.

Senator HARRISON. Mr. Chairman, may I suggest that the chairman ask the representative of this refinery in California to furnish to the committee as soon as possible its earnings and so forth, a statement of them.

Mr. MEAD. I will be very glad to do so.

Senator SMOOT. I wish you would do it.

Mr. MEAD. The earnings for how far back?

Senator HARRISON. Ten years is enough.

Mr. MEAD. Very well.

Senator SMOOT. And get it here as soon as you can because I would like to have the hearings printed in full.

STATEMENT OF G. R. PARKER, NEW YORK CITY, REPRESENTING AMERICAN EXPORTERS AND IMPORTERS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. PARKER. I represent the American Exporters and Importers Association; president Parker-Peebles & Co. (Inc.), No. 44 Whitehall Street, New York, N. Y. I am speaking to paragraph 501.

Senator WATSON. I did not get whom you represent.

Mr. PARKER. The American Exporters and Importers Association. This association has definitely gone on record as opposed to the increased duty on sugar. But I shall not take up the time of the committee to read that resolution, but if you care to have me put it into the record, there is a copy of it in this book which I have here, which I can put into the record.

Senator HARRISON. Tell the committee just what your association is.

Mr. PARKER. The American Exporters and Importers Association has been in existence for about 22 years, in the course of which its energies have been devoted wholly to the fostering of American foreign trade.

While some of our members are engaged in the import business, export interests predominate.

Our members operate for and on behalf of American producers and are not themselves manufacturers. For that reason our interest does not apply to any particular industry or group or locality.

We are here, if I might say so, merely to present the case for American export trade. I might add right here that this is not to be any specious appeal for free trade.

Whatever may be the merits of our protective system, we recognize that American industry has become adjusted to it, and that any very widespread transfer of dutiable articles to the free list would unquestionably result in great hardship to industry.

Senator SHORTRIDGE. You invite our attention, though, to sugar?

Mr. PARKER. That is right.

Senator SHORTRIDGE. To what country do we export sugar?

Mr. PARKER. I think you misunderstand me. I might, perhaps, bring out in my remarks the relationship between exports and imports, and to do that I must touch upon a few general features first. In fact, I was about to say that the relationship between exports and imports is very frequently lost sight of, or perhaps only partially understood.

There are two factors which have an important bearing upon exports. One of these is good will and the other is the creation of exchange.

Good will undoubtedly represents a very important factor, the extent of which is perhaps difficult to estimate. But it may be said that if the American Government imposes rates of duty or increases rates of duty which seriously hamper the exportation of an article fairly universally produced in some other country, more or less widespread ill will is likely to result.

Senator WATSON. Why do you say that, Mr. Parker? For instance, take the Dingley bill, the highest ever imposed, and the same argument was used, yet we almost doubled our exports and imports under it. Take the Payne-Aldrich bill, when exactly the same argument was used that you are using now; but we increased our exports and imports. Take the present law and the same arguments are used against it. But note how marvelously the exports and imports have increased. In other words, isn't it a fact if we have the protection and employ our own people and pay American wages that we not only market a better article that the whole world buys but we have the money with which to buy more, and therefore our imports are greater? Doesn't the protective tariff and the history of it show that inevitably along the whole course of our American lives?

Mr. PARKER. I think there is no question as to the accuracy of your statistics. On the other hand, it is quite an irrelevant surmise as to what the figures might have been had those conditions not existed.

Senator WATSON. If we had absolutely free trade with all the world we know what the condition would be in the United States.

Mr. PARKER. There is no question about that.

Senator HARRISON. Do you know any appreciable number of people in this country to-day who are for free trade?

Mr. PARKER. No, I think it is very rare that you find anyone to-day advocating universal free trade.

Senator HARRISON. But you know it is becoming very common when anybody is imposing an embargo or an inordinately high protective tariff that they are then accused of being free traders?

Senator WATSON. You do not believe that, do you?

Senator SHORTRIDGE. Let us permit Mr. Parker to make his statement. And then I wish to put two or three questions.

Mr. PARKER. The point I was trying to make is this. I think I am safe in saying that if you take a country which has some article of fairly universal production and we hamper the exportation of that article, it certainly does not stir up good will, but, on the other hand, there is some antagonistic feeling.

Senator WATSON. How do we hamper the exportations of America by imposing a tariff on products coming from some other country?

Mr. PARKER. If you impose a sufficiently high tariff you may exclude the article entirely.

Senator SHORTRIDGE. Other countries impose their tariffs on our articles that go to them.

Mr. PARKER. Yes. I should not presume to offend them for a moment.

Senator SHORTRIDGE. If we offend them, they offend us.
Mr. PARKER. Yes.
Senator SHORTRIDGE. I attach very little importance to this good-will argument.
Senator HARRISON. Let me ask you this question: Let's take any country, like France; if they are sending to this country some articles that we do not produce here, or of which we produce a very small per cent. and we put an embargo against them, don't you think that has a tendency to make France and the United States come closer together and be more friendly?
Mr. PARKER. I should say not, Senator.
Senator HARRISON. Let's take Canada. If we put up a wall against importations from Canada, don't you think Canada is then going to reciprocate by lowering their wall against our exportations to Canada?
Mr. PARKER. I would hardly think it would be human nature.
Senator WATSON. We heard all of that before, you know, yet we send Canada a billion dollars' worth of products a year and get back $500,000,000 worth.
Senator SMOOT. I was looking over the figures for 1922 and 1929, and the same identical protests came in.
Mr. PARKER. That is all true enough. But the point I am trying to make is that there is a tendency to stir up a certain amount of antagonism on the part of buyers in foreign countries, and that means, however true it may be, that there is a more or less powerful weapon placed in the hands of aggressive salesmen of other nationalities. and there is unquestionably a certain incentive to the establishment and the encouragement of local industry in those countries. As has just been remarked, there is always the possibility of retaliatory tariffs against American goods.
So much for the question of good will.
The other point I mentioned had to do with the creation of exchange—that is, the machinery for offsetting one draft against another through the customary banking channels. That can be greatly clarified if we will only get our minds free from thinking of money in terms of currency. If we can visualize trade as a literal exchange of goods, the problem becomes comparatively simple. In that case money as such is merely a convenient yardstick for measuring values.
Viewed from that angle it is apparent if American goods are shipped to some other country, either goods or services from that country or from a third country must be received in payment for the American goods, and if such value is not available then the goods can not be paid for.
In fact, conceivably a country might have unlimited wealth within its own borders and yet if foreign trade were not being conducted by that country and bills of exchange created, there would be no way of getting the wealth out of the country to America.
Senator SMOOT. That same statement was made by Hamilton over a century ago, but the world has gone along pretty well, hasn't it?
Mr. PARKER. I think I know what you are getting at, Mr. Chairman, and I am going to cover that point in just a moment.
Senator SMOOT. All right.

Mr. Parker. The point I was going to make is that if we accept foreign loans and the so-called invisible items, it is the merchandise difference which determines whether or not American goods can be sold and paid for. In fact, you have all heard of the so-called favorable trade balance. It is a wholly erroneous term.

If I were asked to define a favorable trade balance, I should say that if a merchant sold an article for a dollar and received 90 cents in payment he would enjoy a favorable trade balance of 10 cents.

Now, it is true, of course, that other than commodity exchanges have to be taken into account—that is, for instance, travelers' expenditures, emigrant remittances, payments to foreigners for services—all of which are important items; but there is an equally important item on the other side of the ledger, and that is the annual payments made necessary by interest and charges on the existing foreign debt.

At the present these two debits and credits tend to about offset each other, so the difference comes right back to the merchandise difference, where it was before.

Senator Watson. In order to increase our foreign trade do you want to forget the foreign debt and cancel it?

Mr. Parker. No, sir; I am not making any such appeal at all.

Senator Smoot. You have not taken into consideration the amount of money spent by Americans abroad.

Mr. Parker. I just alluded to that, Senator. I say the total amount spent abroad by Americans and the amount remitted abroad by emigrants and miscellaneous other items, services, and so forth, is just about, in minor percentages, equivalent to the annual payments the foreigners make us on behalf of the debts.

Senator Shortridge. Do you mean the national debt?

Mr. Parker. Both the war debts and the private debts.

Senator Shortridge. You include both?

Mr. Parker. Yes, sir. The point I am trying to make is that you come right back to your merchandise difference, which was about a million dollars last year.

Senator Watson. In other words, to get right down to brass tacks, are you appealing for free sugar?

Mr. Parker. No, sir.

Senator Watson. Or for the present duty on sugar?

Mr. Parker. I am appealing for no increase.

Senator Watson. Did you appear before the committee in 1921?

Mr. Parker. No, sir. This is the first time I ever appeared before a senatorial committee.

Senator Shortridge. You are opposing it now?

Mr. Parker. I am leading up to that.

Senator Shortridge. Why are you opposing the suggested increase?

Senator Smoot. Your argument would apply to every item in this bill that is increased, would it not? If the principle is correct that you laid down here, and your deductions are correct, then it applies to every increase in this bill?
limits beyond which it is inadvisable to go.

Senator Watson. Let's find out what it is.

Mr. Parker. Specifically coming down to the sugar schedule, I want to say right here that I am not a sugar man; I know very little about sugar. I am talking foreign trade. But, as I understand it, we consume in this country perhaps 6,000,000 tons of sugar a year, of which not quite half is supplied by Cuba and something less than 20 per cent by American producers, and the balance by Porto Rico, the Philippines, and Hawaii.

For all practical purposes the present sugar duty is paid by Cuba. and any change in that tariff is of very vital interest to Cuba. Cuba, because of its geographical proximity and its political relationship, should be a very important customer for American goods. It is almost domestic territory.

Senator HARRISON. What are our exportations to Cuba, anyway?

Mr. PARKER. I am going to touch upon that in just a moment. I think I have the figures in my head.

Senator WATSON. $500,000,000 a year?

Mr. PARKER. I think that is somewhat high.

Senator WATSON. Well, four hundred million?

Mr. PARKER. I think you are still high. Last year it was about $128,000,000.

Senator WATSON. Oh, it was more than that. What are our exports to Cuba?

Senator SMOOT. About $130,000,000, or something like that.

Senator WATSON. I thought they were much more than that.

Mr. PARKER. No, sir. I was going to bring out a comparison of our exports. As a matter of fact, even under the existing schedule there has been rather an increasing economic depression down there, with the result that—and it is not altogether surprising when you consider that at the present time due to causes, which I will not go into, the duty and the value of the product are about the same. The consequence is that the producer for every dollar's worth of sugar that he sells to the United States gets about 50 cents. I am speaking, of course, in round numbers.

Senator SMOOT. Cuba brought that about by the overproduction of sugar, did they not?

Mr. PARKER. Of course, I am not looking into the causes for it; I am stating the facts.

Senator SMOOT. You are speaking for Cuba, but you did not say that Cuba was responsible for it.

Mr. PARKER. Well, I am not even presuming to touch upon that.

Senator SMOOT. You know it to be a fact, do you not?

Mr. PARKER. One might retort we have the same thing in agriculture in our own country.

Senator SMOOT. We are not laying the blame upon any foreign country because of our overproduction in this country.

Mr. PARKER. Oh, no.

Senator SMOOT. Then lay the blame where it belongs.

Mr. PARKER. After all, that merely establishes the relationship at the present time. The duty and the price being nearly the same may be the result of overproduction. If there was less production, of course, the ratio would change somewhat.

Senator HARRISON. The statement was made if we gave them this differential that there would be an increase in the production of sugar in Cuba.

Senator SMOOT. We expected it.

Senator HARRISON. There is no question about it.

Senator SHORTRIDGE. We gave it to assist her.

Senator HARRISON. And very rightfully so.

Senator SHORTRIDGE. We freed her and then gave her this advantage. And she is not at all grateful, either; nor is France. We gave it to assist her; that is the reason. We freed her and then gave her this advantage, and she is not at all grateful, either; nor is France. Let us think of America, now, and the American industry.

Mr. PARKER. Well, let us reduce it to a highly practical basis. Let us assume, for the sake of argument, that we are not in any way concerned with any political obligations or moral obligations to Cuba, but put it on the cold-blooded basis of trade. It may be a very low plane, but let us start from that point. Now, I should say, without fear of contradiction, that an industry which had an annual business of $200,000,000 could scarcely be considered of minor importance.

In 1925 our exports to Cuba amounted to substantially that figure, and as I just remarked in answer to Senator Watson, the figures were last year, roughly, $128,000,000; or, in other words, a reduction of about 6 per cent.

Senator SHORTRIDGE. Pardon me for always interrupting.

Mr. PARKER. Certainly.

Senator SHORTRIDGE. But you think the increase of the tariff on sugar would reduce our exports to Cuba? That is your argument?

Mr. PARKER. I think so; yes, sir.

Senator SHORTRIDGE. That is the object, then. You think that the loss would be greater than the gain?

Mr. PARKER. That is my argument.

Senator SHORTRIDGE. That is your argument.

Senator CONNALLY. With Cuba?

Mr. PARKER. You see, you have this situation. The exporters of the country represent a very small industry, comparatively small in itself, but in the aggregate large, as the figures show. While we are a number of very small people, still we feel that we have something to say on the subject.

Senator SHORTRIDGE. Yes.

Mr. PARKER. And I would submit that if any industry went before this committee and could show that because of any insignificant inequalities in the duties its business had shown a reduction of 36 per cent, it would be entitled to a very respectful hearing.

Senator SHORTRIDGE. Certainly.

Mr. PARKER. Or perhaps be equally entitled to make a very vigorous protest against any measure which tended to make bad matters worse.

Senator SMOOT. Are you here speaking for Cuba? Has Cuba hired you to come here?

Mr. PARKER. No; I have nothing to do with Cuba, although I am myself engaged in the export and import business, and have never done any business with Cuba outside of very, very minor operations. I am here solely in the interest of the American export trade. Cuba comes into it, of course.

Senator SHORTRIDGE. I think you have already stated that your argument which is now immediately directed to sugar would apply to figs and dates and long-staple cotton and to an innumerable number of American products, some of which, the like of which are imported from abroad. Your argument as to sugar would apply to all these articles. You would not have them raised lest they affect the export trade?

Mr. PARKER. I did not make quite such a broad statement as that.

Senator SHORTRIDGE. All right.

Mr. PARKER. I can see that there are inequalities in the present law that should be rectified. I would not make quite such a sweeping statement as that.

Senator SHORTRIDGE. All right.

Mr. PARKER. We can pass lightly over some of the matters. Perhaps the people who really do represent Cuba, as I do not, will bring them out; for instance, the fact that at the present time nearly one-quarter of the entire American customs duties is being paid by Cuba. We can perhaps overlook the fact that if you protect a domestic industry which is producing something less than one-fifteenth of all American requirements, we are proposing to impose a tax on every man, woman, and child in the United States, of 75 cents to a dollar. We can overlook the fact that because of our peculiar political relationship to Cuba, the eyes of all the other Latin-American Republics are focused on our treatment of Cuba. We can overlook all these facts, but we will come back to the consideration of a general principle which tends, in my opinion, toward either a reduction or a limitation in the expansion of our exports, and a specific obligation on this country toward a fairly friendly Republic like Cuba, which, in the normal course of things, would contribute very substantially to that total. I think that concludes all I have to say.

Senator HARRISON. Do you not think that these domestic sugar companies need this increased protection? For instance, let us take the Great Western Sugar Co. I hold here a pamphlet in my hand which shows that they were organized in 1905 with $15,000,000 capitalization, and it appears that since that time they have declared in dividends $23,521,000.

In the same period they have paid out to the holders of common stock dividends of $60,000,000, an aggregate total of $84,372,000; and the original 5,440,000 shares of common stock that were given as a bonus to preferred shareholders had the benefit of a share split up, a dividend split up, which amounted to $72,000,000. In other words, on this $15,000,000 capitalization, in this short time they have made $156,372,000; and since the tariff act of 1922 was passed this one American sugar concern has made, and has declared as dividends, $34,660,000. Do you not think they need more protection?

Mr. PARKER. According to those dollar figures, I should say that company had done very well.

Senator SHORTRIDGE. Mr. Parker, you fear that if we increase the tariff it will provoke and cause what I may term hostile legislation abroad, or a hostile feeling?

Mr. PARKER. I think there will be that tendency; yes.

Senator SHORTRIDGE. You are aware, of course, that every country in Europe has a tariff?

Mr. PARKER. Right.

Senator SHORTRIDGE. And that nearly all of them are increasing their tariffs. You know that, do you not?

Mr. PARKER. I should not be willing to commit myself on that. There were very high tariffs before the war.

Senator SHORTRIDGE. Do you think there is against America a hostile feeling on account of our tariff?

Mr. PARKER. I should say that there are things which when they think of them, irritates them. Every once in a while they are up against a tariff schedule which irritates them, at least.

Senator SHORTRIDGE. Is it not a fact that England, Belgium, Germany, and France—all the European countries—are seeking to develop their domestic industries, and are seeking to do so by way of a tariff? Is not that true?

Mr. PARKER. That is undoubtedly true.

Senator SHORTRIDGE. You say this good will affects trade?

Mr. PARKER. In my opinion it does.

Senator SHORTRIDGE. People buy where they can buy the cheapest, do they not?

Mr. PARKER. Yes.

Senator WATSON. And the best.

Senator SHORTRIDGE. And the best. The good-will idea has been greatly exaggerated, I think, there.

Mr. PARKER. I am inclined to agree with you on that. I think if a purchaser goes into a hardware shop and sees three axes there, one made in Germany, one made in France, and one made in the United States, he is pretty apt to pick out the best one. In that I agree with you.

Senator SMOOT. Do you think that the Latin-American countries will resent this increase of duty on Cuban sugar?

Mr. PARKER. I think so; yes, sir.

Senator SMOOT. Do you know that every Latin-American country has a higher rate of duty against Cuba now than we are asking for?

Mr. PARKER. Yes.

Senator SMOOT. Then what consistency is there in your belief? They do not want us to do it, but they are perfectly willing to do it themselves.

Mr. PARKER. The only answer I can give you to that is that there is a great deal of inconsistency in public opinion.

Senator SMOOT. That is true.

Senator SHORTRIDGE. There was a man here yesterday, well informed, who told us that Cuba would not be hurt at all by an increase in tariff.

Mr. PARKER. Yes; I was present yesterday.

Senator SHORTRIDGE. You heard Mr. Welch.

Mr. PARKER. Yes. His argument was, to me, very illuminating, because while he did not make a specific argument, the inference seemed to be fairly obvious; that is, that when the duty on sugar was increased at one time the price actually rose. Am I correct?

Senator SHORTRIDGE. Yes.

Mr. PARKER. And, conversely, that when the duty on sugar was decreased, prices decreased. Now, if we are to attach any economic importance to what he said, the inference is that today, if we wish to make our beet-sugar farmers enjoy a higher price for their sugar, we should reduce the duty.

Senator SHORTRIDGE. That might be your deduction from his testimony, but I did not draw those conclusions.

Senator HARRISON. You did not hear Mr. Welch disagree with those figures?

Mr. PARKER. No.

Senator SHORTRIDGE. But he said that if you want to destroy the American production of sugar, you should take off all the tariff.

Senator HARRISON. Take off all the tariff. I noticed that the members of the committee did not ask him the other question.

Senator SHORTRIDGE. I tried to get him to speak more definitely, but he said if we wished to destroy the American sugar industry, take off the tariff.

Senator WATSON. What becomes of your good-will idea when you reflect upon the fact that our total imports were $2,509,000,000 in 1921, and last year $4,091,000,000, and at the same time our total exports have increased from $4,300,000,000 to $5,029,000,000 under the present protective tariff, which was denounced as a tariff of iniquity and abomination.

Mr. PARKER. Of course, during this time our foreign trade has been normally increasing, and in 1920 most foreign countries were not recovered from the war and were not in position to do much.

Senator WATSON. It has been increasing ever since?

Mr. PARKER. We may often draw an erroneous conclusion in those matters. We can say that a thing is increasing, but it is a mistake to say that because of a tariff schedule it has increased or decreased.

Senator SHORTRIDGE. But it is fair to judge of a theory by the facts——

Senator WATSON. Over a period of years, uninterrupted.

Senator SHORTRIDGE. A theory must be judged ultimately by facts.

Senator HARRISON. Is it not a fact that one of the largest exporters, in values, in the United States, is the automobile industry, and they have no protection?

Mr. PARKER. Yes; I think they have some protection, have they not?

Senator HARRISON. Not on automobiles.

Mr. PARKER. My impression is that practically the automobile manufacturers are quite able to take care of themselves.

Senator HARRISON. It would seem so.

Senator SMOOT. The automobile business of America is one hundred times that of all the rest of the world combined.

Senator HARRISON. Without any protection.

Mr. PARKER. They have a highly fabricated article. Take office equipment and supplies and adding machines, and so on, which have no protection whatever; I was talking recently with the head of one of those companies, and he said, "We do not want any protection."

Senator HARRISON. They do not need any.

Senator SHORTRIDGE. Machinery and mass production enable them to compete.

Senator SMOOT. Nearly every one of them has manufacturing concerns abroad.

Mr. PARKER. Yes. I am afraid that I am taking too much of your time, but in view of what Senator Shortridge has just asked me, I would like to say that there seems to be a very general impression that the tariff helps foreign trade. If some brilliant economist, far more so than I would lay any claim to be, could find some means of applying the index number to articles of consumption and could assign a value of 95 to this tariff and 80 to that, and so on down the line, we could very reasonably say that up to a certain point—which I could not presume to state—for the sake of the argument, let us say 75 or 60, that protection was fully justified, I would say that when you get down into the index numbers of 40, 30, 25, and 20, then you are really imposing an unnecessary tax on the American people.

Senator SHORTRIDGE. Many of these college professors think trade should flow from nation to nation, even as the winds of heaven blow. They never think of the men and women and children who toil, and compare the conditions of the different nations. Therefore they are theorists.

Mr. PARKER. You can unquestionably make out a splendid case on theory for absolute free trade. There is no question about that; a great many of the arguments advanced against it are wholly fallacious. For instance, take the mere matter of national defense. It is wholly impossible for a country even as great as ours in time of war; and it is hardly likely that in the case of war the American Navy and Army and General Staff would allow a foreign enemy to come and take Cuba away from us. I am not greatly impressed with the war argument.

The reason why we should have some protection is for the purpose of creating an American industry.

Then there is the diversity factor which is one of the most-favored arguments, that all goods should be produced all over the world in the places where they can be most economically produced. That has been a theory. In other words, you have got to have every article specialized and produced in the place where it can best be produced. That is a beautiful theory, and if it went into effect goods would be cheaper all over the world.

Senator SHORTRIDGE. The laboring men and women of America—and we are all, in different degrees, laboring men and women—ultimately would be brought down to the level of the people of China.

Mr. PARKER. I am not so sure of that.

Senator SHORTRIDGE. Well, or to the level of Persia or other European and Asiatic countries.

Senator WATSON. We are getting far away from the sugar question.

Mr. PARKER. I do not want to take up any more of your time. I will merely say that I am not arguing for free trade. I believe there are limits there.

In regard to the sugar schedule, my thought is that we have gone about far enough, and it is inadvisable to go farther. I am very much obliged to you.

Senator SHORTRIDGE. It is our fault that you have taken the time. We have taken too much of your time.

STATEMENT OF EDWIN P. SHATTUCK, NEW YORK CITY, REPRESENTING THE UNITED STATES SUGAR ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. SHATTUCK. I represent the United States Sugar Association and its membership, who are Cuban producers of raw sugar.

These companies are American citizens and are subject to taxation in the United States, and, I assume, have a standing before this committee, notwithstanding, they do produce raw sugar in Cuba.

The relative importance of the industry which I represent is that in Cuba America has invested in the neighborhood of a billion and a quarter dollars; the sugar investments of American citizens are about $750,000,000.

I might say, relatively, that is approaching twice as much as the dollar investment in Hawaii, Porto Rico, the Philippines, and the domestic industry.

I would like to approach this subject from the point of view of tariff relations between Cuba and the United States, including our insular possessions. When referring to the facts I do so for the purpose of illustrating my points. I have no criticism, of course, of the domestic industry and its prosperity, and I sympathize with it in any depression. But it is necessary for me to give the facts that I have in order to establish my points.

I am starting with this assumption, which is a fact, that we represent an investment twice as large as the protected industry. I assume also the fact, which I think these hearings have brought out, and the hearings before the Ways and Means Committee of the House, that there are no real differences, no real inequalities in the type of labor employed in the different agricultural regions of sugar production, cane or beet.

Senator SMOOT. Do you mean to say that you pay as high a price in Cuba as we do in the beet fields?

Mr. SHATTUCK. I spoke of the type of labor, Senator. Now, coming to your question about the payment, I think there is probably a good deal of disparity between what is paid in the different regions. I should say that on the average the payment made to Cuban laborers is about the same as the average in the domestic industry; that is, including the continental United States and the insular possessions.

Senator SMOOT. Then you want to compare it with the Philippine Islands?

Mr. SHATTUCK. I want to compare the Cuban labor with the Philippine Island labor, the Philipino and the Japanese in Hawaii, also the Porto Rican labor, and the labor which you find in Louisiana, with which we are all familiar, and the foreign labor which is brought to the beet fields during the five or six months or seven months of culture time.

Senator SMOOT. It is not 5 or 6 or 7 months.

Mr. SHATTUCK. I think the facts show that.

Senator SMOOT. The facts show that not 2 per cent of them are foreign in Utah.

Mr. SHATTUCK. How many?

Senator SMOOT. Not 2 per cent in Utah.

Mr. SHATTUCK. I can not accept that statement.

Senator SMOOT. I do not expect you to.

Senator SHORTRIDGE. He said 2 per cent in Utah. He probably knows the fact. You are speaking generally.

Mr. SHATTUCK. Yes; he probably does. But, of course, Utah is a small proportion of the industry, and we must look at it in a rather broad aspect.

Senator HARRISON. Utah's production of sugar in the United States is very small as compared with the whole, is it not?

Mr. SHATTUCK. It is.

Senator SMOOT. I simply mentioned that because he made a broad statement.

Do you mean to say that the Great Western Sugar Co. does not pay their men more than is paid in Cuba?

Mr. SHATTUCK. The Great Western Sugar Co., I assume, pays its skilled labor pretty much upon the same basis.

Senator SMOOT. The labor that it employs upon its own lands in raising beets? They produce 47 per cent of the sugar that is produced.

Mr. SHATTUCK. Yes.

Senator SMOOT. Now, answer my question. Do you claim that this field labor in Cuba is paid the same wage as the Great Western Sugar Co. pays in the beet fields?

Senator SHORTRIDGE. For like labor?

Senator SMOOT. Yes; for like labor.

Mr. SHATTUCK. I do not know what it pays in its beet fields. But I understand that that is a limited amount of acreage, about 12,000 acres, as Mr. Lippitt testified to here.

Senator SMOOT. Then you want the farmer to be compared?

Mr. SHATTUCK. I want the man who takes a farm under contract for around $20 to $23 for the season's work per acre to be compared with the labor in Cuba. And I do not believe you will find a great deal of difference.

Senator SHORTRIDGE. Of course, there is the field labor and, as we will call it for the moment, unskilled labor, and then as you go up there is the labor in the mill, and the wages increase from step to step?

Mr. SHATTUCK. Yes, sir.

Senator SHORTRIDGE. But do you make your statement as applied to all of these types of labor, skilled and unskilled, and that the price of labor in Cuba is about the same as that in the United States?

Mr. SHATTUCK. I said the price of the skilled labor was probably higher in Cuba than in the United States.

Senator SMOOT. Is it a fact they pay 60 cents to a man working in the fields in Cuba?

Mr. SHATTUCK. It was testified yesterday by Mr. Snyder, of the Hershey Corporation, that they paid $1.

Senator SMOOT. That was in the mills. That was what they paid in the refining mills.

Mr. SHATTUCK. I do not mind being criticized for improper statements, but here is the testimony of Mr. Snyder yesterday:

> Senator SHORTRIDGE. What do you pay? You are about to tell us. What is the rate of wage there on the different types of labor?
>
> Mr. SNYDER. The general field laborers in 1928 were paid $1.

Senator SMOOT. The general field laborers?

Mr. SHATTUCK. Yes, sir.

Senator SMOOT. What did he mean by "general"?

Mr. SHATTUCK. I think he means what you mean. You asked me as to the field laborer. I think that is a fair statement.

Senator SMOOT. Do you mean to say, Mr. Shattuck, that they paid $1 for the ordinary Cuban labor in the cane fields for eight hours' work a day? But barring that, and no matter whether they worked 13 or 14 hours, do you mean to say that the labor in Cuba, the ordinary common labor in the fields in Cuba is paid a dollar a day?

Mr. SHATTUCK. I think the labor in the fields are paid $1 a day, according to Mr. Snyder's testimony, and in many other localities they are paid upon the basis of the amount of cane cut per day, which I understand runs from $1 to $1.50 per day.

Senator SMOOT. I don't mean cut; I mean where they cultivate it and where they begin and go clear through with the cane. I have seen reports from time to time here made as to Cuba years ago which said the wage paid for that class of labor was 60 cents.

Senator SHORTRIDGE. May I read into the record a sentence from a document furnished by our Secretary of Labor?

Senator SMOOT. Certainly.

Senator SHORTRIDGE. "Sugar-cane cutting, 1926–27, started at 60 cents and advanced as high as 80 cents," and so forth.

Mr. SHATTUCK. What date is that?

Senator SHORTRIDGE. That said 1926–27.

Mr. SHATTUCK. I repeat my general statement, sir—and I assume that we must legislate on broad principles, and we have to use averages—that the type of labor employed is practically upon an equality in the various regions of sugar production.

Senator SMOOT. But we have no such type of labor in the beet fields as there is in Cuba.

Senator SHORTRIDGE. The statement can be verified. It is either accurate or inaccurate.

Mr. SHATTUCK. Assuming those two facts, that we have an investment made by American citizens to protect—and I take it there are no preferential treatments to be accorded the money of American citizens and that there are no outstanding inequalities in the labor situation—we come then to the question of a fair tariff relation between Cuba and the domestic industry and look to see what the difference is in cost of production. There your labor may be involved. Of course, it is involved, as all costs are involved.

That subject, as you know, Senators, has been taken up at different times by official bodies of this Government.

In July, 1924, the United States Tariff Commission, after an investigation lasting more than a year, reported to the President that the cost difference between sugar production in Cuba and the United States—that is, insular and continental sugars—was 1.23 cents per pound.

Senator SMOOT. That was three of the members.

Senator HARRISON. The other two members did not want to give them an increase over 1.76, did they?

Mr. SHATTUCK. Two members stated in their report that the differences were 1.88. But they did not recommend any increase. But they did not take into consideration, Senator, the advantages and disadvantages in competition, which the law says they were required to take into consideration, and which the Attorney General, in interpreting the law, said they were required to take into consideration.

Those advantages and disadvantages which the two members omitted amounted to in the neighborhood of 70 cents per 100 pounds. So, if you take that reduction from the 1.88 you will get it still lower than the three members of the Tariff Commission found it.

Senator HARRISON. They went into the tariff matter thoroughly, did they not, upon the basis of cost of production in Cuba and everywhere else, and took into consideration everything pertaining to the sugar business?

Mr. SHATTUCK. They did, sir. They made the most comprehensive, most careful, most painstaking, and most scientific study that has ever been made in respect of the cost of production of sugar in Cuba and in the United States, more so than in any other investigation that has ever been made into that subject. And they heard witnesses from every region. The witnesses from every region agreed to the methods pursued in obtaining the data, and it was all placed before us for consideration and comment. It was the most extensive and most thoroughgoing and most painstaking investigation, as the record will disclose.

Senator SMOOT. What were you selling Cuban sugar for at that time?

Mr. SHATTUCK. As I recall, Cuban sugar was selling at that time between 2 and 3 cents a pound.

Senator SMOOT. And at that time you claimed that you were not making any money?

Mr. SHATTUCK. I do not recall. The record will show and the facts are there. There is no controversy about that subject.

Senator SMOOT. For what are you selling it now?

Mr. SHATTUCK. What is who selling it at?

Senator SMOOT. Cuba.

Mr. SHATTUCK. Cuba, I believe, is selling on a c. and f. basis to-day of about 1.74.

Senator SMOOT. Not in Cuba, but what you get. What are you selling it for in Cuba?

Mr. SHATTUCK. We sell on the basis c. and f. New York, I think, to-day at about $1.71 or $1.74 or $1.76.

Senator SMOOT. So you have $1.29 less than it was sold for in 1924, when this report was made?

Mr. SHATTUCK. Unfortunately, we have a very low price. I will take up that subject later. I think the price of sugar has little to do with the tariff relation between Cuba and the United States.

Senator HARRISON. Do you know of any product where the price does not vacillate some from year to year?

Mr. SHATTUCK. No, sir. I have never heard of that kind of product, except the 5-cent pop bottle, or something like that; but no raw material.

Senator SMOOT. This is what it was in Cuba in 1924: In January, 4.47; in March, 4.83; April, 4.23; May, 3.54; June, 3.04; July, 3.03; August, 3.26; September, 3.73; October, 3.90; November, 3.78; December, 3.30; or an average of 3.85.

Senator HARRISON. At the time they made the report, according to those figures, the prices had been declining for several months?

Senator SMOOT. Oh, no; the prices were high.

Senator HARRISON. All during the time this report was made for I understood you to say it was 3 cents.

Senator SMOOT. No; Mr. Shattuck said it was 3 cents.

Mr. SHATTUCK. No; I said between 2 and 3.

Senator HARRISON. In listening to the figures, they seemed to me to indicate it was declining.

Senator SMOOT. No; these averaged 3.85.

Senator HARRISON. I do not mean the average.

Senator SMOOT. The last one was 3.04.
Senator HARRISON. Was that in August?
Senator SMOOT. In June.
Senator HARRISON. What was it in August?
Senator SMOOT. In August it was 3.26.
Senator HARRISON. What was it in January before that?
Senator SMOOT. In January, 4.47.
Senator HARRISON. They were working on the report in January of that year, and they did not file the report until August of that year, and through that part of the year the price of sugar in Cuba had been going down gradually.
Senator SMOOT. The investigation started before.
Mr. SHATTUCK. At this time, regarding the report, I would like to say that yesterday Mr. Love read to a considerable extent from President Coolidge's statement in which he declined to accept the recommendation of the Tariff Commission. At the end of that statement—although I do not have it before me—President Coolidge stated that, should the price of sugar rise, he would again give consideration to the recommendations of the Tariff Commission.
I merely state that to show that President Coolidge did not deny the accuracy of the Tariff Commission's report.
Senator SMOOT. But unfortunately sugar has not risen; it has declined.
Mr. SHATTUCK. But, Senator, I am addressing myself to the proper tariff relation between Cuba and the United States—not to the price of sugar.
I realize that there is a depression in the sugar industry. In no section is it so depressed as in Cuba. But that is not my tariff problem. I am coming to that in just a little while, to show that it is improper, inequitable, unjust to widen the tariff spread that now exists, which is now beyond the cost of production, now beyond fair competitive conditions between the two regions, and the price and the tariff are not the same subjects. We would like to raise the price, the same as you would, but you do not raise it properly by further imposing the burden upon Cuba. There is no logic for it——
Senator SMOOT. Cuba dictates the price.
Mr. SHATTUCK. And that is why I am referring to these costs of production.
Senator SMOOT. Now, Mr. Shattuck, go ahead and make your statement just as you want to make it.
Mr. SHATTUCK. The Institute of Economics, after an intensive study, carried on by Mr. Philip G. Wright, who is an expect, a well-known expert employed by the Tariff Commission for a time, found the difference about the same time, 1923 to 1924, to be between 1¼ and 1½ cents per pound.
During the war the Food Administration, and the Tariff Commission again, in order to arrive at a fair price between domestic sugars and Cuban sugars, went into the question of cost of production. And there they gave a preference of 38 cents per 100 pounds to the domestic industry in addition to the 1-cent tariff that was then prevailing.
Senator HARRISON. Was that the time Mr. Hoover was at the head of the Food Administration?
Mr. SHATTUCK. Yes, sir; it was.

So again we find a determination by competent expert bodies that the difference in cost of production between Cuba and the United States was 1.38 cents per pound.

The Tariff Commission at an earlier period, in considering prewar prices, made a study, and they brought them through 1916, 1917, and 1918, and they found the difference to be 1.34 cents per pound. That was a less mature consideration than the other investigation of the Tariff Commission. It took a great many less plants in the various regions.

But there are four investigations, three official investigations by commissions of the United States, finding that the difference in cost of production is between 1.23 cents and 1.50 cents a pound.

I think we all know that, relatively speaking, there are no real changes in costs over the past three or four years. We have to buy the same kinds of materials, we have to employ the same kind of labor, and our costs arise and decline on about an equality in the various regions of sugar production. And I draw the conclusion from that that to-day the difference in cost of production in Cuba and the United States and its insular possessions, taken as a whole, is less than 1.50 cents per pound.

Senator SMOOT. You will agree, then, with the commission's report as to the cost of labor in Cuba?

Mr. SHATTUCK. I agree with the commission's figures. I think they were all right.

Senator SMOOT. I simply asked you because of what you said. You agree with that report, including the cost of labor at that time in Cuba?

Mr. SHATTUCK. I don't know what they found as to labor. I agree with the report. I am not trying to fence with you, Senator. I would gladly give you any further information that I have. I think their data was correct.

But I do not think you get my point. I said that there are no inequalities in the type and condition of the labor. And I think that is a fair statement to make in respect of the agricultural labor.

Senator SMOOT. But we haven't any such type.

Mr. SHATTUCK. The man in Cuba may get less per day, but he gets certain other advantages that to him are quite as good and quite as compensatory, and he is quite as happy as the Mexican who comes north and lives as he does during the agricultural season.

Now, I say that there are no inequalities. There is practically no American labor. All of the agriculture labor is non-American.

Senator SHORTRIDGE. Do you mean here in the United States?

Mr. SHATTUCK. I mean in the United States and in the protected regions of Hawaii, Porto Rico, and the Philippine Islands.

Senator SHORTRIDGE. Of course, you might institute a comparison as between the many laborers in Porto Rico, Cuba, Hawaii, and the Philippines.

Mr. SHATTUCK. Yes.

Senator SHORTRIDGE. And you would reach certain conclusions?

Mr. SHATTUCK. Yes, sir.

Senator SHORTRIDGE. But when you compare labor in those several islands with labor in America you might reach a different conclusion.

Mr. SHATTUCK. Yes, sir. But I say taking it broadly.

Senator SHORTRIDGE. All right. I understand you.

Mr. SHATTUCK. I say, taking it broadly that the labor in the agricultural fields in the United States and elsewhere is largely foreign.

Senator SHORTRIDGE. And receive about the same wage; is that your contention? I am not criticizing it at all, but I want to understand your position.

Mr. SHATTUCK. That is my position, sir. And I can explain why if you want me to go into the matter further in detail.

Senator SHORTRIDGE. No; but you make that statement?

Mr. SHATTUCK. Yes; I do.

Senator SHORTRIDGE. It is either accurate or inaccurate. I am not saying anything now as to whether it is or not.

Mr. SHATTUCK. And I wish the Senate to examine into the contract labor in the beet fields. The contract laborer is a man who, we will say, comes from the outside, from Mexico or Texas, or some place. He is probably a Mexican. And the farmer makes a contract with him to thin the beets, to weed the beets, hoe the beets, dig up the beets, for so much per acre. That runs from $18 to $24 an acre, as I understand it. And my information is that that man and his family come and take up those 8 or 10 acres and live there in some temporary quarter during the summer, and he does not make very much per day for the labor that is employed by his family on those acres.

Senator SMOOT. You have never been out there, have you?

Mr. SHATTUCK. No; but I have talked to a great many people who have. You agree with that fact, don't you?

Senator SMOOT. No; I do not.

Senator SHORTRIDGE. Let me read into the record a statement which comes from this document furnished by the Secretary of Labor. It is under the head of "Wages of Sugar Field Workers, 1927."

The Commerce Yearbook for 1928 notes as follows regarding the wages of sugar-field workers in 1927:

"The unemployment problem became serious in Cuba during 1927, to some extent in Habana, and especially in the country. In order to avoid undue distress sugar companies kept as many as possible at work, but it was reported that field workers were getting as low as 60 cents per day.

That is the statement here issued and taken from the Commerce Yearbook for 1928.

Senator HARRISON. The Department of Labor, too, stated this, did it not, Mr. Shattuck, that foreign labor, especially Mexican labor, is used very widely in the beet-sugar industry, and, according to the report, 75 to 90 per cent of the workers in the beet fields of Ohio, Michigan, Minnesota, and North Dakota were Mexicans, and the other 10 to 25 per cent largely Europeans?

Mr. SHATTUCK. They did, sir.

Senator WATSON. What is the difference where they come from if they receive the American wage rate or the same as the American would get if he were working in the same field.

Senator SHORTRIDGE. The point is as to the cost to the several companies in the manufacture of sugar, one of the elements being the price paid for labor.

Senator HARRISON. There is a great question between the chairman and the witness as to the character of labor here? The chairman says they do not work any Mexicans out there in Utah.

Senator SMOOT. I did not say no Mexicans.

Senator HARRISON. Oh I understood you to say that.

Senator SMOOT. I said not over 2 per cent.

Senator SHORTRIDGE. I shall be very glad to continue to listen to the witness and give him a full opportunity to state his views.

Senator SMOOT. We will check it up.

Mr. SHATTUCK. I thought it was quite sufficiently covered by the testimony, but because of the questions by the chairman, I think I might be permitted to put in a few statements from people who do live in the beet-growing sections.

Senator SMOOT. Put in anything you want to.

Mr. SHATTUCK. It is on this very subject I want the Senators to be informed.

Senator WATSON. This is your statement and you are entitled to make it.

Mr. SHATTUCK. These are statements of witnesses before the Ways and Means Committee. Mr. Cummings, representing the Mountain State Beet Growers Marketing Association, page 2905, volume 5, of the Ways and Means Committee, stated:

> Mr. WATSON. Are the contract laborers American or mostly foreigners?
>
> Mr. CUMMINGS. Mostly foreigners. It is hard to get Americans to do that kind of work.

Mr. Carlson of Greely, Colo., representing the same association, the Mountain State Beet Growers Marketing Association, stated, on page 2935, as follows:

> Mr. CRISP. All of the witnesses who have testified have stated that the American labor as a rule objected to working in beet cultivation. What is the especially objectionable feature in the cultivation of beets? Is it in weeding it? Does it have to be done by hand, where they get down on the ground and can not use an implement? What is the special feature to which American labor objects?
>
> Mr. CARLESON. Perhaps there is more than one thing. You have to get down on your hands and knees to thin the beets. Another reason is that we have to obtain sufficient help at a particular time when those beets have to be thinned. It takes a great number of employees, and generally the beets have to be thinned within a month or a month and a half.

Mr. Gallagher, of Toledo, Ohio, representing the beet raising industry of Indiana, Ohio, and southern Michigan, in testifying before the Ways and Means Committee of the House, at page 2973, stated in answer to Mr. Timberlake's question:

> Can you get American labor to engage in that character of work?
>
> Mr. GALLAGHER. Very few of them. They are almost negligible in quantity.

Senator HARRISON. Mr. Timberlake was a Congressman from Colorado, was he not?

Mr. SHATTUCK. He was.

Senator HARRISON. And he asked that question?

Mr. SHATTUCK. Yes, sir.

Mr. Alma Lindholm, Idaho Falls, Idaho, representing the Idaho Beet Growers Association, testified as follows:

> Mr. RAINEY. To what extent do you employ Mexican labor out there?
>
> Mr. LINDHOLM. Well. I guess it is about three-quarters; two-thirds, or three-quarters.

Senator SMOOT. What labor was that; that was in cultivating and thinning the beets?

Mr. SHATTUCK. Yes.

Senator SMOOT. What is referred to there is these Mexicans doing this work getting down on their knees and thinning out the beets?

Mr. SHATTUCK. I could cite much more testimony to the same effect, but I assume that it is pretty well conceded and understood. I make no criticism of it. I am trying to bring out the facts, that is all. I want us not to overlook the fact that this proposed tariff increase also reaches Hawaii, Porto Rico, and the Philippines, and includes the inequalities there, too, especially.

The Tariff Commission, in its investigation on which it reported in 1924, found that the difference between the cost of production of sugar in Cuba and that in Hawaii was one-half cent per pound. The difference between Porto Rico and Cuba was about 1 cent, and a small fraction, 1 cent a pound.

Senator HARRISON. Do you mean they produced cheaper in Hawaii than in Cuba?

Mr. SHATTUCK. No; the cost in Hawaii was 50 cents a hundred pounds more than in Cuba. The tariff proposed is $2.40 per hundred pounds.

Senator SHORTRIDGE. It costs more in Porto Rico?

Mr. SHATTUCK. It cost 1 cent more.

Senator SHORTRIDGE. One cent more than Cuba?

Mr. SHATTUCK. Yes; taking Porto Rico, 1 cent higher than Cuba.

Senator SHORTRIDGE. As to the Philippines, you have it there?

Mr. SHATTUCK. As to the Philippines, the Tariff Commission would not consider the Philippines' domestic production, and therefore did not consider them, but our information at the time which was submitted to the Tariff Commission showed that the Philippine costs were really lower than the costs of any other insular possession and were pretty well under the costs of Cuba, but that was not a part of their determination. But I think it is very important to have in mind how little the cost of production in these protected regions is above the Cuban cost.

Senator SMOOT. We could agree upon it, therefore, that you would not like to have sugar come in free from the Philippine Islands?

Mr. SHATTUCK. I think that the Cuban producers feel that they are unjustly discriminated against in permitting free importations from the Philippine Islands and imposing a heavy duty on their investments in Cuba, and we feel that the Philippine production is capable of very large expansion; that they will be able to produce sugar there at a very low cost, and the acreage is almost unlimited for production, and it will gradually and in a little while very extensively increase.

Senator WATSON. What limitation would you suggest?

Mr. SHATTUCK. I should think, my own personal opinion is——

Senator WATSON. That is what I meant.

Mr. SHATTUCK. My opinion would be that it would be perfectly fair at this time, certainly eminently fair at this time, to make a limitation about the same as their present importations into the United States, so as not to interfere with any property rights or investments.

Senator SHORTRIDGE. Very well. For the record, how many tons are imported from the islands?

Mr. SHATTUCK. To-day, the importations are around 500,000 to 600,000 tons.

Senator SMOOT. They are 685,000 tons.

Senator SHORTRIDGE. I just wanted that in the record.

Senator WATSON. That is more than I thought.

Senator SHORTRIDGE. Is that the amount coming in?

Senator SMOOT. As I remember it, it is 685,000 tons.

Mr. SHATTUCK. Last year it was 513,000 long tons.

Senator SMOOT. That is long tons; 2,240 pounds. I am talking about 2,000-pound tons.

Senator WATSON. That is the way I remember it. The record shows 515,000 long tons.

Mr. SHATTUCK. I feel that the Philippine Islands could not be harmed in any manner by any such limitation as that. I feel that it would be a benefit to the Philippine Islands to encourage other kinds of production there; not to interfere with their capital investment, but to try and get them interested in other kinds of production.

Senator SHORTRIDGE. That is about the limit of their present capacity, is it, as you say?

Mr. SHATTUCK. I understand that with the present fields this year, Senator Shortridge, it is estimated that they will produce 735,000 tons.

Senator SHORTRIDGE. Long tons or short tons?

Mr. SHATTUCK. May I supply that in a moment?

Senator SHORTRIDGE. Yes, certainly.

Mr. SHATTUCK. Of course, gentlemen, they have a protection now of $1.76 a hundred pounds against Cuba.

Senator SMOOT. It is a little more than 685,000 tons.

Senator SHORTRIDGE. For the record, what was it last year, Senator?

Senator SMOOT. A little more than 685,000 tons. I will give you the exact amount.

Senator WATSON. Is that long tons or short tons?

Mr. SHATTUCK. Seven hundred and thirty-two thousand long tons is the estimate for this year. I would like to point out this fact regarding the Philippines. Of course it does not mean, if you put a limitation on them, that they can not ship sugar here.

Senator SMOOT. There is a difference of about 24 in freight charges, in transportation, between the Philippines and New York.

Senator SHORTRIDGE. That is very important, and it should be taken into consideration.

Senator HARRISON. Have the Philippines any other market outside of the United States?

Mr. SHATTUCK. I think they have some market in China and the Orient.

Senator HARRISON. How much?

Mr. SHATTUCK. I should say about 60,000 tons. Up to this point, gentlemen, I have assumed there is to be no preferential treatment of American investments. I have assumed, as a general proposition, that there are no labor conditions that have to be equalized by this tariff, and I say on top of that, that all our quasi-judicial determinations on the subject have resulted in finding that the proper tariff spread between Cuba and the United States and the insular possessions, as an average, was about 1.23 cents per pound. The rate to-day is 1.76 cents a pound, a half a cent a pound higher than the difference in cost of production, and it is proposed to raise it to 2.40 cents per pound, which would be about 1.17 above the difference in cost of production.

Now let me turn to another illuminating part of this subject—it is to me—and that is in respect to net profits and losses in the various regions of sugar production in the protected regions of the Philippines, Porto Rico, and Hawaii, and the beet regions of the United States and in Cuba. I think we will all agree that a comparison of these operating results will give a fair idea of what adjustment is needed in our tariff rates to bring about an equality of competitive conditions. The year 1928, last year, was a subnormal year in respect to sugar prices, and we have heard a great deal about the distress prevailing in the protected sugar industry. The actual operating results come with a really startling surprise.

Hawaiian sugar companies with a total production of 448,956 tons, which is about 50 per cent of its total production, showed a combined net profit, after depreciation and taxes, in 1928, of $10,585,305.

Senator WATSON. On what investment?

Mr. SHATTUCK. On one-half of the sugar production in Hawaii.

Senator WATSON. I mean on how much invested capital did they have a profit of $10,000,000?

Senator SMOOT. The other half was what?

Mr. SHATTUCK. The other half, I hope will be brought forward, the other half we have not been able to get. This was obtained through the Manual of Hawaiian Securities, published by the Honolulu Stock and Bond Exchange.

Senator WATSON. It is nothing to us to know that they made $10,000,000 once, or to know what they make it on.

Mr. SHATTUCK. It is a great deal to me to know that in producing 500,000 tons of sugar, $10,000,000 was made.

Senator WATSON. But how much did they invest to do it, how much did it cost them to do it?

Mr. SHATTUCK. The cost of production, according to the Tariff Commission, was one-half of a cent a pound higher than Cuba, and I am now trying to bring before this subcommittee the relative position in Cuba and the other producing regions of the United States.

Senator WATSON. That is all right.

Senator HARRISON. That $10,000,000 was made on a certain investment. What per cent was that on the investment?

Mr. SHATTUCK. I think I may be able to give you that.

Senator SMOOT. You are not going to quote Mr. Doran's figures, are you?

Mr. SHATTUCK. No, sir.

Senator SMOOT. The things that he quoted here from the Great Western Co.?

Mr. SHATTUCK. No; I am going to give you some statistics which are public property, which are taken from the Manual of Hawaiian Securities, published by the Honolulu Stock and Bond Exchange, and the annual reports issued by the individual companies.

Senator SHORTRIDGE. What is the sum and substance, now, of your statement at that immediate point?

Mr. SHATTUCK. It is that one-half of the production of Hawaii, representing about 448,000 tons, made a profit last year, during this depressed period, of over $10,000,000.

Senator SHORTRIDGE. I see.

Mr. SHATTUCK. And that net profit showed, from these statements, an average of 23.26 per cent earned per share.

Senator HARRISON. Twenty-three and one-fourth per cent?

Mr. SHATTUCK. Yes; and that they paid last year 16.95 per cent per share.

Senator SHORTRIDGE. By way of dividends, you mean?

Mr. SHATTUCK. Yes.

Senator SMOOT. In other words, they made about $22 per ton?

Senator SHORTRIDGE. I will not comment, but I do not see why they took just that number of tons and estimated it as being one-half of the output, and followed it with the statement you have read. Why did they not take the whole product of the islands?

Mr. SHATTUCK. I explained to the subcommittee, but I guess you did not hear, that these were all the company reports that were available. We are outsiders. We find them from the manuals, and in this particular case these figures were taken from the Manual of Hawaiian Securities.

Senator SHORTRIDGE. Then you do not know what the others made?

Mr. SHATTUCK. No, I do not. I assume that this is a fair average.

Senator HARRISON. There is no joker in this. If you could have gotten the figures of other concerns, you would have gotten them?

Mr. SHATTUCK. Yes.

Senator SHORTRIDGE. There is no joker at all.

Mr. SHATTUCK. I am trying to give you the facts. If you do not want the facts, do not hear me.

Senator SHORTRIDGE. I merely remarked that it seemed strange, when he prepared that statement, why he did not include the whole output of the islands.

Mr. SHATTUCK. I told you before, and I now tell you again——

Senator SHORTRIDGE. I am not reflecting upon the accuracy of the statement at all.

Senator HARRISON. You have no reason to believe that if anybody would have gotton them all, they would not have shown the same earnings.

Senator WATSON. As I understand, you show the earnings on that part that came to the United States; is that right? Half is all that came to the United States?

Mr. SHATTUCK. I understand that all of it came to the United States.

Senator WATSON. The strange thing, then, is that we could not get the whole business instead of only half of it.

Senator SMOOT. It is a very funny thing.

Senator WATSON. It is a strange situation.

Mr. SHATTUCK. Did you understand my explanation?

Senator WATSON. Yes; but it is still strange.

Senator HARRISON If you had sent a man to Hawaii, and he had gone over the books of every concern there, and found and visited every establishment, and gotten their earnings, the result would not have differed from what you have gotten there from Moody's

Manual and these other sources; you could have gotten it all, could you not?

Senator SMOOT. He can get it all now.

Senator HARRISON. He says that he could not.

Mr. SHATTUCK. Where could I get it?

Senator SMOOT. I did not say that it was not all that you could get with the energy that you have put forth; but the whole production of the islands, and where it goes and what it costs, that is published and can be secured; and I suppose that a man who will speak here will be here to answer.

Senator SHORTRIDGE. Who prepared that?

Mr. SHATTUCK. This was prepared by an accountant from the Manual of Hawaiian Securities, published by the Honolulu Stock and Bond Exchange, and from the annual reports issued by the individual companies.

Senator SHORTRIDGE. And he deals with one-half of the output?

Mr. SHATTUCK. He deals with all the statements that he could get hold of, which are just about one-half.

Senator SHORTRIDGE. I see.

Senator HARRISON. I want to get down to these American concerns, if you have got those, or when you get those.

Mr. SHATTUCK. These are American concerns.

Senator HARRISON. I mean that are raised in this country, and that are doing business here, like the Utah-Idaho Sugar Co.

Senator WATSON. You can get all those. You will not have to stop at one-half.

Mr. SHATTUCK. May I put that in this record?

Senator SMOOT. Certainly.

Senator SHORTRIDGE. I am not attributing it to you, but it seems to me there was something misleading in that statement, because it seemed to me, as stated by the chairman, that any competent accountant with the time at his disposal would have given the figures covering the whole output.

Mr. SHATTUCK. Where would he get them, Senator?

Senator SHORTRIDGE. He would get them from the books of the various concerns.

Mr. SHATTUCK. From whom?

Senator SHORTRIDGE. From the books of the different concerns manufacturing, shipping and selling sugar.

Mr. SHATTUCK. The books of the various concerns are not available to my inspection, and you know that.

Senator SHORTRIDGE. I know. I am not reflecting upon you at all; but this seems to have been prepared by some gentlemen down in the islands.

Mr. SHATTUCK. No, it was prepared by a gentleman in New York, from reports issued by the Hawaiian Stock Exchange, and individual reports of the companies.

Senator WATSON. Yes; and they issued reports and all you could get hold of was one-half of the production, which is not illuminating to my mind.

Senator HARRISON. It is very illuminating to some of our minds.

Mr. SHATTUCK. I submit it for what it is worth. To me it is important, or I would not bother you with it.

Senator WATSON. All right. We are glad to have your view of it, of course.

Mr. SHATTUCK. I hope you are frank in that statement.

Senator WATSON. I am, of course. I always like to hear a man's opinion about a question, when he is competent to testify.

Mr. SHATTUCK. I have very frankly told you the sources of my statement, and why I was limited as to further information.

Senator WATSON. There is no reflection to be made on you, at all.

Mr. SHATTUCK. Now, may I likewise give this committee reports showing the earnings of a portion of the Porto Rican sugar companies? Would that be of any interest to the committee?

Senator SHORTRIDGE. Of a portion of them? Some might make money and some not.

Mr. SHATTUCK. Yes; that is quite so.

Senator SHORTRIDGE. For many reasons.

Senator HARRISON. But these were all that were available to you?

Mr. SHATTUCK. All that were available to me.

Senator SMOOT. Those were all that were available to you in Porto Rico?

Mr. SHATTUCK. Yes.

Senator SMOOT. You got them all in Porto Rico, did you?

Mr. SHATTUCK. They were prepared by an accountant from Moody's Manual and the annual report of the individual companies. I will put this in the record, and if you have any criticism of it, all right.

Senator SMOOT. Is that all of the sugar companies in Porto Rico?

Mr. SHATTUCK. This represents 52 per cent of the total crop.

Senator SMOOT. The other 48 per cent is not represented?

Mr. SHATTUCK. No.

Senator HARRISON. Let us know about this 52 per cent.

Senator SMOOT. We will get about one-half.

Mr. SHATTUCK. That is what the Tariff Commission got in a great deal of its figures.

Senator WATSON. That is the reason they made the report they did.

Mr. SHATTUCK. I am stating the facts, Senator. You can not always get 100 per cent of something. You have got to take samples, you know. You take samples out of every ten bags to find out what kind of wheat it is, and you take averages.

Senator WATSON. Yes.

Senator HARRISON. Let us have it, whether it hurts or not.

Senator WATSON. It is not a question of whether it hurts, but whether it helps.

Mr. SHATTUCK. This is on Porto Rican sugar companies representing 349,794 tons out of the crop of 1928, which showed net profit, after depreciation, of $7,476,181.

Senator HARRISON. What per cent is that of earnings?

Mr. SHATTUCK. That is 52 per cent of production.

Senator HARRISON. I mean, altogether.

Mr. SHATTUCK. The per cent earned per share was 34.29 on its common stock.

Senator WATSON. Of that 52 per cent?

Mr. SHATTUCK. Yes; those companies.

Senator SHORTRIDGE. These figures are in his statement, and you are quoting it as given to you, which I am not criticising.

Mr. SHATTUCK. Yes; it is a statement made by the accountant. The amount paid per share on common was 18.14 per cent.

Senator SMOOT. This is a "revised" statement which I have here. Have you the the original statement of the Hawaiian plants?

Mr. SHATTUCK. That is the only statement I have, Senator.

Senator SMOOT. This says it is a "revised" statement.

Mr. SHATTUCK. Well, it must be very correct, then.

Senator WATSON. They revised out the other 50 per cent.

Mr. SHATTUCK. No; there has never been more than 50 per cent.

Senator SHORTRIDGE. The value of the stock is not given there. When you say that certain dividends have been issued and paid, there is no statement as to the value of the stock.

Mr. SHATTUCK. No; but that was figured by this accountant on the basis of the amount paid in to the companies upon the stock.

Senator SHORTRIDGE. Who was he; what is his name?

Mr. SHATTUCK. I can give you his name.

Senator SHORTRIDGE. Who is the gentleman? He may be here?

Mr. SHATTUCK. No; he is not here. His name is Samuel Schoenfelt. He is in New York, and I think his address is the New York University, New York City.

Senator HARRISON. These will be put in the record, I presume?

Mr. SHATTUCK. Yes; I would like to have them put in the record.

Senator HARRISON. Does that mean that is the latest revision of the properties and includes all the companies that you can get?

Mr. SHATTUCK. That is as I understand it; yes, sir.

Senator SHORTRIDGE. Does this include the Philippines?

Mr. SHATTUCK. I have not the Philippines. I would like to have had them, but I could not get them. They were not available. This is the United States beet-sugar companies, and this represents 75 per cent of the reduction.

Senator HARRISON. How many companies does that include?

Mr. SHATTUCK. Three companies.

Senator HARRISON. What are they?

Mr. SHATTUCK. The American Beet Sugar Co., the Great Western Sugar Co., and the Holly Sugar Corporation, representing 75.2 per cent of the production last year, 725,883 tons.

Senator SMOOT. That is only the companies that made a profit?

Mr. SHATTUCK. No; that is 75 per cent of them.

Senator SMOOT. Yes. That is the way these other companies are included too?

Mr. SHATTUCK. And they show net profits after depreciation and taxes of $8,541,667.

Senator HARRISON. What per cent of earnings is that?

Mr. SHATTUCK. That is 19.47 per cent per share on common stock. I will put that in the record.

Senator HARRISON. I want all those in the record.

Mr. SHATTUCK. Now, the Cuban sugar companies——

Senator HARRISON. Let me ask you: Why did you not put some of the other sugar-beet companies in in this country?

Mr. SHATTUCK. Well, there are only a very few whose statements are available, as I understand it.

Senator SMOOT. We can get a statement of any sugar company in the United States.

Mr. SHATTUCK. Put it in. Why are they not put in? I think they are important facts.

Senator SMOOT. You can go to a bank in New York and get them. You can go anywhere and if you could have got these three companies in America you could have gotten the other companies.

Mr. SHATTUCK. What are the names of all the others? Let's see if we could get them.

Senator SMOOT. I have not got a list here.

Mr. SHATTUCK. Neither have I.

Senator SMOOT. You know how many there are, do you not?

Mr. SHATTUCK. No.

Senator SMOOT. Well, there are more than three.

Mr. SHATTUCK. I know that three is a rather important part of them. It is 75 per cent.

Senator SMOOT. Certainly, but it is only three.

Senator SHORTRIDGE. It says here, "Source of data Moody's and Poor's manuals and the annual report of the individual companies." There are only three companies set out. The other companies must have put out annual reports.

Senator WATSON. Let us let the witness go on and finish his statement.

Senator SMOOT. If there are three of them put in, all of them ought to go in. Go on.

Senator WATSON. Senator Smoot is not the witness. Let the witness finish his statement.

Mr. SHATTUCK. The Philippines, I was unable to get.

Senator HARRISON. Why is it that some American concerns that are not quite as large did not make as much money or make any money, while these here other concerns' competitors are making big money?

Mr. SHATTUCK. Well, I suppose the explanation has been as testified to; some are efficient, some have good localities, some have better selling markets, some have better labor conditions.

Senator HARRISON. Do you know anything about the Utah-Idaho Sugar Co.?

Mr. SHATTUCK. No; I do not.

Senator HARRISON. You do not know why it has not made money?

Mr. SHATTUCK. I am not familiar with the reasons.

I would like to compare these extremely satisfactory operating results of these three protected regions during a period of extremely low sugar prices with the 1928 operating results of the Cuban sugar companies. There we have 23 sugar companies.

Senator SMOOT. Twenty-three sugar companies in Cuba?

Mr. SHATTUCK. Yes, sir.

Senator SMOOT. There are more than 23 companies in Cuba, are there not?

Mr. SHATTUCK. Yes.

Senator SHORTRIDGE. You did not take them all in Cuba?

Mr. SHATTUCK. No. I have 23 sugar companies, representing approximately one-half of the total sugar crop of Cuba.

Senator SHORTRIDGE. Why did you not take them all, if there be any reason? I do not know, but why not?

Mr. SHATTUCK. Because they are not all available.

Senator WATSON. Let me ask you this question: Are those the only ones that have made any money that you have here?

Mr. SHATTUCK. These did not make any money.

Senator WATSON. They did not make any money. Did you leave out the ones that did make money, then?

Mr. SHATTUCK. No. I do not think there is any sugar company that did make money in Cuba.

Senator WATSON. Then you should have included them all. You make the assertion that they did not make any money. These 23 are typical of the whole 100 per cent, then?

Mr. SHATTUCK. Yes. These companies represent 50 per cent of the total production of Cuba, and 14 of them, representing 45.6 per cent of the production, made losses last year, total losses after depreciation and taxes, of $9,786,329.

Senator SMOOT. Did Cuba fix the price for sugar?

Mr. SHATTUCK. Did Cuba fix the price?

Senator SMOOT. Yes.

Mr. SHATTUCK. No.

Senator SMOOT. Who fixed the price?

Mr. SHATTUCK. The world-market conditions fixed the price pretty well.

Senator SHORTRIDGE. When you say the world market fixes the price, some human being, some man or group of men or committee in some room at some time at some place fixes the price, is that not so? I would like to know how that is done. This world market fixes the price, but some man or men fix the price, do they not? It may seem a very childish question but a great many people wonder what it all means when you say the world market or world production fixes the prices. Men get together, somewhere, do they not, and fix the prices, based upon information, doubtless, is that not so?

Mr. SHATTUCK. I should say that demand and supply fixes the price.

Senator SHORTRIDGE. Demand and supply do not act automatically. Some human brain deals with the facts.

Mr. SHATTUCK. Yes.

Senator SHORTRIDGE. And the man fixes the price.

Mr. SHATTUCK. But more than one I should say.

Senator SHORTRIDGE. Very likely. Where are they located—in New York City?

Mr. SHATTUCK. In New York, in Holland, in Hamburg, Czechoslovakia, Java—in all the world.

Senator SHORTRIDGE. Do they get into a conference and fix the price?

Mr. SHATTUCK. They have exchanges here and there just as the stock prices are in relation in the various world markets. There is a demand and there is a supply for every commodity, as far as I know.

Gentlemen, this may not have been illuminating to you, but it is to me. Here you have three protected regions of the sugar industry. During last year 50 per cent of that total production made about $25,000,000; 50 per cent of the Cuban production lost $9,000,000. We are trying to find a proper tariff relation between Cuba and the United States and I submit, sirs, that that is an important fact and should be taken into consideration along with the other facts in arriving at your conclusions.

Senator SHORTRIDGE. It is misleading unless the 50 per cent is representative of the 100 per cent production in the several countries.

Mr. SHATTUCK. Unless it is representative; yes. We have 75 per cent of the beet-sugar industry.

Senator SHORTRIDGE. The way I would proceed about it——

Mr. SHATTUCK. Is that industry not pretty fairly prosperous if 75 per cent of it is prosperous?

Senator SHORTRIDGE. You might draw that inference, and perhaps correctly, but to get at the matter a little more accurately we ought to take the total production in Cuba, the total production in Porto Rico, in Hawaii, in the Philippines, and in the United States; take the total. Then we would have something to go on.

Mr. SHATTUCK. I would like to reserve the right to insert into the record, which I tried to get for you to-day but have not yet received it, a statement made by all the companies in Cuba, at least 90 or 95 per cent of all the companies in Cuba, showing their profits and losses in their reports to the Cuban treasurer. That will be practically 100 per cent.

Senator SMOOT. So that I may understand you and you may understand it as I do, in looking over the statement of the Hawaiian sugar companies, representing 49.7 per cent, you have par value of stock $20 on all of it?

Mr. SHATTUCK. Yes, sir.

Senator SMOOT. Then you say, percentage of earning per share. That is the percentage on the $20. Have not those companies a reserve? That was the original amount.

Mr. SHATTUCK. Yes, sir.

Senator SMOOT. Is it not fair, if you are going to be perfectly square in this thing, to have put the value of the stock in and not the par value of the stock?

Mr. SHATTUCK. You mean the quotations?

Senator SMOOT. Yes.

Mr. SHATTUCK. No; I do not believe you can get at a fair——

Senator SMOOT. If this company here has $20 par value stock and for 50 years were building up that stock and had a $20 reserve, then this percentage here on a share would be cut in two, would it not?

Mr. SHATTUCK. Yes, sir; but that is the percentage on the capital investment.

Senator SMOOT. It says here "par value of stock."

Mr. SHATTUCK. That is the capital investment.

Senator SMOOT. Yes; that is the capital investment, but those companies have been running for 30 or 40 years and they have got a reserve there and necessarily they should and ought to have. You have got your percentages here on the $20. That is not fair, is it?

Mr. SHATTUCK. It is fair, sir; and they are all on the same basis. They are all on the same basis.

Senator SHORTRIDGE. To the average man it would be misleading, I think, as showing the condition of the business.

Mr. SHATTUCK. Why, I am merely showing a comparison. I am not criticising them. I hope they make more than that; I hope they will make more than they are making there. I want them to make more.

Senator WATSON. You have given the American beet-sugar production. What about the American cane-sugar people? You have not given a statement of their financial condition, have you?

Mr. SHATTUCK. No, sir.

Senator WATSON. You have not got that?

Mr. SHATTUCK. No, sir.

Senator SMOOT. You are interested in the Cuban-American Sugar Co., are you not?

Mr. SHATTUCK. No, sir; I am not interested in any of them.

Senator SMOOT. I mean, they are your clients?

Mr. SHATTUCK. Yes, sir.

Senator SMOOT. Let us see what they make. They have a production in 1927 of 1,851,649. Their par value is $10. The shares outstanding of the company are 1,000,000. In 1923–24 net profits after depreciation and taxes, $6,575,783. The per cent earned per share of common was 60.23 per cent. That is pretty fair, is it not?

Mr. SHATTUCK. It is how much?

Senator SMOOT. It was 60.23 per cent.

Mr. SHATTUCK. Is that my statement?

Senator SMOOT. That is in 1923 and 1924.

Mr. SHATTUCK. I was comparing this last year.

Senator SMOOT. This is one year. We will go on and see what the other years are. Do you deny that that company made 60.23 per cent in 1924?

Mr. SHATTUCK. I do not, sir. I do not know anything about it, but I do not deny it.

Senator SMOOT. These are the reports.

Mr. SHATTUCK. You know they must be all right then.

Senator SMOOT. You put this table in yourself before the Ways and Means Committee. I am only quoting you.

Mr. SHATTUCK. It must be accurate then.

Senator SMOOT. It must be accurate, yes. Is there a Hawaiian company that made that that year?

Mr. SHATTUCK. You will have to look it up. If you have the records——

Senator SMOOT. I have the records. You compared them. I thought maybe you would know.

Mr. SHATTUCK. No; I do not.

Senator WATSON. What is 1928 there?

Senator SMOOT. He did not put it in the record, but I will find out. I have 1926 and 1927 in the record.

Mr. SHATTUCK. I did not put what in the record?

Senator SMOOT. 1928.

Mr. SHATTUCK. No. I am now putting it in the record. I did not have it at that time.

Senator SMOOT. The Cuban-American Sugar Co. we will take for 1927.

Mr. SHATTUCK. Here it is.

Senator SMOOT. The net profits after depreciation and taxes were $1,632,053; the per cent earned per share of the common stock was 10.79 per cent. Per cent paid per share was 10 per cent.

Senator SHORTRIDGE. Paid out in dividends?

Senator SMOOT. Paid out in dividends.

Senator SHORTRIDGE. How much per share?

Senator SMOOT. Ten per cent and their par value was $10. Then we can go on. We can get the others. There is no need of putting them in the record because they are already in the House record.

Mr. SHATTUCK. Yes. I might say, in this connection, Senator, that the Cuban-American Co., as you know, is engaged as well in the refining business and that is a combined statement of all their operations.

Senator SMOOT. Here is a man that refines sugar, and he states they lost money; that they never made any money in refining. In fact, it is always a losing proposition. They are losing money all the time. So if they had not lost the money in the refining this would have been more.

Senator WATSON. Whom do you represent?

Mr. SHATTUCK. I represent members of the United States Sugar Association. I suppose there are 20 or 30 companies, American citizens, subject to taxes in the United States.

Senator WATSON. I understand that.

Mr. SHATTUCK. Trying to make ourselves heard a little bit, that is all.

Senator SMOOT. You have been heard, have you not?

Mr. SHATTUCK. It seems that your attitude is not trying to get the information which I think is important. Now, these statements——

Senator WATSON. Our attitude is inquisitive. That is what we are here for.

Mr. SHATTUCK. I am glad of that.

Senator WATSON. We have not singled you out as a victim.

Mr. SHATTUCK. No. I do not mind myself. It is the investment that I represent.

Senator SHORTRIDGE. You represent American citizens whose investments are abroad. That is a fact, is it not?

Mr. SHATTUCK. They are partially abroad.

Senator SHORTRIDGE. All right.

Mr. SHATTUCK. They are abroad at the solicitation of our Government and under its auspices.

Senator SHORTRIDGE. Never mind that. They have investments abroad. You are speaking now of the tariff subject matter as applied to the foreign producers?

Mr. SHATTUCK. And those investments were made abroad in reliance upon the faith and integrity of our Government in its relations to Cuba. So do not misunderstand me when I agree with you that they are abroad. I say they are partially abroad.

Senator SHORTRIDGE. We have done enough for Cuba as a government, have we not?

Mr. SHATTUCK. Well, I do not know that you have done more than you should do to Cuba as a government.

Senator SHORTRIDGE. Well, we have done enough, I think.

Senator SMOOT. You represent the United States Sugar Co., do you? Give me the names of some of the officials of that company.

Mr. SHATTUCK. Mr. Zabriskie is the president.

Senator SMOOT. Give me the names of the foreigners that are officials of the company.

Mr. SHATTUCK. The officers are George A. Zabriskie. He is president of the Sons of the American Revolution and his family has lived in New York for four centuries.

Senator SMOOT. All right. I want the members, too.

Mr. SHATTUCK. George E. Keiser is vice president. He lives in New York. He came from Milwaukee. He lived there a great many years. I think he was born in Colorado or some place out there.

Edward H. Costello is the treasurer, who is a New Yorker and has lived there always.

Mr. Doran is secretary, and he is here, a full-fledged American.

The executive committee are: George A. Zabriskie, chairman; Frederick B. Adams, Edward H. Costello, Edward A. Deeds, William C. Douglas, George E. Keiser, M. E. Rionda, and John R. Simpson, all good American names and all good American citizens.

Senator SMOOT. I want the members. Have you a list of the members?

Mr. SHATTUCK. Those are the officers you asked for.

Senator HARRISON. That is not what the chairman wanted.

Mr. SHATTUCK. Those are American citizens. They are corporations taking on the name of their plantations in Cuba. I suppose you will find them tinged with Spanish names.

Senator SHORTRIDGE. Are they American corporations?

Mr. SHATTUCK. They are, sir. I stated that at the beginning.

Senator SMOOT. Put the names in without reading them.

Mr. SHATTUCK. They are in. I put them in before the Ways and Means Committee and I shall ask leave to refer you to my brief filed there, in which these names are attached.

Senator SMOOT. I will be glad to look at them.

Senator HARRISON. I noticed the chairman asked you about the testimony you put into the record in the House Ways and Means Committee and he specifically asked you about the Cuban-American Sugar Co., showing their profits, and so forth.

Senator WATSON. Well, that is his company.

Senator HARRISON. On the same page in this chart that you presented I notice there are 24 companies, and of the 24 this one was picked out. All the balance show no profits; is that correct?

Mr. SHATTUCK. That is substantially correct. Two of the other companies made small profits.

Senator HARRISON. Do you understand why the chairman asked you about that particular company and left out the others?

Senator SMOOT. Well, I can tell you. It was because he tried to put over here the Great Western Sugar Co. as a model for all the sugar companies in the United States. So I put this company in.

Senator HARRISON. It is a model.

Senator SMOOT. Why is not this a model then for all the companies in Cuba?

Senator WATSON. Do you represent all the companies whose names are given there?

Mr. SHATTUCK. I am not sure I represent all of them. I do not think I represent all of them.

Senator WATSON. You do represent the Cuban company of which the chairman inquired?

Mr. SHATTUCK. Yes, sir.

Senator WATSON. Has the National City Bank any investments of any kind in the sugar busniess in Cuba, do you know?

Mr. SHATTUCK. I understand that the National City Bank have sugar interests which they acquired during the moratorium in Cuba in 1921 and 1922 when Cuba's sugar industry went pretty much to the bad. The National City Bank had made very large loans to the sugar companies to produce their crops down there and had to take them over. That is the way they came to have them.

Senator SMOOT. They have large loans over there?

Mr. SHATTUCK. I imagine they have a little money over there.

Senator HARRISON. There are a lot of banks that loan money to the sugar-beet interests in this country, is that not so?

Mr. SHATTUCK. I have heard of the Great Western seeking loans. They seem to have very good credit, too.

Senator WATSON. Do you know of your own knowledge whether the National City Bank is circularizing the banks of the country on this sugar question to induce them to write their Senators and Representatives from all over the country?

Mr. SHATTUCK. No; I do not know that. I know they issued a statement regarding the sugar tariff and they may have sent it out.

Senator HARRISON. Do you think they would be rendering a pretty good service to the American consumer if they did send it out?

Mr. SHATTUCK. I certainly hope they will send it to everybody, every man, woman, and child in the United States, and help inform them on this subject. Would you not, Senator, like to see them informed?

Senator WATSON. The National City Bank is a great institution. It has put its branch banks everywhere. It has added to our volume of imports and exports, and, like a lot of other people, they might have a personal interest in the matter. They have circularized the banks of the country, and I think they have issued some booklets, perhaps. Here is a little book I hold in my hand called "What Price Sugar." There is a bandit there holding up the housewife at the point of a gun. It says "proposed tariff on sugar, $80,000,000 a year. The world is glutted with sugar and therefore the price must be raised," and so forth. Underneath it is called the "Hold up in the kitchen." Do you know whether or not the National City Bank had anything to do with circulating that?

Mr. SHATTUCK. No; I do not.

Senator SMOOT. Is the housewife held up on the price of sugar to-day?

Mr. SHATTUCK. I should say the price of sugar to-day was pretty low.

Senator SMOOT. You want another bandit to come in and make it lower, is that the idea?

Mr. SHATTUCK. Oh, Senator, we are not always living in the present. You are putting on a tariff here, I assume, for a time when we will have higher sugar prices.

Senator SMOOT. Not when Cuba produces 5,000,000 a year.

Senator WATSON. I do not charge that the National City Bank circulated that. I am asking the witness if they did. It was sent to me by a citizen.

Senator SMOOT. I have one of the same.

Senator WATSON. I was wondering about it, that is all.

Mr. SHATTUCK. On that subject you raise a question and I do not see why we should not discuss it for a moment.

Senator WATSON. Discuss what?

Mr. SHATTUCK. This question about the housewife. I think you will find in your investigations that the domestic manufacturer is getting along pretty well on these low sugar prices. Now, we have understood for some time that the suggestion of increasing the tariff on sugar was to benefit the farmer, and, of course, there is a corollary there that if you put a tariff on sugar to benefit the farmer, somebody has to pay the tariff, if somebody gets it.

The statistics show that last year 7,040,000 tons of sugar beets were raised in this country, which would make practically a million tons of sugar. The testimony before you here to-day was that about $8 a ton for beets would be what the farmer would like to get for his crop. You are paying to-day $7 or $7.50 a ton for beets; sometimes $7.75. If you are paying $7 a ton to-day and they want to get $8, there is $1 more per ton that the farmer desires out of this tariff. He has been frank to tell you that before the Ways and Means Committee and he has told you that here, that he wants about $1 a ton more.

That, on 7,000,000 tons raised last year, means $7,000,000. You are now proposing in order to give him $7,000,000 to place a tax of 64 cents per 100 pounds on 6,000,000 long tons of raw sugar, and that figures out, as has been done by some of the witnesses, to around $85,000,000 or $88,000,000. You are going to take $88,000,000 in order to give the farmers this $7,000,000 that they are asking for.

Senator SMOOT. But that goes into the Treasury of the United States.

Mr. SHATTUCK. About one-half of it goes into the Treasury, which the housewife pays, of course, and the other 50 per cent goes to the domestic sugar manufacturers. So that I say the housewife feels somewhat aggrieved to think you are going to impose this burden of $88,000,000 on the housewife to give the farmers $7,000,000. And probably 30,000,000 farmers will be aggrieved that they are going to be taxed one-fourth of that $88,000,000 to give the beet farmer only seven million. That may have been the reason for these suggestions in the cartoon.

Senator SMOOT. What you want is the same price on sugar that you got in 1927, is that it?

Mr. SHATTUCK. Senator, we want a good price for sugar, just as you want a good price for sugar. Cuba is very much depressed.

Senator SMOOT. That is 2 cents more than it is now. I know why Cuba is depressed, and we will all admit it. There is no question about it. But suppose we give you what it was here before Cuba's overproduction of sugar brought the sugar situation to where it is now? If there was no local consumption of sugar and she paid Cuba 4 cents instead of 1.60, she would not make anything by that; she might as well pay the American beet grower.

Mr. SHATTUCK. Yes. The Senator showed me a cartoon. I do not know his motive. I am trying to answer it. If he had not brought it up I would not have mentioned it.

Senator SMOOT. Nobody is objecting to that.

Mr. SHATTUCK. Now, in reference to the tariff problem, it is this: I prefaced my remarks by stating I would like to address myself to you on the subject of a proper tariff relation, not that the housewife probably is being overtaxed, not that the Great Western is making excessive profit, not that Hawaii, the Philippine Islands, and Porto

Rico are extremely prosperous even during these low-price periods. I do not object to that. But I do object to your putting a further barrier against Cuba in respect to Cuban sugar.

Senator SMOOT. We understand that.

Mr. SHATTUCK. The 1.76 to-day is an indefensible tariff against Cuba. You to-day are suggesting that she pay 2.40. I think I have a right to refer to facts which bear upon the tariff problem.

Senator WATSON. Surely. That is all right.

Senator SHORTRIDGE. Suppose we took the tariff off entirely, will sugar be cheaper in America? Supposed we just wiped off the tariff on sugar entirely?

Mr. SHATTUCK. I suppose it would be cheaper in America to-day.

Senator SHORTRIDGE. What effect would it have upon the cane and the beet-sugar producing people of the United States?

Mr. SHATTUCK. It might have a bad effect on a portion of it.

Senator SHORTRIDGE. It would put them out of business?

Mr. SHATTUCK. If you would ask my opinion on the subject, I would not be in favor of it, sir. I am only in favor of proper relation..

Senator SHORTRIDGE. I understand you.

Senator SMOOT. It would put Cuba out of business?

Mr. SHATTUCK. It might put Cuba out of business.

Senator SMOOT. You are perfectly willing to have the United States go out of business?

Mr. SHATTUCK. I am not willing to have the United States go out of business and I do not care to have the Senator put such words in my mouth.

Senator SMOOT. Then why do you point here to three companies making money and the others you do not give at all?

Mr. SHATTUCK. Because, sir, I consider that a very important fact for you to know, in the consideration as legislators in building up this tariff. I am not here to bore you nor to take your time. I am trying to represent in my feeble way a very large investment in Cuba.

Senator WATSON. That is all. Go right ahead. You are well within your rights in so doing. Go right on.

Mr. SHATTUCK. I have to repeat, because I do not know but what you have lost my meaning by the interruptions, and from your questions it would seem that I have not made myself clear.

Senator HARRISON. You made yourself understood, all right. They may not accept what you say, but they understand it.

Mr. SHATTUCK. I address myself again to this subject of a proper relation between Cuba and the United States.

Speaking on behalf of the Cuban companies which I represent, and in a friendly way the nation of Cuba, I would like to see a higher sugar price, just as the Senator from Utah would like to see a higher sugar price. And Cuba will do her utmost to bring about a better situation in the sugar industry. She would like to be a party to an intelligent study of this subject to try to find a way out of this depression. But you can not find the answer in further punishing Cuba.

Cuba to-day has a sufficient tariff barrier against her. She needs a lifting of the price, and so do you. Now, do not try to correct your price depression by lifting the tariff. You have already, due to the kindness and generosity of the American people, given a preference to Cuba. But there is some history behind. There is a reason for it. Cuba is, therefore, in a measure within the tariff wall against the world in sugar matters. You have given her protection against the world because you give her a preference in selling her sugar to you, the sugar that you yourself do not produce. You have asked her to supply it and said she could supply it.

You do not help the situation any by putting up a tariff wall against Cuba. You already have 1.76, which is quite enough, perhaps too much. But if you want to correct prices then find some other way to lift the prices without raising the tariff against Cuba.

Let Cuba's prices be lifted along with your prices. And I think there are ways of doing that.

I think by increasing Cuba's preferential that Cuba could then, by raising her own prices, take advantage of the preferential and pass that on to the domestic industry. That might be a way out—not that I have worked it out, but that is a thought.

You do that by leaving the tariff as it is against Cuba but, perhaps, raising the tariff against the world. But leave Cuba within the tariff barrier; leave her only beneath the domestic industry by 1.76 cents per pound.

I feel that there is a good deal of misapprehension regarding the status of Cuba. I know that you gentlemen are informed on foreign relations far better than I am, but I have made some study of the Cuban situation.

It was some 30 years ago that Cuba was liberated from Spain. We have forgotten what took place between those times. But, after all, Cuba is a part of our political system.

Between the time of Spanish rule in Cuba and the time when Cuba became a free nation in 1902 President McKinley and President Roosevelt were in office and Mr. Root was Secretary of State. They all had a hand in framing the relations between Cuba and the United States. I just want to quote very briefly one or two things regarding these relations, and then I will be through.

When Cuba became free the United States made it a condition that the Cuban Government incorporate into its constitution what is known as the Platt amendment. Among those conditions were that Cuba would not enter into a treaty with any foreign power tending to impair Cuba's independence, a very vital thing. Second, not to incur any debt which could not be paid, as to both principal and interest, out of ordinary revenue. Third, to permit the United States to intervene at any time for preserving Cuban independence, maintaining a safe government, and fulfilling the obligations in regard to international law, assumed by the United States for itself and Cuba in the treaty of Paris.

The United States reserved to itself the right to intervene in Cuba's national life by reason of any failure in those conditions.

Senator SHORTRIDGE. To protect her.

Mr. SHATTUCK. To protect her and to protect you.

In 1901 the Hon. Elihu Root, then Secretary of War, made the following official remarks regarding our duties and obligations to Cuba arising out of the political relations that we had imposed upon her. This is what he said——

Senator SHORTRIDGE. I would not say "imposed upon her."

Mr. SHATTUCK. We required her to take them.

Senator SHORTRIDGE. I would not put it that way. Everything was a grant to her. It was not imposing anything. It was a grant of freedom and of protection.

Mr. SHATTUCK. Provided she inserted these conditions in her constitution.

Senator SHORTRIDGE. Certainly.

Mr. SHATTUCK. And the Hon. Elihu Root said:

> Cuba has acquiesced in our right to say that she shall not put herself in the hands of any other power, whatever her necessities, and in our right to insist upon the maintenance of free and orderly government throughout her limits, however impoverished and desperate may be her people. Correlative to this right is a duty of the highest obligation to treat her not as an enemy, not at arm's length as an aggressvie commercial rival, but with a generosity which, toward her, will be but justice; to shape our laws so that they shall contribute to her welfare as well as our own.

That was contemporaneous with Cuba's becoming a nation.

Senator SHORTRIDGE. Altruistic and very farseeing.

Mr. SHATTUCK. And honorable, and an obligation which we must respect.

In his message to the Congress in December, 1901, President Roosevelt said:

> Elsewhere I have discussed the question of reciprocity. In the case of Cuba, however, there are weighty reasons of morality and of national interest why the policy should be held to have a peculiar application, and I most earnestly ask your attention to the wisdom, indeed to the vital need, of providing for a substantial reduction in the tariff duties on Cuban imports into the United States. Cuba has in her constitution affirmed what we desired, that she should stand in international matters in closer and more friendly relations with us than with any other power, and we are bound by every consideration of honor and expediency to pass commercial measures in the interest of her material well being.

And may I just refer to the remarks of President McKinley at that time?

President McKinley in his message of December 5, 1898, and December 8, 1899, said:

> It is important that our relations with this people of Cuba shall be of the most friendly character and our commercial relations close and reciprocal. We have accepted a trust the fulfillment of which calls for the sternest integrity of purpose and the exercise of the highest wisdom. The new Cuba, yet to arise from the ashes of the past, must need to be bound to us by ties of singular intimacy and strength if its enduring welfare is to be assured. * * * The greatest blessing which can come to Cuba is the restoration of her agricultural and industrial prosperity. * * *

On June 13, 1920, in a message to the Congress, President Roosevelt said:

> We expect Cuba to treat us on an exceptional footing politically, and we should put her in the same exceptional position economically. The proposed action is in line with the course we have pursued as regards all the islands with which we have been brought into relations of varying intimacy by the Spanish War.
>
> Now, I ask that the Cubans be given all possible chance to use to the best advantage the freedom of which Americans have such right to be proud and for which so many American lives have been sacrificed.

It was under these auspices that Cuba was inaugurated into the family of nations. Time passed. Sometimes we forget our obligations. With a tariff barrier already higher than our own fact-finding Tariff Commission has recommended, with Cuba in desperate straits, as you know, sir, and as you know, sir—you are proposing to raise the barrier and impose a tariff that will be her destruction.

Senator SMOOT. It will not be her destruction. And I know this, Mr. Shattuck, that Cuba herself brought it upon herself by the amount of sugar that she produced. That is what brought it on.

Senator WATSON. Is there any way of limiting the production of sugar in Cuba?

Mr. SHATTUCK. There. And Cuba for three year, 1926, 1927, and 1928, cut out from the world's supply by the drastic use of the knife 2,000,000 tons of sugar.

In the meantime, what has been going on elsewhere?

Little Cuba tried to do her share in bettering the situation, but nobody else in all this big world did a thing to help her. And you accuse Cuba of being the cause of your distress.

Senator SMOOT. I do not object to what you say, but the fact remains as long as you had the selling agency there you got over 3 cents for your sugar and you withdrew it and immediately made a production of sugar the very following year of 5,200,000 tons.

Now, isn't that a fact?

Mr. SHATTUCK. It is a fact in respect to the production, but Cuba received much less than 3 cents during this period of control.

Senator SMOOT. And when you did it and when you produced that sugar, then the price of sugar fell, and it was brought about by an overproduction.

Mr. SHATTUCK. It did.

Now, sometimes strong men are made weak by fear, they are distraught.

Last year Cuba did not know what to do. For three years she had restricted her production. She had gone through a good deal of misery in doing it. She saw nobody helping. What she did see was this great Nation who reared her and who said we would treat her fairly commercially, she saw you imposing a further barrier against her, and perhaps she lost her poise. Perhaps she did cut the cane that was there and grind it.

Senator SHORTRIDGE. Recalling those utterances and having in mind clearly the obligations we assumed when we freed Cuba and when we caused her to incorporate the Platt amendment into her constitution, here is my question: If raising a tariff will benefit what I will call the United States producers of sugar, even though it hurt Cuba, what should I, what should our Government or our legislative branch of the Government do? My question is, Mr. Shattuck, assuming that. Should we prefer Cuba or shall for the moment the United States?

Mr. SHATTUCK. You are now balancing with a scale of justice, I assume?

Senator SHORTRIDGE. I am assuming whatever obligations rest upon us. And I assume we are all familiar with the history which is now called to our attention. I happen to be familiar with it. Perhaps I should not say that, but I happen to be.

Now, assuming the obligations still resting upon us as the guardian or the protector of the independence of Cuba, so to speak, and if it be that an added tariff duty on sugar raised yonder in Cuba and brought here would be beneficial to the people here in the United States, even though hurtful to Cuba, what would be our duty, what would be my duty and the duty of my friend, the Senator from Mississippi, what would be our duty as legislators?

Mr. SHATTUCK. I would not undertake to tell you what your duty would be under those circumstances.

Senator SHORTRIDGE. I would be glad to have your opinion. I observe that you think.

Mr. SHATTUCK. I will tell you what I think I would do, not what you should do. I think that I would recall something of Cuba's history and our relations, political and commercial, with Cuba.

Senator SHORTRIDGE. My question assumes all that.

Mr. SHATTUCK. And then I would try to work out a solution that would be advantageous to both. But I would not tip the scales. I would try to keep everybody prosperous. And I think you can do it. I think there are ways of doing it without injuring Cuba.

Senator SHORTRIDGE. That may be so. But you will note now I was assuming those things, first, our obligations, and I was further assuming that raising the tariff would help the United States, even though it would hurt Cuba. What would be my duty? That is what I am thinking about. There may be another way, as you say. But we are talking duty now.

Mr. SHATTUCK. And let me leave you, Senator, with this request, and all of you, that you treat this subject sympathetically.

Senator SHORTRIDGE. I am not hostile to Cuba.

Senator WATSON. Mr. Shattuck, of course, as American legislators we have all of these problems to deal with. We can not look to a foreign country, our relations, with foreign nations. But this sugar question has been a very troublesome one. I was elected to Congress 35 years ago, before the Spanish-American War. I was here during that period. I was here when we made the Dingley law. Before that, you know we put a bounty on cane sugar for the purpose of trying to stimulate the production of cane sugar.

Senator SMOOT. And cane, too.

Senator WATSON. Beet and cane, but largely cane. Immediately after this question came up we assumed certain obligations in the Philippines and Porto Rico, and we had taken over the Hawaiian Islands, and then came the Platt amendment. But in the meantime our people had begun to produce beet sugar in increasing quantities. and we were trying to produce cane sugar in increasing quantities. Of course, we are old-fashioned protectionists. We want to protect all of those industries here from foreign competition and build up American industries. And we think that the present prosperity of our country is the direct result of this policy, together with our great natural resources and all that sort of thing.

Then came on the Payne-Aldrich tariff law, and we had the same thing over again, the same questions presented to us.

Then there was a limitation put upon the imports from the Philippine Islands—300,000 tons. We thought that would probably be one way to protect our people from the Philippine importations and yet not do an injustice to Cuba.

Then came the Fordney-McCumber tariff bill, and the same question was presented, presented with accentuated force.

We are now compelled to deal with that problem. We understand all of those moral obligations we are under to Cuba; but we understand we are not only under a moral obligation to the people of the

United States and the industry here, which we believe if properly protected will supply the whole American cane, but in addition we have economic and financial obligations to these people right here at home. We are not unmindful of those moral obligations, not at all; but the question is presented to us every day. I am talking as a protectionist. The question is presented all of the time.

Mr. SHATTUCK. So you have in mind the Philippine Islands, Porto Rico, and Hawaii?

Senator WATSON. Certainly we have those in mind as well as Cuba. We are bound to have Cuba in mind.

Mr. SHATTUCK. But you are protecting those, but not Cuba.

Senator WATSON. But we are protecting Cuba when we give her a 20 per cent preferential into our markets on all of her imports to this country. That is a tremendous advantage to Cuba and has been of inestimable value in the past.

Mr. SHATTUCK. Yes; that is true.

Senator WATSON. Now, having these things in mind, and looking at both of these propositions as I have presented them to you, our moral obligations to Cuba and our moral and financial obligations to our own people, we can not just say we will wipe out this sugar industry in the United States and pay no more attention to it.

Mr. SHATTUCK. Certainly do not wipe it out. But wherein do you better yourselves by putting up a tariff barrier when you do not need it? The tariff is now 1.76. The difference in cost of production, Senator, is much less than that. You do not help your prices by putting up a tariff.

Senator SMOOT. If Cuba takes advantage of it it will help her. Under the rates of the House provision she is protected against the world 16 cents more than she was under the existing law.

Mr. SHATTUCK. And you give to the Philippine Islands and Hawaii and Porto Rico 2.40 cents a pound, when the difference in cost is probably on an average for those three insular possessions 40 cents a hundred.

Senator SMOOT. You know how I feel about the Philippine Islands.

Mr. SHATTUCK. All right. But I don't know how you are going to help Cuba by making it 2.40.

Senator SMOOT. I will tell you how you can do it. Have a sales agency in Cuba and know the conditions in this market. There are so many tons of sugar coming in; keep the price there and do no cutting and you can help Cuba. Of course, I recognize if you are going to make five millions or six millions tons of sugar in Cuba you have to find part of the market for that outside of the United States. And that you can do, if you have a fair price for sugar in the United States. And you know that. Mr. Shattuck.

Mr. SHATTUCK. I know this, Senator, and I think we have talked about it at times, that if we had a sufficient differential—I don't think the present differential is enough to do what you have in mind. Cuba would like to do it. She has never felt herself strong enough. She has tried it. Probably she will do it. But if she had an increased preferential I feel she could do that very thing to your great advantage.

Senator SMOOT. Mr. Shattuck, Cuba has to do it or she will never be a success.

Senator WATSON. What preferential do you suggest?

Mr. SHATTUCK. I suggest if she had a 40 per cent preferential she could then pass on to the domestic industry an increased price, which would lift the sugar industry out of its depression. And that is all you are seeking by the proposed tariff. It is a question of price.

Senator SMOOT. But this is the question: With the 40 per cent preferential, then immediately you could come and destroy the industry. If you would limit the amount of sugar that would come in that would be all right. But if you had 40 per cent the United States industry would be absolutely at your mercy.

Senator SHORTRIDGE. Wouldn't you increase the importations if you had 40 per cent?

Mr. SHATTUCK. No.

Senator SHORTRIDGE. No?

Mr. SHATTUCK. No; we can not put any sugar into your market until after you are through.

Senator SMOOT. You do.

Mr. SHATTUCK. All of your protected sugars are sold and we only have the balance of the market and can get nothing more.

Senator SMOOT. You fix the price. To a large extent that is where it is fixed.

(The tables referred to by Mr. Shattuck are as follows:)

Statement showing net profits, per cent earned per share, and per cent paid per share for 1928 by Hawaiian sugar companies

[Source of data: Manual of Hawaiian Securities published by the Honolulu Stock and Bond Exchange and annual reports of individual companies]

Plantation company	Production in 1927-28 (short tons)	Par value of stock	Shares outstanding [1]	Net profit (after depreciation and taxes)	Per cent earned per share	Per cent paid per share
Ewa Plantation Co	54,369	$20.00	250,000	$1,484,693	29.69	32.00
Hawaiian Agricultural Co	26,674	20.00	100,000	375,363	18.76	12.00
Hawaiian Comm. & Sugar Co	71,720	25.00	400,000	1,989,045	19.89	15.00
Honomu Sugar Co	10,335	20.00	37,500	175,561	23.40	15.00
Kekaha Sugar Co. (Ltd.)	29,770	20.00	75,000	702,746	46.85	30.00
Maui Agricultural Co	45,326	20.00	250,000	1,020,033	20.40	12.00
Hawaiian Sugar Co	26,878	20.00	150,000	684,313	22.81	21.00
Oahu Sugar Co. (Ltd.)	74,643	20.00	300,000	1,344,915	22.12	15.00
Onomea Sugar Co	24,927	20.00	100,000	472,277	23.61	20.00
Pepeekeo Sugar Co	11,917	20.00	37,500	188,372	25.12	24.00
Wailuku Sugar Co	22,011	20.00	160,000	470,629	15.67	12.00
Waialua Agricultural Co. (Ltd.)	50,386	20.00	325,000	1,677,358	25.80	16.00
Total above companies	448,956	[2] 20.00	[2] 2,275,000	10,585,305	23.26	16.95
Per cent of total crop represented, 49.7 per cent.						
Sugar factors and agents:						
Alexander & Baldwin		100.00	75,000	1,814,925	24.20	14.00
American Factors (Ltd.)		100.00	60,000	1,779,725	29.66	20.00
C. Brewer & Co. (Ltd.)		100.00	40,000	1,575,788	39.39	36.00
Total		100.00	175,000	5,170,438	29.54	21.09

[1] Shares outstanding on Dec. 29, 1922 (or during the year 1922).
[2] All companies adjusted to $20 par value for number of shares outstanding.

NOTE.—No preferred stock outstanding on any of the above companies.

Statement showing net profits, per cent earned per share, and per cent paid per share for the crop year 1927-28, by Porto Rican sugar companies

[Source of data: Moody's Manual, and the annual reports of the individual companies]

Company	Production in 1927-28 (short tons)	Par value of stock	Shares outstanding (common)[1]	Net profit (after depreciation and taxes)	Per cent earned per share (common)	Per cent paid per share (common)
Central Aguirre Sugar Co.	122,564	$20	150,000	$2,755,773	91.85	48.10
Fajardo Sugar Co.	77,230	100	57,601			
			[2] 64,778	441,782	6.82	10.00
South Porto Rico Sugar Co.	[3] 150,000	100	112,056			
			[4] 123,262	4,278,626	[5] 31.46	[6] 15.12
Total, above companies	349,794	[7] 100	[7] 199,657	7,476,181	[8] 34.29	[8] 18.14

[1] Shares outstanding Dec. 29, 1922.
[2] Shares outstanding Jan. 4, 1926 (increase in shares by sale for cash).
[3] Estimated production in Porto Rico.
[4] Shares outstanding November, 1926 (increase in shares by sale for cash).
[5] After paying 8 per cent on preferred stock, dividend amounted to $400,000.
[6] In addition, the stockholders received a stock dividend, valued by the company at $2,033,820, or $16.50 per share.
[7] All companies adjusted to $100 par value, for number of shares outstanding.
[8] On basis of 218,040 shares of $100 par value.

Per cent of total crop represented, 52.14 per cent.

Statement showing net profits, per cent earned per share, and per cent paid per share for 1928, by United States beet-sugar companies

[Source of data: Moody's and Poor's Manuals, and the annual reports of the individual companies]

Company	Production in 1928 (short tons)	Par value of stock	Shares outstanding (common)[1]	Net profit (after depreciation and taxes)	Per cent earned per share (common)	Per cent paid per share (common
American Beet Sugar Co.	99,970	$100	150,000			
		No par.	[2] 100,000	$528,229	[3] 1.09	
The Great Western Sugar Co.	504,018	25	600,000	7,785,700	[4] 44.90	33.6
Holly Sugar Corporation	121,895	[5] No par.	67,298			
			[6] 100,000	227,738	(7)	
Total, above companies	725,883	[8] 100	[8] 326,919	8,541,667	[9] 19.47	[9] 14.20

[1] Shares outstanding Dec. 29, 1922.
[2] Increased on June 14, 1928, by sale of 100,000 shares for cash ($15 per share).
[3] After paying 7 per cent on the preferred (dividend, $350,000) in 1928.
[4] After paying 7 per cent on the preferred (dividend, $1,050,000) in 1928.
[5] Adjusted in computations to $100 par value, based on sale value of $40 per share.
[6] Increased on Mar. 1, 1926, by sale of stock for cash at $40 per share.
[7] After paying 7 per cent on the preferred (dividend, $228,900) in 1928.
[8] All companies adjusted to $100 par value, for number of shares outstanding.
[9] On adjusted basis of 355,000 shares of $100 par value.

Per cent of total crop represented, 75.2 per cent.

Statement showing profits, per cent earned per share, and per cent paid per share for year 1927–28, by Cuban sugar companies

[Source of data: Moody's and Poor's Manuals, and the annual reports of the individual companies, and Farr's circulars]

Company	Production in 1927–28 (bags)	Par value of stock	Shares outstanding (common)[1]	Net profit (after depreciation and taxes), (—) loss	Per cent earned per share (common)	Per cent paid per share (common)
Antilla Sugar Co.	439,486	$100	50,000	—$1,164,487	None.	None.
Camaguey Sugar Co.	490,705	100	104,000	—712,505	None.	None.
Caracas Sugar Co.	171,497	10	100,000	—159,769	None.	None.
Caribbean Sugar Co.	161,576	[2] No par.	157,414	(3)	(3)	None.
Central Theresa Sugar Co.	35,337	10	350,000	(4)	(4)	None.
Cespedes Sugar Co.	242,345	100	35,940	104,768	.97	None.
Cuban American Sugar Co.[5]	1,686,467	10	1,000,000	183,435	[5, 6] None.	[5, 7] 10
Cuba Cane Sugar Corporation	3,232,007	[2] No par.	500,000	— [8] 5,381,471	None.	None.
Cuban Canadian Sugar Co.	191,844	100	50,000	(3)	(3)	None.
Cuban Dominican Sugar Corporation	2,149,944	[2] No par.	1,035,517	—643,037	None.	None.
Ermita Sugar Co.	113,061	30	50,000	(3)	(3)	None.
Ferrer Sugar Co.	64,670	100	20,444	(4)	(4)	None.
Francisco Sugar Co.	607,304	100	50,000	—306,258	None.	None.
Guantanamo Sugar Co.	309,900	[2] No par.	375,000	—469,891	None.	None.
Manati Sugar Co.	662,462	100	100,000	—186,571	None.	None.
Matanzas-American Sugar Co.	[9] 100,000	100	12,133	(3)	(3)	None.
Punta Alegre Sugar Co.	1,111,642	50	381,537	—508,890	None.	None.
Salamanaca Sugar Co.	122,140	10	35,665	(3)	(3)	None.
Santa Cecilia Sugar Co.	60,565	[2] No par.	105,000	(10)	(10)	None.
Tuinucu Sugar Co.	215,833	100	42,500	(3)	(3)	(3)
Vertientes Sugar Co.	840,199	100	190,000	—767,220	None.	None.
New Niquero Sugar Co.	196,391	100	45,000	—9,468	None.	None.
Compania Cubana	669,472	[2] No par.	40,000	235,035	[11] None.	None.
Total above companies	13,874,847	[12] 100	[12] 1,471,399	—[13] 9,786,329	None.	None.

[1] Shares outstanding Dec. 29, 1922.
[2] Adjusted in computations to $100 par value, based on book value at end of 1922.
[3] Not available at this time.
[4] In hands of receiver.
[5] Figures for net profits of this company include results of refining operations in its refinery at New Orleans on over half of its raw sugar productions.
[6] After allowing for preferred dividends.
[7] Dividends on both the preferred and common stock have since been discontinued.
[8] Includes loss on Colonos accounts.
[9] Production figures not available; amount shown is capacity of mill.
[10] In hands of bondholders committee.
[11] After allowing for preferred dividend of 7 per cent on 40,000 shares (par $100) preferred stock.
[12] All stock reduced to $100 par value for number of shares outstanding for companies used in computation.
[13] Loss for companies only for which data are available.

NOTE.—Losses for the 1927-28 crop year reported to the Cuban Treasury Department by — companies, representing —— per cent of total crop, amounted to $——.
Per cent of total crop represented, 49.4 per cent.

HABANA, *June 12, 1929.*

Mr. EDWIN P. SHATTUCK,
Hotel Mayflower, Washington, D. C.

MY DEAR MR. SHATTUCK: In order to furnish you with the information which you have requested regarding the earnings and losses for the year 1928, reported to the Cuban Treasury Department by the sugar companies or individual mills in connection with the payment of the Cuban profits tax, I have obtained the data summarized in the accompanying table.

The Treasury Department has received thus far only 114 balance sheets corresponding to the operations of sugar companies or mills during the year 1928, and I inclose a summary of these balance sheets, as the individual returns are confidential.

The period for submitting the balances or statements for 1928 has been prorogued, and for this reason many sugar companies and mills have not yet made their report for that year to the Treasury Department. The data is thus quite incomplete.

With my sincere regards, I am.

Very truly yours,

LUIS MARINO PÉREZ,
Secretary National Commission of Economic Defense.

Summary of the balance sheets of Cuban sugar companies or mills corresponding to the year 1928, submitted thus far to the Cuban Treasury Department for the payment of the tax on profits

Number of balances	115
Number showing profits	12
Number showing loss	103
Total losses of said 103 balance sheets	$20,590,765
Total earnings of said 12 balance sheets	700,279
Net losses	19,890,486
Number of bags of sugar (of 325 pounds) made by the mills to which said 115 balance sheets correspond	15,146,913
Per cent of 1928 crop	54.37
Total crop (bags)	27,857,716

STATEMENT OF CHARLES J. WELCH, NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. WELCH. I am president of a sugar company in Cuba and I am a director of the Continental Beet Sugar Co. I am also president of a company connected with the Philippine Islands.

Senator SMOOT. A sugar company?

Mr. WELCH. Yes, sir.

Senator SHORTRIDGE. How long have you been engaged in that line of business?

Mr. WELCH. Since 1896.

Senator SHORTRIDGE. Do you have any interests in Cuba?

Mr. WELCH. Yes, sir. I have been president of a sugar plantation in Cuba for the last 29 years.

Senator SMOOT. Do you manufacture sugar in Cuba?

Mr. WELCH. Yes, sir.

Senator SMOOT. Do you refine it?

Mr. WELCH. No, sir.

Senator SMOOT. You ship your raw product here or do you have somebody there refine it?

Mr. WELCH. No; it is all shipped to the United States or to Europe, mostly to the United States.

Senator SMOOT. To Europe?

Mr. WELCH. Yes, sir.

Senator SMOOT. To what part of Europe do you ship?

Mr. WELCH. Whatever country in Europe buys it. During the war when the Food Administration was in charge and the entire crop was sold——

Senator SMOOT. Oh, yes; they would buy anything at that time. But are you shipping any of your raw sugar to any place other than the United States to-day?

Mr. WELCH. Not now.

Senator SHORTRIDGE. Do you plant and raise cane in the islands?

Mr. WELCH. Yes, sir.

Senator SHORTRIDGE. Sugar cane, I mean.

Mr. WELCH. Yes, sir.

Senator SHORTRIDGE. Having been engaged in that business for all these years, Mr. Welch, have you observed, and will you give us the benefit of your observations, if made, as to the effect or influence of our tariff on the Cuban industry?

Mr. WELCH. In 1922 the market opened in January at 1.81, cost and freight. I think it was on the 22d of September, 1892, the tariff on sugar was raised from 1.60.

Senator HARRISON. You mean 1922?

Mr. WELCH. Yes; 1922. The tariff was raised from 1.60 to 1.77.

In early November of that year the price of sugar in Cuba was 4 cents a pound.

Senator SMOOT. Of raw sugar?

Mr. WELCH. Yes, sir.

Senator SMOOT. Ninety-eight per cent sugar?

Mr. WELCH. No; 96 sugar. That was the cost and freight price of Cuban sugars in the early part of November, 1922. Immediately after the passage of the last tariff bill it went to 4 cents a pound.

The succeeding year, in the spring of 1923, sugar went to 6⅝ cents a pound, cost and freight. And the lowest price at which sugar sold during the year 1923 was 4 cents.

In 1925 sugar went to 5⅝ cents, cost and freight, and the lowest price was 3 cents.

Senator CONNALLY. You are speaking now about New York prices?

Mr. WELCH. Yes; New York prices—cost and freight price.

When the tariff on sugar was reduced under the Underwood bill, strange to say, the price of Cuban sugar went down.

The average price of sugar, if I am not mistaken, in 1912 was 2.80. The average price in 1913 was 2.18, or 2.15.

Senator SMOOT. Just before the war?

Mr. WELCH. No; that was in 1913.

The average price of Cuban sugar from the first of January, 1914, to the outbreak of the war, on the first of August, 1914, was 2.12.

Both in 1913 and 1914 Cuban sugar went as low as 1⅞ cents a pound. It was a very low price for those days, although the cost of production of sugar, due to a variety of causes, was less than it is now.

Senator WATSON. How do you account for the fact, if it were a fact, that with the tariff off the price went down?

Mr. WELCH. Well, of course, that would be just conjecture.

Senator WATSON. Well, what would be your conjecture? You are the witness.

Mr. WELCH. Of course, it could be from this cause. The Underwood tariff reduced the duty on sugar to 1 cent a pound, with the prospect—in fact, it was in the bill—that in four years it would be free sugar. This could have caused all the countries of Europe, and Cuba in the bargain, to begin preparing for a very much bigger market in the United States than they had before. Because of free sugar in all probability there would have been a serious decrease in the domestic production, but they possibly were a little bit previous; the patient was not dead, and there was too much sugar. And in the meantime the price of sugar sank. That is one theory, but merely a theory.

At all events, it is a fact that there was a material increase in the beet-sugar acreage in Europe in 1914.

Senator SHORTRIDGE. My immediate question was, Mr. Welch, what has been the effect upon the Cuban sugar industry by our respective tariffs? If you can add to what you have just stated I would be glad to have you do so.

Mr. WELCH. The facts are that after the last tariff was passed the price of sugar went up, and when the previous tariff reduced the duty the price went down.

Senator SHORTRIDGE. My impression is that it has been argued that this increased tariff would ruin the Cuban sugar industry. What have you to say as to that proposition?

Mr. WELCH. My personal opinion is that the tariff makes very little difference to Cuba.

Senator SMOOT. Except to give them a larger differential?

Mr. WELCH. That, I think, is very important, if Cuba takes it. If Cuba does not take it, it makes no difference at all.

Senator SMOOT. If they don't take the preferential?

Mr. WELCH. If she takes the preferential I can not see that it would be very beneficial to Cuba. She sells her sugar for the world price. If she does that, what donations you make to the domestic industry affects Cuba but very little.

There is one respect in which an increased duty on sugar might affect Cuba, and that would be if that increased duty caused an undue expansion in the domestic industry. Then Cuba, instead of getting 50 per cent of the American requirements, which she has been doing for a great many years, would get a smaller per cent.

Senator SHORTRIDGE. Of course, if she has the preferential of 20 per cent, if we increase the rate, her preferential goes up with it?

Mr. WELCH. Naturally; but if she does not take the preferential, it does not make a particle of difference what you give here.

Senator SHORTRIDGE. For the benefit of the record, what do you mean when you say "If she does not take the proferential"?

Mr. WELCH. To-day's price, or the present price, I believe, is around 1.81. No country can sell sugar to the United States except at that price of 1.81 plus 44 cents, which is the present differential.

If San Domingo were to offer sugars to the United States she would have to offer them at the Cuban price of 1.81, less 44 cents. Otherwise, those sugars would cost the American refiner more than the Cuban sugars, because the cost to the American refiner is the cost and freight price plus the duty.

Senator SHORTRIDGE. Has Cuba a European market for her sugar?

Mr. WELCH. Yes; she has a European market.

Senator SHORTRIDGE. Considerable of a market, would you say?

Mr. WELCH. Yes, sir. I believe it was in the neighborhood of a million tons that had been sold to Europe.

Senator SHORTRIDGE. To what countries particularly?

Mr. WELCH. England principally. But there has even been some sugar sold to Russia, which is very unusual. But England is the great, big, open sugar market of the world. England produces about 220,000 tons of beet sugar. This is a new thing. That has only come about since the war. And England consumes in the neighborhood of 2,000,000 tons. The difference between her domestic production and her consumption is supplied by all of the countries in the world. She is the great, big, open market for the sale of sugar.

Senator SMOOT. Do you know what percentage of the capital is put up by England in building these beet-sugar factories?

Mr. WELCH. I do not have that off-hand. I remember about two years ago figuring that England had paid something in the neighborhood of $15,000,000 bounty.

Senator SMOOT. Of course, they have a 4.25 tariff.

Mr. WELCH. No longer. That has been reduced. I think it was 4⅝ cents a pound, but they reduced that materially after the first four years.

Senator SMOOT. They furnished 51 per cent of the capital to put up the plants, did they not?

Mr. WELCH. I would not be positive about that.

Senator SHORTRIDGE. Is England developing her beet-sugar raising at all?

Mr. WELCH. Yes, sir. She has gone up to about 220,000 tons.

Senator SHORTRIDGE. In England?

Mr. WELCH. Yes, sir, in England and Scotland. I believe the Irish Free State has something of its own, some small amount, but not very considerable, about 20,000 tons.

Senator SHORTRIDGE. Does England impose a tariff on the raw sugar as it goes into England for the purposes of revenue.

Mr. WELCH. Yes; England has a high tariff.

Senator SHORTRIDGE. How about Germany?

Mr. WELCH. Germany has just increased her tariff very materially.

Senator SHORTRIDGE. How about France?

Mr. WELCH. France has a high tariff, too.

Senator SHORTRIDGE. What other European countries are seeking to develop their domestic industry?

Mr. WELCH. Spain has a duty of 7.44; Italy has a high tariff. What it is I do not recall.

Senator SMOOT. I will put the list in.

Mr. WELCH. Czechoslovakia has a very high duty. It is something around 4½ cents. In fact, there was a time not many years ago when sugar was selling in Czechoslovakia for considerably less than the duty, which is natural, because when a country has to export two-thirds of its crop the price obtained in that country, unless there is a cartel or a combination in that country, is very largely the price they can get for the sugar she sells abroad.

Senator SHORTRIDGE. Is it correct, to sum up, then, to say that our tariff rates, if raised, will not be injurious to the Cuban sugar industry?

Mr. WELCH. That is my opinion, based upon what happened in 1922.

Senator SHORTRIDGE. Then, any claim to the contrary would be unfounded, in your judgment?

Mr. WELCH. In my judgment it would be, because I think that our troubles in 1922 came from the terrific effect of those high prices.

Senator SMOOT. Just for the record, the import duty on 100 per cent refined sugar is as follows—this is equivalent to our money: Brazil, 17.610; Salvador, 15.876; Guatemala, 9.803; Peru, 9.428; Turkey, 7.562; Costa Rica, 7.074; Venezuela, 6.566; Greece, 5.723; Poland, 5.080; Belgium, 5.047; Spain, 4.822; Czechoslovakia, 4.538; Newfoundland, 4.500; Rumania, 4.432; Russia, 4.194; Norway, 3.703; Honduras, 3.587; Argentina, 3.427; Paraguay, 3.260; Dominica, 3.219; Finland, 3.204; Australia, 3.016; Uruguay, 2.786; Germany, 2.700; Yugoslavia, 2.633; Columbia, 2.592; Irish Free State, 2.535; United Kingdom, plus bounty, 2.527 (in addition to the import duty on sugar Great Britain grants a bounty on sugar and molasses manufactured from beets grown in that country; the above rates are exclusive of excise, sales, and other internal taxes which are also applied to domestic sugar); Bulgaria, 2.403; Italy, 2.167; Austria, 2.002; United States (Cuban rate), 1.912.

Senator CONNALLY. Where did those figures come from?

Senator SMOOT. I think they came from the Tariff Commission. They are the figures I have seen, but the beet sugar people handed me this. It was handed to me by Mr. Harry E. Austin, who is connected with the Beet Sugar Association.

Senator CONNALLY. We have had some question about the authenticity of other figures, and that is the reason I asked.

Senator SMOOT. I will say to the Senator that these figures came from the Department of Commerce, and if you want me to I will get a letter from the Department of Commerce to that effect.

Senator CONNALLY. No; the Senator's word is good for that. I just wanted to know where they were from.

Senator WATSON. You say that you raise cane and manufacture sugar in Cuba?

Mr. WELCH. Yes.

Senator WATSON. What is the name of your company?

Mr. WELCH. The Cape Cruz Co.

Senator WATSON. How much sugar did you make last year?

Mr. WELCH. Last year we had a very poor crop; 66,000 bags.

Senator WATSON. That is all shipped to the United States?

Mr. WELCH. Yes.

Senator WATSON. What does it cost you to produce 100 pounds of sugar?

Mr. WELCH. The costs for this year are not made up, but they will be sent up.

Senator WATSON. Could you approximate?

Mr. WELCH. No; 2½ cents, maybe.

Senator WATSON. You also said that you had some sugar connections in the United States, did you not?

Mr. WELCH I am a director of a beet sugar company operating in Ohio and Michigan, and I have a comparatively small interest in it.

Senator WATSON. You mean in the production of the sugar beet itself?

Mr. WELCH. Yes; one of the beet-sugar companies in the United States.

Senator WATSON. You have no refinery?

Mr. WELCH. The beet-sugar companies all make white sugar.

Senator WATSON. No; but I mean you?

Mr. WELCH. No.

Senator WATSON. You are not interested in any refinery?

Mr. WELCH. No.

Senator WATSON. I understood you to say you had some relation with a Philippine sugar company?

Mr. WELCH. Yes.

Senator WATSON. What is that relationship?

Mr. WELCH. We built the first modern factory that was built in the Philippines.

Senator WATSON. What is the name of that company?

Mr. WELCH. The Mindoro Sugar Co.

Senator WATSON. When was that built?

Mr. WELCH. That was built—we bought the lands in 1910, and the factory was constructed——

Senator WATSON. And it is still operating?

Mr. WELCH. It is still operating, but it went into receivership in 1922.

Senator WATSON. Is it out yet or in yet?

Mr. WELCH. It is in deeper.

Senator WATSON. In deeper? Then it is in yet. Do you also produce sugar cane in the Philippines?

Mr. WELCH. Yes.

Senator WATSON. Why did that company go into the hands of a receiver?

Mr. WELCH. Because we started operating on new lands, lands that had never been in cane before. The original capital paid into this company was $3,000,000. Along about 1917 or 1918 there was a bond issue of a million and a half put on it. The receiver, who has been operating it since 1922, has put in another $2,500,000, and the debts of the company amounted to about an extra million dollars. I think that would make about $8,000,000 altogether. The plantation this year has made 11 tons of sugar, and I do not know any sugar plantation any place that is worth more than $200 per ton of sugar.

Senator WATSON. Is that the history of other sugar companies operating in the Philippines?

Mr. WELCH. No; it is not.

Senator WATSON. I thought not. The others are making a profit?

Mr. WELCH. The others had sense enough to operate on lands that had been in cultivation for some time.

Senator WATSON. Then the difficulty is not in the manufacturing end but in the production?

Mr. WELCH. The only problem in the Philippines is the production of cane.

Senator WATSON. Do you find your market for your product in the United States altogether?

Mr. WELCH. Entirely.

Senator WATSON. What is your view with reference to what should be done by this committee in so far as we touch the Philippine sugar problem?

Mr. WELCH. Why, nothing.

Senator WATSON. And have absolutely free trade with the Philippines?

Mr. WELCH. Yes.

Senator WATSON. Regardless of the quantity produced by the Philippines?

Mr. WELCH. I say yes, for this reason, that I do not consider in any sense that the Philippines are a menace to the domestic industry.

Senator WATSON. Why do you say that?

Mr. WELCH. It cost me a million dollars to find it out. [Laughter.]

Senator WATSON. That is a good idea. So you have a million dollars' worth of knowledge on the subject?

Mr. WELCH. Yes.

Senator WATSON. Are they now growing all the sugar in the Philippines that they can grow?

Mr. WELCH. That, of course, is difficult to say.

Senator WATSON. Yes.

Mr. WELCH. One year you have a good year and the next year a bad year. In the beet business one year you have a good crop and another year you have a bad crop. But it is my opinion from my sad experience that the minute they go out of lands that have been formerly cultivated, and start in on the reclamation of lands that have never been in cultivation, they are "in Dutch."

Senator WATSON. You are a man of wide experience. Is it your judgment that the Philippines have reached the maximum of sugar production?

Mr. WELCH. "Maximum" is a word that you can never use as to sugar.

Senator WATSON. You understand what I mean?

Mr. WELCH. I will put it this way, that I can see no material increase in percentage; yes.

Senator WATSON. Yes. You feel that they have about reached the limit?

Mr. WELCH. Yes; except a moderate increase, but very moderate.

Senator WATSON. So that you do not look upon the Philippine sugar production as at all a menace to the production of sugar in the United States?

Mr. WELCH. No, sir; I do not.

Senator SMOOT. Do you agree with the department of commerce of the Philippines as to the amount of sugar that can be produced in the Philippines?

Senator WATSON. What chamber is that?

Senator SMOOT. The chamber of commerce of the Philippine Islands—of Manila.

Mr. WELCH. I do not know what their figure was, but if you discount it; I would say it is too high. [Laughter.] A man, to live in the Philippine Islands, has got to be an optimist.

Senator WATSON. That is what you call it, is it; an optimist?

Mr. WELCH. Yes, sir.

Senator SMOOT. All of the sugar plants owned in the Philippines are doing well, are they not?

Mr. WELCH. A factory that buys its cane will do splendidly in the Philippine Islands; but the problem is the problem of raising the cane.

Senator SMOOT. There are a good many of them there that are making a great deal of money?

Mr. WELCH. Only those that are buying their cane. The agricultural problem is the problem of the Philippines, and that is where we failed, because we tried to raise our cane.

Senator WATSON. Whereas if you had had old, cultivated lands, you would not have failed?

Mr. WELCH. If we had had old cultivated lands we would not have failed. If we had had someone else to raise the cane for us we would have made a grand success, like all the other companies that started early, and got the benefit of the war prices, and all the rest of it.

Senator SMOOT. Have you any idea what the Spanish people pay their labor in the Philippines?

Mr. WELCH. About 50 cents; about a peso a day.

Senator SMOOT. Between 50 and 75 cents a day?

Mr. WELCH. Yes.

Senator SMOOT. I see that is the testimony given by a number of the sugar manufacturers. There is ample labor there?

Mr. WELCH. That I can not tell you, precisely.

Senator SMOOT. You have never had any trouble in getting labor there?

Mr. WELCH. There is labor in the Philippine Islands. There are certain districts where the density of the population compares with that of almost any place in the world.

Senator SMOOT. Do you agree with the chamber of commerce of Manila that the new sugar districts are producing as much sugar as possibly can be produced in Cuba?

Mr. WELCH. No, sir.

Senator SMOOT. Will you give a description of that new section?

Mr. WELCH. I do not know what the section is. I do not know anything about it.

Senator SMOOT. Do you live in the Philippine Islands?

Mr. WELCH. No, sir. I have been in the Philippine Islands once.

Senator SMOOT. Do you take the Philippine papers?

Mr. WELCH. Not any more.

Senator SMOOT. Then you do not know what is going on?

Mr. WELCH. No, sir.

Senator SHORTRIDGE. Where is it that they propose to enlarge the acreage?

Senator SMOOT. They have a new district out there in which they claim they can produce just as much sugar—a new district there in which they claim they can produce as much sugar as they can produce in Cuba.

Senator HARRISON. That is a good deal like some of these newborn towns in California.

Senator SHORTRIDGE. The Senator from Mississippi ought not to be so envious; he has such a great State.

Senator CONNALLY. How about the refining industry? Is there a considerable refining industry in the Philippines, or do they bring it mostly over here?

Mr. WELCH. The refining industry of the Philippines is very, very insignificant. When I was there in 1911 they had only a little bit of a refinery that was making about 10,000 tons, I think, of sugar in the refined state; a week's melt of an ordinary refinery in the United States.

Senator HARRISON. Which one of your investments has proved the most profitable, the one in the United States, the one in Cuba, or the one in the Philippines?

Mr. WELCH. If the one in the United States and the one in Cuba had been like that in the Philippines we would not have anything.

Senator HARRISON. Which has been the most profitable?

Mr. WELCH. That in Cuba.

Senator HARRISON. The one in Cuba has been the most profitable?

Mr. WELCH. My investment in the beet-sugar company in Ohio has not been prosperous, because the beet-sugar industry in the United States has been going through some very hard times, particularly in our eastern section.

Senator HARRISON. It has been losing money lately?

Mr. WELCH. It has been losing money, and losing it quite heavily.

Senator WATSON. Why?

Mr. WELCH. Crops. The quantity of beets was very disappointing, and the result of that is that the acreage this year has been woefully decreased.

Senator SHORTRIDGE. Mr. Welch, in regard to Java, they are increasing their production very rapidly there, are they not?

Mr. WELCH. They have increased. Java did the most remarkable thing that has ever been done in the history of sugar in the world. Between the crop of 1927, which was the largest per acre crop that Java ever produced, or equal to the largest per acre crop she ever produced—5⅛ tons—and the crop of 1928, the increase in the production was 1 long ton per acre. No sugar country has ever done that before.

Senator SMOOT. That is the sugar produced per acre?

Mr. WELCH. Per acre.

Senator SMOOT. That is on account of the new cane?

Mr. WELCH. That is entirely on account of a new variety of cane.

Senator WATSON. How much does that amount to in the aggregate?

Mr. WELCH. It amounted to something like 700,000 to 800,000 tons.

Senator WATSON. Increase in production in a single year?

Mr. WELCH. Yes; not the per acre increase, because Java's acreage is only 477,000. That was in 1928.

Senator HARRISON. Your concern in the United States operates in Ohio?

Mr. WELCH. In Ohio, Indiana, and Michigan.

Senator HARRISON. Does that section offer as good advantages as some other sections in the United States?

Mr. WELCH. In certain respects. If you ever can have a sugar-beet factory near a large consuming center, you have a large customer at your door, and you do not have to absorb freight; and with Detroit only a few miles away, and Toledo with 200,000 inhabitants, and Chicago no great distance, those beet-sugar companies in Michigan and Ohio and Indiana have advantages that very few beet-sugar companies in the United States have; and then they have a very intelligent class of labor there, labor that they work with most harmoniously; and that is a big thing, because after all the growers and the factories, if they are not partners, are not getting the best results.

Senator HARRISON. I have understood from the reports here that the labor costs were more in that section than in some other section. Is that true or not?

Mr. WELCH. That I do not know. I have not seen the costs of other companies.

Senator WATSON. What is your view of a tariff? What do you think ought to be done?

Mr. WELCH. Senator, if you told me you were going to do what I tell you, I might tell you. [Laughter.]

Senator WATSON. I know, but I want to know what you think. I do not promise to do what anybody tells me. So far as I am concerned, I am trying to find out what you, as an expert in the business, think ought to be done, if you have an opinion about it.

Mr. WELCH. I do not like to answer that question. Everybody who has come before you has asked you to do something. Would you not like to have one man that was not asking you to do a damn thing?

Senator WATSON. No, I would not. If anybody comes before us and does not ask for anything, we are all grievously disappointed. [Laughter.]

Mr. WELCH. Perhaps you need a disappointment.

Senator WATSON. You lost a million dollars.

Mr. WELCH. Yes.

Senator WATSON. And I look upon you as a sort of sugar prodigy, and I want to know what your views are about this sugar situation.

Senator SHORTRIDGE. In order to develop the American beet sugar industry or the American cane sugar industry, do you or do you not favor a tariff upon the imported article?

Mr. WELCH. Without a tariff you have not any domestic industry at all.

Senator SHORTRIDGE. I infer from that that you favor a tariff?

Mr. WELCH. If you want a domestic industry, you have got to have a tariff.

Senator SHORTRIDGE. I want it, and everybody wants it, and therefore I assume that you would favor an adequate tariff on the imported articles. That is correct, is it not? That is your opinion, Mr. Welch?

Mr. WELCH. Yes. I think if one admits that an American industry ought to survive, the corollary is that it has got to have an adequate protection.

Senator SHORTRIDGE. That is good logic.

Senator SMOOT. I have seen it stated in the press that there was an application made to the governor of Michigan to have a certain number of men from the penitentiary put out to work at certain wages to handle the beets raised in Michigan. Do you know anything about that?

Mr. WELCH. Nothing at all about it. I feel perfectly sure that our company has not done that, at all.

Senator SMOOT. I have seen it stated in the press have not you?

Mr. WELCH. No, sir; I have not.

Senator SMOOT. I have seen it stated in the press, and I have also heard one or two Senators say that that is true.

Senator SHORTRIDGE. What is that?

Senator SMOOT. That in Michigan they have applied to the governor of the State to furnish them with a certain number of prisoners during a certain season when help must be had, because they could not get it in Michigan or anywhere around. I want to know whether you know anything about that.

Mr. WELCH. Nothing at all.

Senator SMOOT. I understood it was for the thinning of the beets, and that is during a short time in the growth of the beets.

The only time that we are short of labor in Utah, and the only kind of labor we can get, is from Mexico temporarily—and they are only coming temporarily; but we have to get the beets thinned out there in about a week or 10 days, and the labor can not be had. I understood there was application made to the State of Michigan or the governor by the beet producers for so many prisoners during those two weeks that they were thinning beets.

Senator SHORTRIDGE. It was a shortage of labor there. That is all.

Senator SMOOT. Yes.

Mr. WELCH. I have heard nothing at all about it.

Senator SMOOT. There was nothing in the Michigan papers about it?

Mr. WELCH. I do not read the Michigan papers.

Senator SMOOT. The statement was made in one of the New York papers, and I did not know whether it was true, or was not, but I could see the object of it, that that labor during that two weeks was necessary for thinning the beets.

Senator SHORTRIDGE. That is all.

Senator HARRISON. What is the class of labor that they use in Ohio and Indiana and Michigan; Mexican, largely?

Mr. WELCH. That I do not know. I do not know many of the details of that business. I know that they have a great many beet farmers. I was told a couple of years ago that 25,000 acres of beets that the Continental had was distributed among 2,500 farmers, the average being something like 10 acres per farmer.

Senator SMOOT. They could thin their own beets?

Mr. WELCH. I believe they have to get outside labor.

Senator SMOOT. For a couple of weeks.

Mr. WELCH. To help them in the thinning. That is quite a problem.

Senator SMOOT. It is. That will be all, then.

STATEMENT OF JOHN E. SNYDER, REPRESENTING THE HERSHEY CORPORATION, HERSHEY, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. You testified before the Agriculture Committee?

Mr. SNYDER. Yes, sir; before the Agricultural Committee on another schedule.

Senator SMOOT. On chocolate?

Mr. SNYDER. Well, yes, sir; almonds in chocolate. I represent the Hershey Corporation.

Senator SHORTRIDGE. What section do you refer to?

Mr. SNYDER. Paragraph 501.

Senator SHORTRIDGE. You represent the Hershey Corporation?

Mr. SNYDER. Yes, sir. Now, do not confuse it with the Hershey Chocolate Corporation.

Senator SHORTRIDGE. They are different corporations?

Mr. SNYDER. Yes, sir.

Senator HARRISON. They are the same people, though, are they not?

Mr. SNYDER. Yes, sir.

Senator HARRISON. Just different corporations?

Mr. SNYDER. Different corporations.

Senator SMOOT. One is a manufacturer in the United States of chocolate and the other one is a manufacturer of sugar in the Philippines?

Mr. SNYDER. No, sir; in Cuba.

Senator SMOOT. I mean in Cuba.

Mr. SNYDER. Yes, sir. That is right.

I appear before you in reference to paragraph 501. It is not my purpose to say to you in advance what no doubt will be said to you by others when they come and address you on the general subject of Cuban sugar. I thought perhaps the order of my appearing would be subsequent to them and I would have just discussed my particular subject. I do not think, either, in view of all that has been said to you and your very full knowledge of the subject, I need further to suggest to you that I shall discuss many problems relating to beet sugar in the United States, the class of labor or the desirability of its production in the United States, but I shall draw your attention to my immediate question, leaving those to discuss that who have the general subject of Cuba, and who, of course, must address you at length.

In this tariff bill as it is drawn and as it came from the House there appears a provision which has not appeared in any prior tariff act. Of course, you are all familiar with the general duties on sugar, the subsidies given to the beet people under, I believe, the tariff act of 1890, and then its abolishment, and the general revision of the sugar tariff in 1897, and then in 1903, when the Cuban reciprocity treaty became effective, and the acts of 1909, 1913, 1921, and 1922; and here we have this one under discussion.

In every one of those tariff acts since 1897 the test of the duty upon sugar has been the degree of its purity, and in one or two of the acts the color, which standard has been abolished. But the duty began at 75 and increased for each degree polarization until it reached 100. That was all in regular successive steps, a regular gradation of so much for each increased degree of polarization until it reached 100.

Senator SMOOT. In other words, the refiner in Cuba only had to pay the same rate on each degree of sugar and nothing was charged against him or the Philippine refiner——

Mr. SNYDER. Yes, sir.

Senator SMOOT. We had 96, and then increased the rate or unit 4 degrees.

Mr. SNYDER. No; you begin at 94.

Senator SMOOT. At 94; yes.

Mr. SNYDER. Yes.

Senator SMOOT. That is right.

Mr. SNYDER. In this tariff act it also begins at 75 and increases at a fixed ratio until it reaches 94, and then the duty for each degree after that doubles.

Senator SMOOT. In other words, that is to protect the American refiner against Mr. Hershey producing refined sugar in Cuba. That is the substance of it.

Mr. SNYDER. I don't know whether that was the purpose of it or not.

Senator SMOOT. Well, you know what that is.

Senator HARRISON. They got you, though, didn't they?

Mr. SNYDER. It got us and everybody, and the general community.

Senator SMOOT. Well, does it cost you any more to refine sugar in Cuba than in New York?

Mr. SNYDER. It costs us as much.

Senator SMOOT. Then you are not hurt?

Mr. SNYDER. Yes.

Senator SMOOT. Oh, no; not at all.

Mr. SNYDER. We are decidedly hurt.

Senator SMOOT. You are hurt so far as you had it free.

Mr. SNYDER. No; we didn't have it free.

Senator SMOOT. What I meant to say is you had the same rate applied clear through?

Mr. SNYDER. Yes, sir. Here is the difference. And understand all we want are the facts about this.

Senator SMOOT. That is all.

Mr. SNYDER. Now, if anything I say is not understood, I am not making any willful misstatement. When we get down to the facts we will understand the facts.

Senator SMOOT. You would better make the statement and we will not interrupt you now.

Mr. SNYDER. No, no; interrupt me all you please. Of course, you further understand that the calculation of the sugar as it comes from Cuba is a little confusing for the reason that your tariff bill fixes the full duty which begins at 75 and runs up as it runs along in regular gradation, but in this bill taking the double step at 94.

Senator SHORTRIDGE. Yes; to 2.75 cents per pound at 94.

Mr. SNYDER. Yes.

Senator SHORTRIDGE. And for each additional sugar degree shown, and so forth?

Mr. SNYDER. Yes; that is right. So what you must do is to calculate the full duty under that paragraph of the act and then deduct the 20 per cent under the Cuban reciprocity to get the actual Cuban duty, which does not appear in the bill.

Senator SHORTRIDGE. It depends upon the degree in the sugar, doesn't it?

Mr. SNYDER. Yes. But you must calculate the full duty.

Senator SHORTRIDGE. Certainly. Start at 94.

Mr. SNYDER. Yes.

Senator SMOOT. What you want is to let the amount of duty apply to 75 up to 96, and just the same as the other law.

Mr. SNYDER. Right on through to 100.

Senator SMOOT. In other words, you do not want the refiner in the United States protected at all?

Mr. SNYDER. Oh, yes; they are protected under that.

Senator SMOOT. You had that advantage in the past over the local refiner or the American refiner.

Mr. SNYDER. No; we were exactly even. There was a slight advantage in his favor, as I will show you.

Senator SMOOT. Do you think the refiner in the United States is going to object to this and say that Cuba is worse off now than she was under the old law?

Mr. SNYDER. I don't think any refiner is going to object to this.

Senator SMOOT. No.

Mr. SNYDER. And, of course, certain refiners came here, and Mr. McCarthy was here yesterday representing the Pennsylvania Sugar Refining Co., of Philadelphia, and he stated his position to you.

Now, bear in mind this. The ordinary raw sugar that comes in from Cuba is 96° sugar.

Senator SMOOT. The bulk of it?

Mr. SNYDER. The bulk of it.

Senator SMOOT. Yes; the bulk of it.

Mr. SNYDER. It will require 107 pounds of that 96 sugar to make 100 pounds of refined sugar. The statement made by the refiners is that it takes 107½ pounds of the 96° sugar to produce 100 pounds of refined sugar. There is a little leeway there, because the actual amount is 106.9 to produce 100 pounds of refined sugar, but I have accepted their own figures.

Senator SMOOT. Does that cost the same in Cuba?

Mr. SNYDER. Yes.

Senator SMOOT. That is what you allow?

Mr. SNYDER. Well, now, you ask me that question. We do not, because in making sugar we make a better sugar than a 96° before we refine it.

Senator SMOOT. That is the same thing.

Mr. SNYDER. But the raw sugar is the same, whatever the details of the process.

Now, the duty under the present law, the full duty of 96 sugar, being 2.20, the Cuban duty is 1.7648. The proposed act is to make the full duty on 96 sugar 3 cents, which will make the Cuban duty 2.40, which is an increase in the Cuban duty of $0.6352, ordinarily referred to in all of the discussions that have occurred in the newspapers, and so forth; that is the duty on Cuban sugar has been increased 64 cents—actually $0.6352, but that is immaterial. It is preparatory.

Now, when you take 100° sugar, before revision, under the existing law, the polarization, 100° polarization, was 2.390, and the Cuban duty was 1.912. That is on refined sugar.

It is proposed in the present law to increase the proposed duty to 3.50 and the Cuban duty to 2.80, so that it makes the increase on 100° polarization of refined sugar 0.888.

Senator HARRISON. Practically 89?

Mr. SNYDER. Practically 89; yes. Therefore, I state to yau that, in view of having made this step up at 94, the effect is not what has been stated in all the discussions that have appeared upon this subject in the press, an increase in the Cuban duty of 64 cents, but it is an actual increase of 89 cents.

Senator SMOOT. That is on refined sugar?

Mr. SNYDER. On refined sugar.

Senator SMOOT. There is no refined sugar that comes from Cuba, except through the Hershey Co., the corporation.

Mr. SNYDER. Yes; there is some. You were inquiring about the figures yesterday, and said you would send to the Treasury Department and get them. I want to say to you very frankly that I can give you that information.

Senator SMOOT. I have it here. You brought in 100,000 tons more, did you not, in 1928 than in 1927?

Mr. SNYDER. I believe about 100,000 tons.

Senator SMOOT. One hundred thousand tons?

Mr. SNYDER. I would say our shipments would have been about 100,000 tons.

Senator SHORTRIDGE. Very little refined sugar is shipped from there, though?

Mr. SNYDER. From Cuba?

Senator SHORTRIDGE. Yes.

Mr. SNYDER. There are three persons refining sugar in Cuba. The total amount, I was told, would pretty nearly correspond to the figures stated, of 250,000 tons.

Senator SMOOT. Do you mean refined sugar?

Mr. SNYDER. White sugar; yes, sir.

Senator SMOOT. From Cuba?

Mr. SNYDER. From Cuba.

Senator SMOOT. No; you are wrong. It is 193,000.

Senator HARRISON. One hundred and ninety-three thousand.

Mr. SNYDER. Are those 1928 figures?

Senator SMOOT. They are 1928 figures.

Mr. SNYDER. I would have thought that it was a little more than that.

Senator HARRISON. The proposed bill puts 2.80 for Cuban sugar, refined.

Mr. SNYDER. Yes.

Senator HARRISON. The Tariff Commission recommended 1.34.

Mr. SNYDER. 1.23. Oh, on refined?

Senator HARRISON. Of Cuban.

Mr. SNYDER. It recommended 1.23 on the 96° sugar, and there would have been a corresponding increase.

Senator HARRISON. 1.23 on the 96° Cuban sugar.

Mr. SNYDER. And 1.34 on the Cuban sugar, refined.

Senator SMOOT. That was the last report—the majority report.

Senator SHORTRIDGE. When was that?

Mr. SNYDER. It was in 1926.

Senator SHORTRIDGE. I merely want to know the date.

Mr. SNYDER. It was published in 1926—the recommendation of the Tariff Commission.

Senator SHORTRIDGE. On the record——

Senator HARRISON. It was when Culberson was removed and sent over to some country—sent out of this country?

Senator SMOOT. He wanted to go.

Senator SHORTRIDGE. Whether it was proper to send him out, I would not say.

Senator SMOOT. He was very anxious to go, whether he was sent or not.

Senator SHORTRIDGE. What year was it?

Senator SMOOT. 1924.

Senator SHORTRIDGE. 1924. All right.

Senator SMOOT. I will say that we were all anxious to have him go.

Senator HARRISON. Yes; I understand that you had to give him a situation and send him abroad.

Senator WATSON. Not on account of the sugar tariff.

Senator SMOOT. It was not to get rid of him.

Senator WATSON. That was the object I had in recommending him. I recommended him for a foreign appointment, and the "foreigner" the better.

Senator SHORTRIDGE. I was not consulted in that case.

Mr. SNYDER. Therefore, under the present act, the American refiner brings in 96° sugar, and the refiner pays the duty on 107½ pounds, six-tenths of a pound more, but we will pass that for the present; and he pays on that the basic duty of 1.7648, so that to get his 100 pounds of refined sugar he pays 1.89716 in duty.

Senator SHORTRIDGE. What is that?

Mr. SNYDER. He pays 1.89716 in duty, because it takes 107½ pounds of 96° sugar to produce 100 pounds of refined sugar.

Senator SMOOT. He pays on 96° sugar that 7 pounds difference. He does not pay the duty.

Mr. SNYDER. When we bring in 100 pounds of refined sugar, under the present law, we pay a duty of 1.912.

Senator SMOOT. Because the molasses is taken out, and you do not pay any freight or any duty on the molasses.

Mr. SNYDER. We pay a higher duty.

Senator SMOOT. That is exactly what we provided for.

Mr. SNYDER. No; you have not the same provision for it in the pending bill. I have no doubt it was the intention that we should, but he brings in 107½ pounds of his 96° sugar and pays 1.89716 in duty. We pay for the 100 pounds, 1.912, and he has the benefit of 0.01484 in favor of the American refinery.

Senator SHORTRIDGE. He? Who?

Mr. SNYDER. The refiner in the United States.

Senator SHORTRIDGE. There are those who think he should have a little bit the advantage over the Cuban.

Mr. SNYDER. And then he also has all the by-products of the refining in the United States, and free of duty.

Senator SMOOT. And you have it in Cuba?

Mr. SNYDER. We have it in Cuba, but if we should send it into the United States in that form of molasses or any other form, we would pay a duty upon it. But he has his here free—and when I say "he" I mean the refiner in the United States—and he uses it, because the duty is paid. Now, that is something that is quite material.

Under the proposed bill the refiner would pay a duty on his 107½ pounds of 96-degree sugar at 2.40 a pound, which makes the duty on each pound of the refined sugar he produces out of that 107½ pounds, 2.58; upon which, when we bring our sugar in, we pay 2.80, which is a difference in favor of the refiner in the United States of 22.

Senator SMOOT. Does it not cost the American that much over and above what it costs, with the cheap labor of Cuba?

Mr. SNYDER. No, sir.

Senator SMOOT. How do you know? You do not pay the same wages there that you pay in the United States, do you?

Mr. SNYDER. I do not suppose so; for ordinary common labor, that is. I can tell you what we do pay; and I can also tell you what it costs to refine the sugar.

Senator CONNALLY. If you could do it as cheap in the United States you would do it here, would you not?

Mr. SNYDER. No; we would not. That was not the purpose of it, and we would not want to do it here.

Senator CONNALLY. Why do you not want to do it here? You have your factories here.

Mr. SNYDER. That would be prohibitory.

Senator CONNALLY. I am not talking about taking it to the chocolate factory, but the refinery. Why would you not want to do it here?

Mr. SNYDER. We want to finish—that is, refine—the sugar as we make it. We make the sugar; we go through the process of manufacturing and refining the sugar, and then when the sugar-making season is over, the residue that has not been refined we refine and send North. Now, we desire to do it at the same place, because it would be there at once place, under one supervision, under one management.

Senator SMOOT. In other words, you can do it cheaper?

Mr. SNYDER. It is more convenient and better, more to our advantage, and it is a more economical process for us.

Senator WATSON. You want to do it at your plant there?

Mr. SNYDER. Yes. I do not know whether you have seen our plant.

Senator WATSON. Yes; I have been all over it.

Mr. SNYDER. If you go there and look at it, you will not find the poor living conditions and various other things of that kind that you have heard referred to here, because we have three of the most beautiful places of this kind anywhere in the island of Cuba. One of them is our place—I should not put it first, but it was on the tip of my tongue—and the other two plants down there are owned by the American Sugar Refining Co., and they are the most complete and perfect towns that I have seen anywhere.

Senator SMOOT. But those laborers that you say get 60 and 70 cents a day do not live in those houses, do they?

Mr. SNYDER. In our houses? Yes, sir.

Senator SHORTRIDGE. They are the skilled workmen in the factories?

Mr. SNYDER. Yes; and we have the houses for cheaper labor. I have no hesitation in telling you what wages are paid, because if you think it is too cheap, I believe it is cheaper than the corresponding labor in the United States.

Our general field laborers—and when I speak of our general field laborers I mean that they are the laborers who work in the field and go and cultivate the cane, but I am speaking also of the colonas or the farmers of cane who sell to us, and that is what I mean by that, because we have the same thing in this country, the man who grows the beets, who does not go out and actually cultivate the beets.

Senator SMOOT. Do you not own the land?

Mr. SNYDER. Yes; we own considerable land.

Senator SMOOT. Do you rent it?

Mr. SNYDER. Yes.

Senator SMOOT. The men who raise the cane and cultivate it, do you pay any more for labor than they do?

Mr. SNYDER. I do not know what they pay.

Senator SHORTRIDGE. What do you pay? You were about to tell us. What is the rate of wage there on the different types of labor?

Mr. SNYDER. The general field laborers in 1928 were paid \$1; mill laborers, \$2.17.

Senator SHORTRIDGE. \$1 a day?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. For 8 or 10 hours or 12 or 14?

Mr. SNYDER. I can not tell you that. I have no doubt they go to work early in the morning and then lay off during the heat of the day and go to work again in the evening. They take their siesta.

Sugar boilers, who have a higher degree of skill, and so forth, receive $5.54 a day.

Those who are attending to the centrifugals—I have no doubt the Senator knows about that, what the centrifugals are.

Senator SHORTRIDGE. I happen to know.

Mr. SNYDER. Well, they receive $3.26 a day, and from that point they step up, and we have the same classes of machinists and mechanics and electricians and engineers and skilled employees that you find everywhere.

Senator SMOOT. But the men at the centrifugal, the men that draw something over $2 a day, they comprise only about 2 per cent of the number of employees, taken as a whole? It would not be more than 2 per cent, would it?

Mr. SNYDER. Two pe[illegible]ld be possibly a little more than that. I supp[illegible]centrifugals in the mill, and 30 would b[illegible]less. Yes; there are a great deal m[illegible]mill were paid less than $2.17.

Senator [illegible] About [illegible]many m[illegible]you on the pay roll there [illegible] if yo[illegible]y that i[illegible]nd?

Mr. Sn[illegible]bly 700.

Senat[illegible]

Mr. S[illegible] Oh, y[illegible]

Senat[illegible]OT. Tha[illegible]peakin[illegible] If you have more th[illegible]r cent y[illegible]ead cha[illegible]is too large; that is [illegible]

Mr. S[illegible]st happen to think I [illegible]ployees in all the bran[illegible]l. I[illegible]that there are colonas an[illegible]onas—that[illegible]rmers w[illegible]ne and growers of cane, 2,9[illegible]y hav[illegible]r employ[illegible]subcolonas under them to the n[illegible]000.

Senator SH[illegible]ages running from a dollar a day up?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. That is your company?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. Back of your employees the laborers, of course, get much less, do they not, per day?

Mr. SNYDER. Those who are far away.

Senator SHORTRIDGE. Those working in the fields and cutting cane, etc.?

Mr. SNYDER. Those far away from the mill, more in the interior of the country, where the cane is grown and gathered up, are paid by their farmers, by whom they are employed. I do not know what the farmer pays them. It may be less. It would not be any more than what we are paying them. What he does pay them I do not know.

Senator SMOOT. It is stated that it is not over 60 cents a day.

Mr. SNYDER. This 107½ pounds of 96° sugar, coming in at the rate proposed in this bill, of $2.40, costs the United States refiner $2.58 for his sugar, upon which our duty is $2.80; that is, when we bring our 100 pounds in, then we pay $2.80. He pays $2.58. Therefore he has the benefit of 22—that is, 22 cents—and in addition to that he has his by-products in the United States while ours are in Cuba.

Now, to illustrate what this increase in duty means to the American refiner, and why it appeals so strongly to Mr. McCarthy, according to his statement yesterday. The total consumption of sugar in the United States for the year 1928 was 5,512,146 long tons of sugar. I state it in long tons because it is computed that way, and if anyone wishes to refer to the statistics, they are available.

Senator SHORTRIDGE. That is long tons?

Mr. SNYDER. Yes; long tons.

Senator SHORTRIDGE. That would be how many short tons?

Mr. SNYDER. It is over 6,100,000. The odd figures I do not remember.

Senator SHORTRIDGE. That is short tons?

Mr. SNYDER. Yes; short tons.

Now, of this 5,500,000 long tons of sugar that were consumed in the United States last year, 4,161,374 tons passed through refineries in the United States.

If the refiner in the United States takes the benefit of that 22 cents which he is entitled to under this proposed law, he will obtain the additional sum of $4.59 for each long ton of sugar which he refines, or a total sum for the United States refiners of $19,100,706.

Senator HARRISON. Do you not think we should give that to the sugar grower?

Mr. SNYDER. What is that?

Senator HARRISON. Do you not think we should give that additional protection to the man who actually raises the sugar cane or the beets?

Mr. SNYDER. No, sir, you can not; there are only two things the refiner can do with it. He can keep it, because it is for his benefit, or you will reduce it by such an amount or percentage as the rate which you are going to put in force is not effective. I calculated that on the amount of the duty as set forth in the act.

A tariff act is not always effective for the full amount of the duty. You gentlemen are more familiar with that than I am. The full duty rate may be 90 per cent effective, or it may be 85 per cent effective, or it may be even only 80 per cent effective; but if it is effective for the full amount, the American refiner can collect from the American people, if he will, $19,000,000 in addition, or such a percentage of that amount as the rate is effective.

Senator SMOOT. You prefer now to go to Cuba and refine your sugar there, and not take the chances of getting any of this 22 cents?

Mr. SNYDER. I would not say that we went to Cuba. We went there long before this tariff was thought of, and we went there when the United States wanted sugar from Cuba, and when it wanted sugar from Cuba very much, so that we are there. The policy of the Government—I am not speaking now of the policy of a party, but the policy of the Government—was to encourage its people to do such things, so that Cuba was a desirable place to make sugar, and we were in the sugar business, and we went there to make it; and we have been making it ever since; and of course we had an increase in the tariff in 1921, and we have had an additional increase in 1922, and now we are going to have another one. I can only say to you that Cuba will produce sugar and the United States will consume some part of the sugar that Cuba produces, and if under the law you make it more attractive to refine our sugar in the United States, why, then we can only pick up that part of our baggage and come across the straits and land somewhere in the United States, and we will continue to refine our sugar, because we think it is desirable that we should finish our own sugar that we make.

If this rate is effective, and this rate is made effective for the benefit of the sugar producers in the United States—I am not going to quarrel with you about that—but if this rate is to become effective, then the additional burden, if you choose to call it that, if this rate is effective that is placed by this increase upon the consumers of the United States, whether domestic or manufacturing—I am speaking now of the increase, I am not speaking of the existing rate—this is in addition to the existing rate—that increase is $109,636,583.

Senator HARRISON. How did you get those figures? Others have been telling us it is only thirty-odd million dollars.

Mr. SNYDER. Well, they are wrong.

Senator HARRISON. No doubt about your figures, is there?

Mr. SNYDER. No; I do not think there is a bit of doubt about them.

Senator HARRISON. That leads me to ask this question: Taking this increase of one hundred-odd million dollars, by virtue of the increase over the present law and the present rate that is carried in the present law, how much does it cost the American sugar concerns?

Mr. SNYDER. I heard you ask that question this morning and I started to make the calculation. Somebody answered your question and went away. It is $318,000,000, I believe.

Senator HARRISON. $318,000,000?

Mr. SNYDER. Yes, sir. That is the effect of the whole sugar duty.

Senator SHORTRIDGE. That money goes into the United States Treasury, does it not?

Senator SMOOT. It could not possibly do that.

Senator SHORTRIDGE. Is that the amount of duty that is paid on imported sugar from Cuba, $318,000,000?

Mr. SNYDER. No; that is on the sugar consumed.

Senator WATSON. That applies to foreign and domestic?

Mr. SNYDER. The figures which I gave you, that is the increase.

Senator SHORTRIDGE. If you have the information before you, what is the amount of duty and what was the amount of duty paid on sugar imported from Cuba, say, during the last year?

Mr. SNYDER. From Cuba alone I can not give it to you.

Senator SHORTRIDGE. Then from the whole territory, how much duty went into our Treasury to help carry on the Government?

Mr. SNYDER. These figures are about right.

Senator SHORTRIDGE. Well, about how much?

Mr. SNYDER. This is not the exact amount, but approximately $122,000,000.

Senator SHORTRIDGE. Duty?

Mr. SNYDER. Yes, sir; from sugar.

Senator SHORTRIDGE. Do you remember the total tariff receipts for the last year?

Mr. SNYDER. I do not, but somehow or other it runs in my mind——

Senator SHORTRIDGE. One hundred and twenty-two millions plus was paid as duty on sugar imported into the United States, is that right?

Mr. SNYDER. Yes, sir, I think that is right.

Senator SHORTRIDGE. I wanted to know how much duty was received by the Government for what is imported and you said $122,000,000, is that right?

Mr. SNYDER. Let me answer that from a memorandum I have prepared upon the subject. The answer to your question is in here. It says here, "The official figures are not yet out for either the revenue or the drawback for 1928. The revenue for 1927 was $130,043,897."

Senator SMOOT. Just as I said, $130,000,000.

Senator SHORTRIDGE. That was over one-fifth of the total duty paid, was it not?

Mr. SNYDER. Very close to it.

Senator SHORTRIDGE. That is of all duties?

Mr. SNYDER. Yes, the sugar duty is about one-fourth or one-fifth of all the duty collected.

Senator HARRISON. You know your subject and I am curious to know you arrive at this increased tariff plus the tariff now carried would cost the American sugar consumer $318,000,000. How do you get at that?

Mr. SNYDER. I will make the calculation and hand it to you. I do not want to trouble you with it now.

Senator HARRISON. Is the amount of the tariff reflected in the increased cost of sugar to the consumer?

Mr. SNYDER. There is an economic question involved there. I can not say that it always is.

Senator SHORTRIDGE. Would not the sugar be about as cheap to the average housewife? Do you not think so, as a matter of fact, if we increased this rate as fixed in the House bill?

Mr. SNYDER. It will for a time because you have a surplus of sugar.

Senator HARRISON. Under normal conditions do you think it would be the same?

Mr. SNYDER. No, it would not, because if that were the case why would you have any duties?

Senator HARRISON. It would not help them very much if it did not, would it?

Mr. SNYDER. No, there would not be any use in enacting such legislation.

Senator SHORTRIDGE. The competition as between the wholesale and retail dealers in America on sugar would be about the same as far as the individual consumer and purchaser is concerned, would it not?

Mr. SNYDER. No; that competition that you speak of, Senator, they do compete and they sell sugar for practically what is costs them. They do not exactly give it away, but they use it as an inducement to come in and buy something else.

Senator SHORTRIDGE. As the gentleman from Montana explained?

Mr. SNYDER. Yes, that is a fact.

Senator SMOOT. Have you ever cut the price of sugar in the United States?

Mr. SNYDER. No, sir.

Senator SMOOT. The other refiners do the cutting?

Mr. SNYDER. Yes, sir. I can answer that question for you very nicely. We have not cut the price; and we do not cut the price. The price of sugar is fixed and has been for years fixed by the New

York seaboard price. That was well recognized in the trade. All sugar was sold on that basis. A different situation is coming over the sugar trade and has within the last year or eighteen months. It has been developing gradually but this year it has been very pronounced. The price of sugar is really fixed now from the Pacific coast and not from the Atlantic coast.

Senator SMOOT. That is on the basis of free sugar from the Philippines, you mean?

Mr. SNYDER. Yes, sir. The California and Hawaiian Refinery, which is located in California, and which is probably the largest refinery in the United States and makes one of the best qualities of sugar, and they are very good business people——

Senator HARRISON. That is in California?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. All roads, you know, lead to California.

Mr. SNYDER. I am just stating a business proposition. They have been dominating the sugar market for say the last two years and fixing the price.

Senator SMOOT. A great deal of Philippine sugar comes through the canal and through San Francisco?

Mr. SNYDER. The Hawaiian sugar comes from there to San Francisco.

Senator SMOOT. And the C. & H. refine that sugar?

Mr. SNYDER. Yes, sir; and the Western Sugar Co. also refine some Hawaiian sugar and some sugar from the Philippines. Then the balance of the Philippines sugar goes either to New Orleans or along the coast somewhere up to New York.

Senator SMOOT. In other words, the Philippines have a rate of $7.50 a ton from the Philippine Islands to New York which is 37½ cents a hundred, and we can not get to the Missouri River from Utah for that.

Mr. SNYDER. Well, that is the disadvantage of rail over water. If you are interested in the distribution of Philippine sugar, you may look at that. I had that prepared for myself. It was worked out for me.

Senator SHORTRIDGE. Referring to that State, have you any definite information as to the condition of the beet industry, the sugar-beet industry in that State?

Mr. SNYDER. In California?

Senator SHORTRIDGE. Yes, sir.

Mr. SNYDER. Yes, sir, I have. The production of beet sugar in California for the 1927–28 crop was 7.7 per cent of the whole production.

Senator SHORTRIDGE. In the United States?

Mr. SNYDER. Of the whole United States.

Senator SHORTRIDGE. Was there an increase or decrease in acreage, can you tell me that?

Mr. SNYDER. I can only tell you in results. I mean, what I am informed as to the result. The beet-sugar industry in southern California is disappearing.

Senator HARRISON. Is what?

Mr. SNYDER. Disappearing.

Senator SHORTRIDGE. Can you assign the reasons for it?

Mr. SNYDER. You have had a great deal of discussion on that. I can give you my conclusion.

Senator SHORTRIDGE. I will be glad to have you give me the benefit of your views.

Mr. SNYDER. This memorandum here will answer that. I had not intended to present this to you, but it is illuminating. The total production of beet sugar in 1927–28 crop was 1,075,215 short tons.

Senator SMOOT. American tons?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. Those last figures apply to the whole country?

Mr. SNYDER. It covers the whole country; yes. Of that Colorado produced 34.2 per cent; Nebraska, 12.4 per cent; Michigan, 10.9 per cent; Utah, 8.8 per cent; California, 7.7 per cent; Idaho, 5.6 per cent; Wyoming, 5.2 per cent; Montana, 5 per cent; Ohio, 3.3 per cent; Iowa, 1.7 per cent; Minnesota, 1.6 per cent; Wisconsin, 1.2 per cent; Indiana, 0.9 per cent; South Dakota, 0.8 per cent; Kansas, 0.5 per cent; Washington, 0.2 per cent, making up the 100 per cent. There was a little sugar produced in Nevada, about 15,000 bags, but it was too small to calculate a percentage. Of that total amount of sugar, 84 per cent of it was produced by six companies.

Senator HARRISON. What six companies?

Mr. SNYDER. The Great Western Sugar Co. produced 47.7 per cent; the Holly Sugar Co., 9.6 per cent; the Utah-Idaho Sugar Co., 7.5 per cent; the American Beet Sugar Co., 7.4 per cent; the Michigan Sugar Co., 6.2 per cent; the Amalgamated Sugar Co., 5.6 per cent. Those are the six companies that produced 84 per cent of all the beet sugar produced in the United States. There were 17 other companies that produced the remaining 16 per cent.

Senator SHORTRIDGE. You were about to give your views as to the reasons for the falling off in California.

Mr. SNYDER. It is the difficulty of the crop, the labor conditions involved, the laborious work connected with it. When I state this do not think I state it in any invidious way at all, because that is not my purpose at all.

Senator HARRISON. Do you mean Californians do not like to work?

Mr. SNYDER. They will not do that kind of work. You must have the imported labor to do it, and if the imported labor is not available for the purpose then it can not be done. I suppose in the wonderful productivity of the fruit and other crops in California the work is so much more attractive that the hard labor in connection with beets does not appeal to them.

Senator SHORTRIDGE. There were many who wanted more Japanese to come in for that very reason, but we did not think so.

Mr. SNYDER. If, Senator, the beet-sugar crop in the United States was a crop of the American farmer, I do not believe you would hear so much about the beet-sugar question as you have.

Senator SHORTRIDGE. What is the type of labor in Michigan?

Mr. SNYDER. In Michigan?

Senator SHORTRIDGE. What is the type of men and women who work in the beet fields there in the seasonal work?

Mr. SNYDER. They are using foreign labor, and they appealed to the governor of the State to let the prisoners out of the penitentiary to work in the beet fields.

Senator SHORTRIDGE. When you say foreign labor, what do you mean by that?

Mr. SNYDER. The Mexican labor.

Senator SHORTRIDGE. In Michigan?

Mr. SNYDER. Yes, sir; and in Ohio also.

Senator SHORTRIDGE. And in Ohio?

Mr. SNYDER. Yes, sir.

Senator SMOOT. In relation to Michigan, since yesterday I inquired as to what the facts in that case were. The prison board asked that the beet people use that prison labor. The beet-sugar people never approached the governor of the State of Michigan at all.

Mr. SNYDER. I do not know, except what I saw in the newspaper.

Senator SMOOT. Of course, you saw the newspaper.

Mr. SNYDER. Yes.

Senator SMOOT. So did I.

Senator HARRISON. What did you see in the newspaper? We did not see it.

Mr. SNYDER. I do not know whether I can remember it or not. What I saw in the newspaper was approximately this, and it occurred shortly after the hearings before the House Ways and Means Committee on this same bill when this subject of imported labor and contract labor and bringing them in came up and they brought them in by the trainload and all that sort of thing. That is all set forth in another report taken before the House Committee on Immigration and there is quite a volume of it, giving the full details of how this labor is brought in. That was all discussed over at the House.

Senator SHORTRIDGE. By the Secretary of Labor, who is, I think, rightly opposed to that type of labor being brought in here from Mexico. It is spreading away out into the Mississippi Valley and other States you have mentioned. The American Federation of Labor and all the other labor organizations, as well as the Secretary of Labor, are protesting against a continuation of that immigration, whether it be temporary or permanent. They come in theoretically temporarily, but they are getting into the unskilled class and gradually creeping into the skilled trades throughout practically the whole country.

Senator HARRISON. Do you think it will help the sugar-beet industry in large production, or would it curtail it, if they stopped using that Mexican labor?

Mr. SNYDER. It would curtail it, but it would make it an American industry.

Senator SMOOT. Do you mean to say that the American farmer does not labor at all and allows these people to come in and take his work from him on his own farm; is that your thought? Do you know anything about it?

Mr. SNYDER. I was raised in a farming community and all the early part of my life I knew nothing but farmers.

Senator SMOOT. Do you know anything about the seasonal work required in a beet field?

Mr. SNYDER. No. I have not seen beets grown in this country. You were asking me about this question before the House—before the House Committee. After these things had been discussed before the House Ways and Means Committee we were all interested in the subject, and then this telegram appeared in the papers that application had been made to the Governor of the State of Michigan.

Senator HARRISON. By whom?

Mr. SNYDER. By the growers of beets.

Senator HARRISON. The sugar-beet growers?

Mr. SNYDER. Yes, sir; for labor to take care of the crop at that time, by the prisoners then confined, or certain classes of them, in the penitentiary.

Senator SMOOT. I am told it is just the reverse, that the State made application to the farmers to use that labor.

Mr. SNYDER. That may be. The subject was brought up in the discussion on the floor of the House and the Representative from Michigan made a denial of it and then the denial was denied and possibly the true facts ultimately came out, but however that may be, it was finally determined it was not going to affect the tariff bill at all.

Senator SHORTRIDGE. That same argument was made in respect to the labor on the railroads in the West. It was argued years ago that they had to have Chinese out there to work on the railroads. It has more or less recently been argued that you had to have Japanese to work in the gardens and in the beet fields of California and elsewhere. The same argument has been advanced that you had to have Mexican labor, and I have sat and listened to arguments to the effect that we still have to have the Mexican labor to work on the railroads, that the colored men of the South would not work on the railroads out in the West there, in part of Texas and out through New Mexico and Arizona, perhaps, in the hot sections of California. That argument has been made successively as to Japanese, Chinese, and in part, as I say, they have applied it to the colored people. Well, the Chinese were shut out and yet the railroads have been able to continue. The Japanese immigration has been stopped, yet we are getting on fairly well. I think the Mexican labor should be shut out also, and we will continue to improve and give employment to our own people.

Senator SMOOT. The railroad labor that you spoke of was labor permanently in this country. The Mexican labor he is speaking of is only in here for a while. They are thinning the beets or they are taking the beets out and all that has to be done within a few weeks.

Senator SHORTRIDGE. It is claimed they come in here temporarily, but they scatter throughout the United States and remain here permanently.

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. They are here to stay.

Mr. SNYDER. I have seen them, not in our town, but in the larger towns, in the manufacturing towns, doing laboring work in certain classes.

Senator SHORTRIDGE. Where?

Senator SMOOT. You mean for seasonal work or did they come in under the quota?

Mr. SNYDER. No; I only know they are there.

Senator SMOOT. This question of escaping and not being apprehended, there may be one or two——

Senator SHORTRIDGE. There are thousands.

Senator SMOOT. Why do you not go down there and tell the Department of Labor then who they are?

Senator SHORTRIDGE. You ask a man in the Government's employ, our Secretary of Labor, for instance, and he will say they have not the money, they have not the guards out there on the California border and on the Mexican border, on the Arizona border, and on the Texas border to prevent it.

Senator SMOOT. That is not the kind of people we are looking after. These people here are coming in for seasonal work. They are tagged and they go back.

Senator HARRISON. Well, there are thousands of them in Utah.

Senator SHORTRIDGE. You get the testimony of the Secretary of Labor and you will be very alarmed over it.

Mr. SNYDER. They get into our section of Pennsylvania.

Senator SHORTRIDGE. And they stay there too, do they not?

Mr. SNYDER. Yes, sir; in the towns.

Senator SHORTRIDGE. They stay there?

Mr. SNYDER. In the towns; yes.

Senator SHORTRIDGE. But whether those that you have in mind come in as seasonal labor or not you are unable to state?

Mr. SNYDER. No. They do not speak the language distinctly. They get into trouble and various kinds of arguments with the police and you see it in the newspapers. I simply know they are there.

Senator SHORTRIDGE. I do not want to speak loosely, but what I am saying is that the Department of Labor will furnish evidence to the effect that a great many of these so-called seasonal laborers come over from Mexico and are not returned to Mexico. They remain here in America and enter into the various fields of labor.

Senator SMOOT. It is the duty of the Labor Department, then, to apprehend them and see that they are sent back.

Senator SHORTRIDGE. The Labor Department will state that they have not the number of guards or the number of employees to ferret out and follow up and arrest, if necessary, and take back to Mexico those people. That is what they say.

Mr. SNYDER. I would like to draw this to your attention. I stated to you that the burden by reason of this increase—the increase would be only $109,636,583. Now, of course, we desire to know—at least I do—where it goes to. It will have to be apportioned out according to the various kinds of sugar which made up that consumption.

Senator SMOOT. If the Government gets the money——

Mr. SNYDER. The Government gets a small part of it.

Senator SMOOT. They get it all if its imposed.

Mr. SNYDER. The Government gets a duty on that part of it that comes from Cuba.

Of this total consumption of 5,542,636 long tons of sugar I told you about, there was 4,161,734 tons passed through the hands of the refiners. The beet people produced 1,037,241 tons, and there was some full duty sugar came into the United States amounting to 29,424 tons.

Dividing that up and applying it on the same ratio the United States would collect, on the 2,607,509 tons that came from Cuba, the Government will receive $38,519,853, the refiners of the sugar $13,343,-501. It has been stated here, and what was stated I believe to be the fact, that it was intended to be carried out in the beet-contract agreements, and it has been assured to the beet growers if this tariff is increased one-half of the benefit of the duty will go to them. The figures indicate they will receive that half and that the contract is fairly equitable. So, on that 1,037,241 tons, if the increase is reflected in the price of the sugar-beet manufacturer and the beet grower, they would each receive $10,315,361. Louisana, the mills and refiners of the sugar, will receive $2,302,248; Hawaii, the mills and refiners, of the sugar, will receive $13,594,556; the Virgin Islands, the mills and refiners of the sugar, $182,033; Porto Rico, the mills and refiners of the sugar, $11,594,617; and the Philippine islands, the mills and refiners of the sugar, $9,469,052, ending up in this general way: Of this $190,000,000 the beet growers will receive ten million. (A detailed schedule of apportionment is submitted.)

Senator HARRISON. $10,000,000?

Mr. SNYDER. Yes, sir; the beet growers will receive $10,000,000.

Senator HARRISON. The sugar growers, how much?

Mr. SNYDER. The mills?

Senator HARRISON. The sugar-cane grower.

Mr. SNYDER. Louisiana, yes; $2,302,248.

Senator SHORTRIDGE. Is that the benefit you are talking about?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. How do you figure the Virgin Islands people will get a benefit of that amount?

Mr. SNYDER. I took the benefit of this increase and assumed it would be reflected in the price of sugar and apportioned amongst them as they each produced in 1928.

Senator SHORTRIDGE. How much did the Virgin Islands produce in 1928? Have you got that there?

Mr. SNYDER. Yes, sir; I have it right here; 9,152 tons, which would give the Virgin Islands $182,033.

Senator SMOOT. You do not think the City Bank of New York would allow any money to be loaned on that statement of yours?

Mr. SNYDER. No, sir.

Senator SMOOT. You could not borrow a dollar on it, could you?

Mr. SNYDER. No. I would not advance it myself.

Senator SMOOT. You know they did not get it, and you know they will not get it?

Mr. SNYDER. I would not want to advance any on Cuba if this law goes into effect.

Senator SMOOT. Well, as between Cuba and America, I am going to stand for America.

Mr. SNYDER. Well, who wouldn't?

Senator SMOOT. Evidently you would not, because you are speaking now for Cuban sugar, because you are interested down there and you have got your money invested there.

Mr. SNYDER. We have our money there, and a great deal of it.

Senator SMOOT. We are not going to bother you about that. All we want is a living price for sugar—that is all—and you are not getting it in Cuba. To-day Cuba is not taking her preferential that she is given under the existing law.

Mr. SNYDER. Cuba has not been taking the benefit of the preferential.

Senator SMOOT. And you are talking about the farmers in America?

Mr. SNYDER. Cuba has not taken the benefit of her preferential.

Senator SHORTRIDGE. Why not?

Mr. SNYDER. You stated—not during this week's hearings, but last week's—that when something is wrong you wanted to discover what it is:

Senator SHORTRIDGE. Yes.

Mr. SNYDER. And you wanted to find the remedy and apply it?

Senator SHORTRIDGE. Yes; the wrong, the right, and the remedy.

Mr. SNYDER. You can not cure this sugar business overnight. It is not going to be done by the passing of a law. The world has too much sugar and we all know that and Cuba also, let me tell you, has too much sugar.

Senator SMOOT. Why in the world do you bring all of those figures here saying this is what the beet grower gets, when you know they do not get any such thing. If the tariff is $10, if Cuba sells her sugar the way she is selling it to-day, they would not get any advantage at all.

Mr. SNYDER. If you shut all the other sugars out somebody would have to get it. Now, as a result of the Spanish-American War we took over the three islands; they are allied with us. We have Porto Rico, we have the Philippines, and we have the Virgin Islands and Cuba. So far as I am concerned, they are all islands to me. Of course, a Porto Rican is a citizen of the United States; the Filipinos are not, and a Cuban is a Cuban. They are all making sugar. As a result of the increases in the duty, the production of sugar has been stimulated in Porto Rico, has been stimulated in the Philippines, and has been stimulated in Hawaii, and all at the expense of the beet grower in the United States. I never felt there has been any controversy or any difficulty arising out of the Cuban sugar, but the benefit of the duty in the stimulation as the result of it has gone to the islands, as the statistics show.

Senator SMOOT. If Cuba had produced this year 3,500,000 tons instead of 5,022,000 tons, do you think that the price of sugar would be the same as it is to-day?

Mr. SNYDER. No.

Senator SMOOT. Of course, you know it would not.

Mr. SNYDER. No.

Senator SMOOT. Who is to blame then?

Mr. SNYDER. I say you can not turn these things around abruptly.

Senator SMOOT. One way they would make a little money and the other way they are losing money.

Senator CONNALLY. You say Cuba is not taking her preferential. She does import sugar into the United States, does she not?

Mr. SNYDER. Yes, sir.

Senator CONNALLY. She gets a reduced rate, does she not?

Mr. SNYDER. Yes, sir.

Senator CONNALLY. Why is she not taking the advantage of her differential to that extent?

Mr. SNYDER. Because on account of the supply of sugar in the world the price is low and she has not been able to take it.

Senator HARRISON. Is there something in our treaty with Cuba that if she sells a certain amount of sugar to the other countries of the world compared with what she sells to us that the duty will not apply?

Mr. SNYDER. No.

Senator HARRISON. There is nothing in the treaty with reference to that?

Mr. SNYDER. No.

Senator CONNALLY. Her differential has not been effective is what you mean?

Mr. SNYDER. Yes, sir.

Senator CONNALLY. She takes all she can get, though.

Senator SMOOT. She never has.

Senator SHORTRIDGE. When you ship a certain quantity of sugar into the United States, you do not pay the full duty, do you?

Mr. SNYDER. No, sir.

Senator SHORTRIDGE. You pay 20 per cent less than the 100 per cent, do you not?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. And I say that is taking advantage of it.

Senator SMOOT. She does not take advantage of the 20 per cent.

Mr. SNYDER. The duty paid is 20 per cent less than the full duty, but it is no advantage to Cuba because you get sugar from nowhere else and there has been such a multitude of sugar coming into the United States from its insular possessions and from Cuba, that there is more sugar——

Senator SHORTRIDGE. How much did you ship in last year from Cuba, in round figures?

Mr. SNYDER. It was 2,607,509 tons.

Senator SHORTRIDGE. According to the 100 per cent rate you would have been obliged to pay so much, would you not?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. And you paid 20 per cent less than that. In my opinion and in my mind it would seem to me you are taking advantage of your 20 per cent reduction.

Senator SMOOT. I agree with you as to the Philippine Islands. In 1909 we limited it to 300,000 tons. We were told here at that time by the Philippine people themselves that they never could produce more than 300,000 tons. I am perfectly willing now to take 600,000 tons and make a limitation and to protect every man, no matter whether he is the King of Spain or who he is. That is what ought to be done and nothing more.

Senator CONNALLY. Do you not think that is the only way you are going to protect the beet man to any degree?

Senator SMOOT. Cuba makes the excuse here that she is to-day as she is on account of the Philippine competition. We can no do it with the Hawaiian Islands because they are a part of the United States. We could do it with Porto Rico. Porto Rico, however, is almost to her maximum production. That is what the Philippine Islands said at that time. I do not know how much sugar they can produce. If the Philippine chamber tells the truth, they can produce five to six million tons in the Philippine Islands.

Mr. SNYDER. That is what General Wood says.

Senator SMOOT. I have General Wood's own statement.

Senator CONNALLY. If they do that, the beet men are not going to be any better off than they are now.

Senator SHORTRIDGE. Well, that is an extravagant dream. You heard what was stated yesterday, that it would take many, many years to develop that.

Senator SMOOT. I have seen them develop it five times over from 1909 to now.

Mr. SNYDER. I have here the figures of sugar consumed in the United States over a period of years from 1919 to 1928. There were 73,000 long tons of Philippine sugar in 1919 and there were 476,000 in 1928.

Senator SMOOT. I would appreciate it if you would make your statement as brief as you can so that we can get through with one other witness this evening. You have been talking now 40 minutes.

Mr. SNYDER. Mr. McCarthy, of the Pennsylvania Sugar Co., was the gentleman who appeared here yesterday. He said he represented certain refiners. He gave the names and no doubt that is correct.

Mr. McCarthy is a gentleman from Philadelphia who is an excellent man in every respect. You will notice in the first place that of all those refiners he mentioned the two large ones were not mentioned—the American Sugar Refining Co. and the National. They have not asked for this increase in the differential on refined sugar against Cuba. They have not asked for it.

Senator SMOOT. How much money is invested by the American Sugar Co. in Cuba?

Mr. SNYDER. I could not tell you that without looking at the statement. They have two of the most beautiful places anywhere down there.

Senator HARRISON. Have they got any investments in this country?

Mr. SNYDER. The American Sugar Refining Co. have, yes, sir; they have four or five refineries here.

Senator HARRISON. And which is the bigger, the one in Cuba or the one here?

Mr. SNYDER. The ones here.

Senator SMOOT. But they do not produce any sugar here and they do produce it down there.

Mr. SNYDER. Mr. McCarthy was rather frank in his statement yesterday, and I should just like to read this one extract from what he said in a statement. He was afraid of further extension of this refined sugar from Cuba. He says, "Not that we are suffering now; not that we have suffered now." I will just read you something from the report of Mr. McCarthy's own company, and he happens to be the president of it.

Senator HARRISON. When was the report filed?

Mr. SNYDER. In May of this year.

The earnings last year were about equal to $29.50 per share, or nearly three times the dividend.

They paid a dividend of $10 a share.

Of the total of $1,463,298 earnings, $925,000 was from the sales of refined sugar and $538,520 from the sales of by-products. The earnings from sugar sales represented close to $20 a share on the stock and earnings from the sales of by-products represented more than $10 a share on the stock. Earnings from sales of by-products more than provided the dividends during the year.

As Mr. McCarthy pointed out.

Development of the sugar plant has been very satisfactory, but the by-products plant shows greater development from refuse of molasses after all crystallizable sugar has been removed. The company with the aid of chemical ingredients is producing alcohol and CO_2 gas, all of which have a ready market.

Senator SMOOT. How much did the Hershey Co. make last year? I mean the Hershey Co. in the continental United States. What was their profit?

Mr. SNYDER. Our profit——

Senator SMOOT. I do not mean the corporation in the Philippines. I mean in the United States.

Mr. SNYDER. The Hershey Chocolate Corporation?

Senator SMOOT. Yes, sir.

Mr. SNYDER. I can tell you and I will be very glad to send you a statement. I think after the payment of dividends——

Senator SMOOT. No; I mean altogether.

Mr. SNYDER. It was approximately $8,000,000; $7,102,578.10 is exact amount before taxes; taxes, $646,189.78; net before dividends, $6,456,388.32.

Senator SMOOT. How much did the Hershey Corporation in Cuba make?

Mr. SNYDER. We broke our records last year in Cuba, and for the first time we had a balance in black. We had about $200,000, or a little bit over $200,000. There are some odd thousand dollars in there. I know it does not make any difference. I want to say the figures are available to you.

Senator HARRISON. Is that the first year you got in the black down there?

Mr. SNYDER. Yes, sir.

Senator HARRISON. And you made $200,000?

Mr. SNYDER. Yes, sir.

Senator HARRISON. On what amount invested?

Mr. SNYDER. About $49,000,000.

Senator HARRISON. In this country you made $8,000,000 last year?

Mr. SNYDER. Yes, sir.

Senator HARRISON. On what investment in this country?

Mr. SNYDER. About the same amount. About $50,000,000.

Senator SHORTRIDGE. Is that the chocolate company?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. What about the other company?

Mr. SNYDER. The one in Cuba?

Senator SHORTRIDGE. You have a chocolate company.

Mr. SNYDER. Yes, sir. I can answer the question as to both, but I wanted to know what you had in mind.

Senator SHORTRIDGE. Does that include both corporations?

Mr. SNYDER. No, they are separate.

Senator SHORTRIDGE. Well, those were the profits of the Hershey Chocolate Co. that you have just given us. Is that right?

Mr. SNYDER. The $8,000,000?

Senator SHORTRIDGE. Yes.

Mr. SNYDER. Yes.

Senator SHORTRIDGE. What was the other corporation?

Mr. SNYDER. The Hershey Corporation in Cuba.

Senator SHORTRIDGE. What has it made?

Mr. SNYDER. Nothing in Cuba. But last year we broke our record and were in the black for the first time to the extent of about $200,000.

Senator SHORTRIDGE. There are two corporations?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. The Hershey Chocolate Corporation?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. Did it make any money in the United States?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. How much?

Mr. SNYDER. About $8,000,000.

Senator SHORTRIDGE. How much in Cuba?

Mr. SNYDER. It is not in Cuba.

Senator SHORTRIDGE. It is not there at all?

Mr. SNYDER. No, sir.

Senator SHORTRIDGE. As to the Hershey Corporation, how much did it make in America?

Mr. SNYDER. Nothing.

Senator SHORTRIDGE. How much in Cuba?

Mr. SNYDER. Well, now, you said in the United States and Cuba.

Senator SHORTRIDGE. Well, I will put it this way: There are two corporations.

Mr. SNYDER. They do business in two places.

Senator SHORTRIDGE. There are two corporations?

Mr. SNYDER. Let's understand each other to get it right.

Senator SHORTRIDGE. How much did the Hershey Chocolate Corporation make all told?

Mr. SNYDER. About $8,000,000.

Senator SHORTRIDGE. How much did your Hershey Corporation make?

Mr. SNYDER. It made $200,000.

Senator SHORTRIDGE. Is that all?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. Well, that answers my question.

Mr. SNYDER. I say we broke our record, and for the first time.

Senator SHORTRIDGE. That is, the Hershey Corporation?

Mr. SNYDER. Yes.

Senator SHORTRIDGE. It made last year only $200,000?

Mr. SNYDER. Yes.

Senator SMOOT. This last year, in other words, you sort of missed the mark, as you have done in the past, by invoicing your sugar to the Hershey Chocolate Co. in the United States so that it would not show any profit whatever there?

Mr. SNYDER. Oh, no.

Senator SMOOT. Why did you go to Cuba then?

Mr. SNYDER. Oh, no; nothing of the kind.

Senator SHORTRIDGE. Of course, you made returns in respect of the income tax?

Mr. SNYDER. Yes.

Senator HARRISON. Let me ask you this question: Is the corporate tax in Cuba as high as it is in the United States? Would you pay to the Government in Cuba, if you had made $8,000,000 in cash, as much or more than you would on making $8,000,000 in the United States?

Senator SHORTRIDGE. Do you mean income tax?

Senator HARRISON. Or corporation tax.

Senator SMOOT. The whole tax.

Mr. SNYDER. I can not answer that question.

Senator HARRISON. That is the only one you have not been able to answer.

Mr. SNYDER. Well, I can not answer that.

Senator HARRISON. We have a pretty high corporation tax in this country.

Mr. SNYDER. Yes. As to the details of the Cuban tax, I sat down time after time, and I have gone over them, and their income tax there, and their local tax and taxes of various kinds upon the property—my impression is that the income tax in the United States is greater. As I come to think of it, the income tax in the United States at the present time is 12 per cent.

Senator SMOOT. Eleven per cent.

Senator HARRISON. So if you tried to shift the earnings you made by shifting them on to the corporation in Cuba, where the income tax would be——

Mr. SNYDER. The income tax in Cuba is 8 per cent, I believe.

Senator SMOOT. And their other taxes?

Mr. SNYDER. The local tax, the tax in the Province, the municipal tax.

Senator HARRISON. Well, you have all of those here, too.

Let's go back to this other corporation about which you were talking—the one Mr. McCarthy was speaking of. They made quite large earnings, did they?

Mr. SNYDER. Yes.

Senator HARRISON. That is the American corporation?

Mr. SNYDER. According to this they made twenty-nine dollars and some cents a share—$29.50.

Senator HARRISON. They are refiners in the United States?

Mr. SNYDER. Yes.

Senator HARRISON. An American concern?

Mr. SNYDER. Yes.

Senator HARRISON. Do you know on what capitalization?

Mr. SNYDER. It is here. There are outstanding 50,000 shares at a par value of $5,000,000.

Senator HARRISON. What is it worth now?

Mr. SNYDER. Par value $100. It was split up five to one at this meeting. When the exchange of shares is carried out there will be 250,000 shares, the total par value being unchanged, or $5,000,000. The stock has been recently sold around $250 to $275 a share.

Senator HARRISON. After it was split up?

Mr. SNYDER. Before it was split up.

Senator HARRISON. They have done pretty well.

Senator SMOOT. How many years was that?

Mr. SNYDER. This was 1928.

Senator SMOOT. How many years intervened between when they were first incorporated with 100,000 shares and when they increased it and split it up?

Mr. SNYDER. The Pennsylvania Sugar Co. dates back to about 1909 or 1910.

Senator SMOOT. So it was to about 1928 they were accumulating that.

Senator HARRISON. You know something about everything, it seems. How about these six beet sugar companies. Have they made or lost money? Can you tell us about their condition? Have you any facts there touching upon that?

Mr. SNYDER. The largest production was the great Western Sugar Co. They had made money, and a great deal of it.

The Holly, I believe, has been prosperous.

There is another one, although I do not have the list.

Senator HARRISON. The Utah-Idaho Sugar Co?

Mr. SNYDER. The Utah-Idaho Sugar Co. has not been doing very well.

Senator HARRISON. They had trouble with the Government.

Mr. SNYDER. I don't know if they had any trouble with the Government or not. I believe the Federal Trade Commission got after them.

Senator HARRISON. The Attorney General got after them, didn't he?

Mr. SNYDER. I didn't know he was after them. The Federal Trade Commission did.

Senator SMOOT. But they found out there was nothing to get after them about.

Senator HARRISON. They were just indicted; that is all.

How about the American Beet Corporation? You know that one, don't you?

Mr. SNYDER. I can not tell you about that. I remember there are three of those large companies, one of which was very prosperous, two were so in a lesser way, and the other three were not.

Senator HARRISON. The Michigan was not so prosperous?

Mr. SNYDER. I believe not.

Senator HARRISON. You mentioned the Amalgamated Co. also?

Mr. SNYDER. I think it is the American and not the Amalgamated. It is one of them.

Senator SMOOT. The Amalgamated is selling now for $1.25 for a $10 share.

Mr. SNYDER. I am not prepared to talk about that, but I can find out.

Senator HARRISON. We will get it somewhere in some way.

Senator SHORTRIDGE. This would never be admitted in court, you know, Senator. This is hearsay.

Mr. SNYDER. One was very prosperous and a few prosperous in a minor sort of way, and three were not doing well. Now, I can find out as to the other two. One, I am satisfied, was the Holly.

Senator HARRISON. Was that the one that produced 47 per cent of the sugar out of beets in this country and made about $184,000,000 since it was organized in 1905?

Mr. SNYDER. They have made an awful lot. I have seen the calculations. I have it among my papers here somewhere.

Senator SHORTRIDGE. Do you think they could stand a little raise in the United States?

Mr. SNYDER. Now, pardon me, Senator.

Senator SHORTRIDGE. Do you think they could stand a little raise in the United States?

Mr. SNYDER. Who.

Senator SHORTRIDGE. The company last named. I say, do you think they could stand a little raise in the United States, assuming that they had to pay it?

Senator HARRISON. It is an infant industry and it needs a little help.

Mr. SNYDER. The Great Western? No, that is not an infant. I have the earnings of the Great Western. I have them in typewritten form.

Senator SMOOT. You say those are the earnings of Mr. Doran?

Mr. SNYDER. Yes; he sent them to me.

Senator SMOOT. He also sent me one.

Mr. SNYDER. I want to say to you that I want to answer the questions just as they are asked. You got talking about the Hershey Chocolate Corporation and also about the Hershey Corporation in Cuba. I do not want you to understand that the Hershey Corporation in Cuba is a Cuban corporation. It is a United States corporation and pays its taxes in the United States.

Senator HARRISON. That explains a whole lot.

Senator SHORTRIDGE. Yes, it does. I am glad you bring that out.

Senator SMOOT. So it would not make a particle of difference to you. You could put your profits in the company you wanted. You can put them wherever you want to.

Mr. SNYDER. No; we can not.

Senator SHORTRIDGE. They are separate entities?

Mr. SNYDER. Yes; separate entities and separate records, and separate taxes.

Senator HARRISON. The chairman fixed the law himself, so that there had to be separate reports and separate taxes.

Senator SMOOT. It is not reports at all. In Cuba they can invoice the sugar at whatever they want to invoice it to the Hershey Chocolate Co. in the United States.

Senator SHORTRIDGE. They can invoice it themselves.

Senator SMOOT. Yes; and at any price they want to. They can make that company in Cuba lose money every year by the millions if they want to. But this company here that controls them makes the profit.

Mr. SNYDER. It does not control them.

Senator HARRISON. That is a very serious charge against your concern. Is that true?

Mr. SNYDER. No.

Senator SMOOT. Who controls the Hershey Corporation?

Mr. SNYDER. I want to say the Hershey Chocolate Corporation has 12,000 to 13,000 stockholders.

Senator SMOOT. But they do not direct the affairs of the business, do they?

Mr. SNYDER. No.

Senator SMOOT. Who is your president of the Hershey Chocolate Co.?

Mr. SNYDER. A gentleman by the name of Murrie.

Senator SMOOT. Do you think they would have put that concern down in Cuba without his consent or that of Mr. Hershey?

Mr. SNYDER. No. Mr. Hershey put that concern down in Cuba.

Senator SMOOT. That is what I say.

Mr. SNYDER. Mr. Hershey put that concern down in Cuba. He represents that investment down there. These other people are not interested in that.

Senator HARRISON. I don't want you to get it into your head, and I am not criticizing the Great Western Co. for its success. I admire them.

Mr. SNYDER. No; I am not criticizing them for being successful.

Senator HARRISON. They have done well.

Mr. SNYDER. Yes. I am not criticizing Mr. McCarthy for doing well.

Senator HARRISON. They have done well.

Mr. SNYDER. Yes. What I object to is his asking to come in here to get his share of the $23,000,000 more. That is what I object to. I don't think he ought to collect his proportion of that additional amount.

Senator SMOOT. You would rather let it go into chocolate and let the people pay it there?

Mr. SNYDER. Oh, no.

Senator SMOOT. That is where it would go.

Mr. SNYDER. We are not trying to increase our business at the expense of anyone else.

Senator SHORTRIDGE. To sum up, then, I gather you are rather opposed to an increase in the tariff?

Mr. SNYDER. No; I did not say that.

Senator SHORTRIDGE. No?

Mr. SNYDER. I did not say that.

Senator SHORTRIDGE. I have been under that impression.

Mr. SNYDER. I said I was not going to discuss the general subject of what the amount of the tariff from Cuba should be, that I came here, and that you would hear a great deal about that from people probably more able to discuss it than I or at least who have probably studied it more. But what I did come here to state to you is that the tariff laws as they have always been written since 1897 provided a step-up for each degree of polarization, which provides in that increased tax for each degree of polarization. It thoroughly protects the American refiner and gives him a margin on his side in the tariff itself and gives him all of his by-products in the United States free of duty.

Senator SMOOT. In other words, the reason you went to Cuba was because of the fact of that advantage you had there in Cuba?

Mr. SNYDER. We were on even terms.

Senator SMOOT. I mean with Cuba.

Mr. SNYDER. Oh, no. We were on even terms with the refiner of sugar in the United States. It was slightly in favor of the United States refiner, but it was almost balanced.

Senator SHORTRIDGE. Does this suggested increase, and in the way pointed out in the bill as it came from the House, cause you to pay more duty?

Mr. SNYDER. Decidedly.

Senator SHORTRIDGE. Then you are interested in the subject matter of the amount of duty to be paid?

Mr. SNYDER. I am interested in that.

Senator SHORTRIDGE. Certainly.

Mr. SNYDER. In the doubling of the duty above 96.

Senator HARRISON. You do not mean to say if you increase this rate on sugar it will increase chocolate to the chocolate consumer?

Mr. SNYDER. That is a question, of course. If the materials increase, then selling chocolate—now, you have me back to chocolate.

Senator SHORTRIDGE. And remember you are under oath now.

Mr. SNYDER. When you are selling packages of that kind which are limited in price, because they usually sell either at 5 cents or in multiples of 5 cents—that is the way you usually see them. Now, when you increase the cost of materials that go into them—and sugar up to, say, 30 per cent is one, or any other material that goes into it. If the cost of that package as it has been going to the consumer is such that it does not allow you the proper margin in the business, then there is only one of two things to do—you have either to increase your price or you have to decrease the quantity.

Senator HARRISON. It means if you hold to the same quantity you have to increase the price to the purchaser of the chocolate candy?

Mr. SNYDER. That is the one thing you can not do. When you have a standard size package which goes to the public and to which they are accustomed you can not, if the price of that has been 5 cents, make it 6 cents.

Senator HARRISON. How are you going to get around it then?

Mr. SNYDER. You will have to change the size.

Senator HARRISON. They do not get as much?

Mr. SNYDER. Not as much for their money.

Senator HARRISON. Then it is an increased cost of candy?

Mr. SNYDER. Yes.

Senator HARRISON. Does that apply on stick candy and all other kinds of candy?

Mr. SNYDER. Yes; I would think it would. When sugar is very, very cheap the sticks are very, very large.

Senator HARRISON. It will apply to some extent to candy, preserves, and pies and cakes and everything that is sold?

Mr. SNYDER. You have either to decrease the quantity or increase the price.

Senator HARRISON. Then the figure of $316,000,000 was rather low, wasn't it?

Mr. SNYDER. No.

Senator HARRISON. That is just on sugar?

Mr. SNYDER. No. You asked me to get those exact figures. I will get that calculation for you.

Senator SHORTRIDGE. Did you hear that gentleman testify here in respect of imported chocolate? Did you hear that gentleman testify?

Mr. SNYDER. Yes. Last week I was sitting over here while he was testifying.

Senator SHORTRIDGE. Are you in competition with him?

Mr. SNYDER. No.

Senator SHORTRIDGE. Not at all?

Mr. SNYDER. No, sir.

Senator SHORTRIDGE. Your chocolate is just as good?

Mr. SNYDER. I was almost tempted to tell. Of course, I did not know the committee then as well as I do now, and you might have thought it impertinent. But he did not tell you exactly what it was he was doing. I appreciated what he was doing.

Senator SHORTRIDGE. What was he trying to put over on the committee?

Mr. SNYDER. I don't think he was trying to put anything over on the committee. But those brands of chocolates, such as are made by the company I represent, and by Baker of Boston, and Peters, and things of that kind—those you are all familiar with.

Senator SHORTRIDGE. Yes.

Mr. SNYDER. The thing he was interested in was an imported chocolate which is made up over there in the fancy form. And you have probably seen them around the holidays or some festive occasion, and they are figures. Have you ever seen a piece of chocolate in the shape of an apple, but when you take off the foil the thing will fall apart in slices, and fancy forms of various kinds—very breakable and perishable stuff, unsalable except to a certain class of people at certain times? And the American manufacturer whose business depends upon volume production can not afford to go into it because the waste and breakage is so large. That is the kind of business he was bringing in.

Senator SMOOT. You think if the rate on sugar is increased as provided for in the House bill that you will have to decrease the size of your 5-cent chocolate bar?

Mr. SNYDER. No; I did not say that.

Senator SMOOT. That is exactly what you said.

Mr. SNYDER. I said that would be the result.

Senator SMOOT. Well, if it would be the result you would do it, wouldn't you? If that is going to be the result you will do it, will you not?

Mr. SNYDER. Yes. I calculated these figures, as I told you, upon that bill as it is written. Now, you will pass this bill in some form.

Senator SHORTRIDGE. Answer the question.

Mr. SNYDER. Then how effective is that duty going to be? I took it on the face of the bill 100 per cent. If it is only 80 per cent effective, then you will have another story.

Senator SMOOT. Let's take this moral side of this question you are talking about. Sugar is about 1¼ cents less to-day than it was two years ago?

Mr. SNYDER. It is less.

Senator SMOOT. It is less?

Mr. SNYDER. Yes. I will assume that.

Senator SMOOT. Say a cent, then. Did you increase your bar when sugar dropped?

Mr. SNYDER. In the last year?

Senator SMOOT. Yes.

Mr. SNYDER. No.

Senator SMOOT. Oh, no; but you have to decrease it as soon as there is an increase. That is it exactly.

Senator HARRISON. Then the consumer gets it both ways, doesn't he?

Mr. SNYDER. And when sugar was higher we did not increase it. We can't.

Senator SHORTRIDGE. Of course, you can't.

Senator SMOOT. I thought you said you would have to?

Mr. SNYDER. We are making a standard-size package according to certain molds and shapes, and we can't change them.

Senator SMOOT. Didn't you say that to the Senator from Mississippi?

Mr. SNYDER. I did answer his question.

Senator SMOOT. You answered it the way he wanted you to answer it.

Mr. SNYDER. Oh, no.

Senator SMOOT. Oh, yes; you did.

Mr. SNYDER. Oh, no; I did not.

Senator SMOOT. Well, let the record speak.

Senator SHORTRIDGE. Whether the tariff goes up or down, you will continue to sell your product at 5 cents or 10 cents or 15 cents, as the case may be?

Mr. SNYDER. No. I said as long as we can, because we do not want to change. But we can not change the fixed selling price that the public is accustomed to pay. And you have to regulate it by the quantity of the goods.

Senator HARRISON. Just cut it down a little?

Mr. SNYDER. We have been obliged to do it at times.

Senator SMOOT. But you did not raise it when it was cut?

Mr. SNYDER. Oh, yes; we have done both.

Senator SMOOT. Isn't your 5-cent bar of Hershey chocolate the same as it has been for the last 10 years in weight?

Mr. SNYDER. For the last 10 years?

Senator SMOOT. Yes; in weight.

Mr. SNYDER. We changed it just during the war.

Senator SMOOT. Oh, during the war.

Mr. SNYDER. I am counting the years. Ten years was the question you asked me.

Senator SMOOT. Then, say, 20 years, and after the war.

Senator SHORTRIDGE. Has it been about the same?

Mr. SNYDER. It has been the same since the change that was made about 1920 or 1921, or along in there about that time.

Senator SMOOT. Sugar is cheaper now, and has been for a year, than at any time since right after the war, isn't it?

Mr. SNYDER. Oh, yes; sugar is much cheaper.

Senator SMOOT. Your bars weigh exactly the same now, your 5-cent chocolate bar, as it did in 1923, does it not?

Mr. SNYDER. I would say that that is correct.

Senator SHORTRIDGE. And just as good, I would suppose?

Mr. SNYDER. We hope so. We try to keep it so.

Senator SHORTRIDGE. You are not palming off inferior goods?

Mr. SNYDER. Oh, no.

Senator SHORTRIDGE. Because of the threatened increase in the tariff?

Mr. SNYDER. We can not do that. And the percentage of sugar in it has not been changed.

Senator SMOOT. That is what I say. But the Senator from Mississippi wanted you to and did get you to say you would have to reduce the weight to the consumer.

Senator HARRISON. I was only trying to get the facts.

Senator SMOOT. I know, but you did not get them, did you?

(Mr. Snyder subsequently submitted the following:)

COST OF SUGAR PRODUCTION

In accordance with the request of the chairman of the committee the following costs of sugar production and refining are filed for the record for the years 1925–26, 1926–27, 1927–28:

Cost of production	1925-26	1926-27	1927-28
Per pound f. o. b. mill	$0.031171	$0.033176	$0.027957
Per pound f. o. b. mill (when refining only)	.031913	.036228	.031368
Cost of refining only	.00643	.008684	.007491

United States sugar tariff

	96° polarization	100° polarization	Increase from 96° to 100°
1922:	*Cents*	*Cents*	*Cents*
Full duty	2.2060	2.390	.184
Cuban duty	1.7648	1.912	1.1472
1929 (proposed):			
Full duty	3.00	3.50	.50
Cuban duty	2.40	2.80	.40
Proposed increase:			
Full duty	.794	1.11	.3160
Cuban duty	.6352	.888	.2528
1928:	*Long tons*	*Long tons*	*Long tons*
Total consumption of sugar in the United States			5,542,636
Deduct various sugars, including maple, etc			1,066
			5,541,570
Foreign sugar on which full duty was paid			29,424
			5,512,146
United States beet sugar		1,037,241	
Cane:[1]			
Louisiana		115,749	
Continental United States		1,152,990	
Hawaii	683,487		
Virgin Islands	9,152		
Porto Rico	582,937		
Philippine Islands	476,071		
		1,751,647	
		2,904,637	
Cuba		2,607,509	
			5,512,146
The total increased burden on the people of the United States, the increased duty being reflected in an increased price, will be $19.89 per long ton or based on 1928 consumption			$109,636,583
Of which the United States collects and retains the duty on Cuban sugar		$51,863,354	
Each of the following collect and keep for their own account:			
United States beet—			
One half for the manufacturers	$10,315,361		
One half for the beet growers	10,315,362		
	20,630,723		
Louisiana	2,302,248		
Continental United States	22,932,971		
Hawaii $13,594,556			
Virgin Islands 182,033			
Porto Rico 11,594,617			
Philippine Islands 9,469,052			
	34,840,258	57,773,229	109,636,583

[1] Of these 4,474,905 tons, 313,531 tons were white sugars, domestic, insular, and Cuban.

If the whole duty is not reflected in an increased price, then the figures stated will be reduced accordingly and in proportion for such amount as is not so reflected.

It is stated there is required 107½ pounds of 96° polarization sugar to produce 100 pounds 100° polarization or refined sugar, although the definite amount is 106$\frac{9}{10}$ pounds, an overstatement of six-tenths of a pound.

The United States refiner at present pays duty on 107½ pounds of 96° sugar at 1.7648 cents per pound, which makes the duty upon each pound of refined sugar he produces 1.89716 cents; upon which the duty is 1.912 cents; the difference in the refiner's favor is 0.01484 cents, and has the by-products in the United States duty paid.

Under the proposed increase the refiner would pay duty on 107½ pounds of 96° sugar at 2.40 cents per pound, which makes the duty upon each pound of refined sugar he produces 2.58 cents; upon which the duty is 2.80 cents; the difference in the refiner's favor is 0.22 cent, and the by-products in the United States duty paid.

Increase of difference in refiner's favor is 0.20516 cents for each pound or $4.59 for each long ton.

That is the duty on 100° polarization sugar is increased 0.888 cent per pound and the refiner on the sugar refined by him can collect 0.22 cent or approximately 25 per cent (24.78 per cent) of the increased duty.

Of the total consumption in the Un'ted States of continental, insular, and Cuban sugars 5,512,146 long tons, 4,161,374 tons were handled by United States refineries upon which under the proposed increase the refiners can charge an additional $4.59 per ton or the total sum of $19,100,706.

The additional increased burden of $109,636,583 imposed on consumers in the United States, as above stated (one-fourth of which will be paid by the agricultural population) will be apportioned among the beneficiaries thereof as follows: The sugar mills, or factories, and the refiners receiving the larger amounts, the beet growers the minimum amount and about one-third of what agriculture will pay:

	United States duty	Refiners	Mills, beet and cane	Beet growers	Total
Cuba:					
2,357,509—96°... $33,547,353					
250,000, at 19.89—white.......... 4,972,500	$38,519,853	$13,343,501			$51,863,354
United States beet			$10,315,361	$10,315,362	20,630,723
Louisiana		655,139	1,647,109		2,302,248
Hawaii		3,868,536	9,726,020		13,594,556
Virgin Islands		51,800	130,233		182,033
Porto Rico		2,939,838	[1] 1,263,632 [2] 7,391,147		11,594,617
			8,654,779		
Philippines		2,694,562	6,774,490		9,469,052
Total	38,519,853	[3] 23,553,376	37,247,992	10,315,362	109,636,583

[1] 63,531 white.
[2] Raw.
[3] Calculated at difference in proposed increase between 96° and 100°, which is 0.2528 to balance figures—actual results of proposed increase for refiners is 0.20516 after covering refining losses, etc. Amount should be $19,100,706.

STATEMENT OF H. H. PIKE, JR., REPRESENTING H. H. PIKE CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. PIKE. I represent the H. H. Pike Co., New York.

Senator SMOOT. What line of business is the company in?

Mr. PIKE. We are in the sugar business, principally with Cuba, and we are principally sellers for the Hershey refined sugar coming into this country, and, in fact, all over the world.

We refer particularly to Mr. McCarthy's testimony as he brought up the matter of a refined differential, which is already in the House bill as passed.

Mr. McCarthy stated that it is the threat of further extension of refining in Cuba that is bothering him, not that they have suffered now.

Senator SMOOT. That was in speaking of one of the refiners in New York. He represented refining interests in New York.

Mr. PIKE. He said he was representing, I think, nine refiners.

I want to point out that the refining industry in Cuba, in the first place, can not grow. I will mention why later. At the present time we have a protection against them in the threat of a refined differential, which does keep the refining industry in Cuba from growing, and without cost to the American consumer, as capital does not dare go in there, even if it were a profitable business, because at any time by putting on a refined differential you can wipe all of them out. That threat keeps capital from going into refining sugar in Cuba, at no cost to the American consumer.

Mr. Snyder in his testimony last evening referred to figures, showing what it would cost the American consumer if you actually put on the refined differential.

What Mr. McCarthy wants is a kind of preventive protection against something which may happen in the future on which the American consumer will have to pay immediately.

Senator HARRISON. A lot of them have come here wanting that.

Mr. PIKE. He is not alone.

Senator HARRISON. Not only on sugar but on other products.

Senator SHORTRIDGE. What is your position? An argument or discussion as to former testimony is perhaps not very helpful.

Senator SMOOT. I think the statement that he makes now is absolutely answering that that has been made already in relation to the duty imposed upon refined sugar under this bill as compared with what we used to impose under previous bills. That is what Mr. Pike is talking about.

Senator SHORTRIDGE. Do you oppose the proposed rates?

Mr. PIKE. I do.

Senator SHORTRIDGE. And you will give your reasons?

Mr. PIKE. All right, sir.

And I am particularly opposing the differential on refined sugar; that is, the jacking up of the rate after 94, as it is in the House bill, or after 98, as suggested by Mr. McCarthy.

Senator SMOOT. In other words, he takes the same position that the Hershey people take? They are down there making refined sugar, but do not want to pay any differential.

Senator SHORTRIDGE. You may have said so, but you immediately represent what concern or what organization?

Mr. PIKE. We are sales agents for the Hershey Corporation in the sale of their refined sugar all over the world.

Senator SHORTRIDGE. You have the exclusive agency?

Mr. PIKE. Yes, sir.

Senator SHORTRIDGE. So it is not inaccurate to say that your interests are entertwined or wrapped up with the Hershey Corporation?

Mr. PIKE. Very much so.

Mr. McCarthy referred to the amount of refined sugar which came into this country, and he mentioned the amount of 254,000 tons, and you will remember there was some discussion about the amount. I am taking his figures as substantially accurate, but I want to call your attention to the fact that Mr. McCarthy has included in that 254,000 tons—I think I am quoting him correctly—40,000 tons from Porto Rico. Now, regardless of what differential you put on refined sugar, you are not going to keep out the Porto Rican refined sugar, because that sugar comes in free, whether it be raw or refined. If you put a differential on refined sugar you are going to encourage the Porto Ricans to put more in here, so that the amount we are using in discussing Mr. McCarthy's figures is 214,000 tons.

Senator SHORTRIDGE. What is the amount that actually comes in?

Mr. PIKE. I am taking Mr. McCarthy's figures, and he says 254,000 tons, which I think is substantially correct, for 1928.

Senator SMOOT. There are 194,000 short tons coming from Cuba.

Mr. PIKE. I think his figures are ample.

Senator SMOOT. You know that they are more than ample?

Mr. PIKE. Yes; they are more than ample.

Senator SMOOT. Yes.

Mr. PIKE. He also referred to some other sugar from Central America and Mexican sugar. That sugar comes in for drawback purposes; the canners buy it, and they then put it into canned goods and what not, and then they get the drawback. With any differential, you are going to encourage that business.

Senator SMOOT. We recognize that, and the more manufacturers that are coming into this country, the better it will be for us. That is the policy announced and believed in by all parties.

Mr. PIKE. Yes.

Then you get to the 185,000 tons. Mr. McCarthy wants to make the figure on that still higher. He wants to put in 0.485 against the American consumer on the whole business.

Senator SHORTRIDGE. Why do you say against the American consumer? It is against the Hershey Co., is it not?

Mr. PIKE. No; it is the American consumer who pays the duty, which he would naturally do. You may drive the Hershey Co. into some other means of producing sugar, or drive them out of the business, but I believe it is the American consumer who pays the duty. That is the theory of the tariff.

Senator SMOOT. They did not get any advantage in the lower duties that are existing to-day—the American consumer did not. Your 5-cent bar of chocolate is sold for just exactly the same price anywhere, as it was when Cuban sugar was 2.5.

Mr. PIKE. I do not know anything about the chocolate business. I have no connection with it.

Senator SMOOT. The consumer will pay it, and that is where Hershey's sugar goes. The sugar from Cuba goes into chocolate, the great part of it.

Mr. PIKE. I was talking about the cost of sugar, and I think it is the accepted theory that the cost of the tariff is paid by the consumer.

Senator SMOOT. Has it been in the last year and a half?

Mr. PIKE. I think so. It always is.

Senator SMOOT. But then the tariff on sugar is 1.76 now, and that is about the same as the raw sugar that comes from Cuba. Do you think Cuba is making any money in the last six months?

Mr. PIKE. I know they are not.

Mr. SMOOT. Of course you know they are not; and you know they could not exist this way; so that the tariff did not affect that, did it? It was an overproduction of sugar in the world, was it not?

Mr. PIKE. Yes.

Senator SMOOT. Well, that is it. It was not the tariff.

Senator HARRISON. But the increased tariff has increased the cost of sugar to the sugar consumer, has it not?

Mr. PIKE. Over a period of years it has, unquestionably. The sugar consumer pays the tariff. I would like to leave that point to an economist.

Senator HARRISON. With your proposed increase and the present tariff on sugar how much increased cost does that put upon the American sugar consumer? You have figured it out, have you not?

Mr. PIKE. Yes. You mean on the refined differential which I am talking about?

Senator HARRISON. On all of it.

Mr. PIKE. On the whole business?

Senator HARRISON. Yes.

Mr. PIKE. I think, in round numbers, the amount is somewhere between $350,000,000 and $385,000,000, but I have not got the figures just before me.

Senator SMOOT. The duty against Cuba is 64 cents.

Mr. PIKE. No, sir; it is 89 cents.

Senator SMOOT. The duty is $2.40, is it not?

Mr. PIKE. It is $2.80.

Senator SMOOT. You are talking about refined sugar, and everything has been based upon the sugar that would come from Cuba in the past.

Mr. PIKE. Yes; but what the people are buying is refined sugar, Mr. Chairman.

Senator SMOOT. Hershey is not buying refined sugar.

Mr. PIKE. No; Hershey is selling.

Senator SMOOT. Yes; selling the product.

Senator SHORTRIDGE. Is not this a fact, that no matter what rate of duty may be on the article we are now talking about, Hershey will continue to sell these chocolate bars at 5 cents each?

Mr. PIKE. I do not know anything about the Hershey Chocolate Co. I am not connected with it.

Senator SHORTRIDGE. I thought you represented them.

Mr. PIKE. I am talking for the Hershey Corporation, which owns the Cuban property; an American corporation which owns Cuban property, and which has nothing to do with chocolate whatever.

Senator SMOOT. You try to get it both going and coming. When they want to get a point they are interested in Cuba, but when they are interested in the other side of the question then they are a corporation in the United States.

Mr. PIKE. I do not think that is a fair statement, Mr. Chairman. I do not think the Hershey Corporation is trying to get you going and coming.

Senator SHORTRIDGE. What is the business of the Hershey Corporation which you represent?

Mr. PIKE. They are manufacturers of sugar in Cuba.

Senator SHORTRIDGE. In Cuba. They have nothing to do with chocolate?

Mr. PIKE. Nothing to do with chocolate.

Senator SHORTRIDGE. And you are the agent of that company?

Mr. PIKE. Yes; their selling agent.

Senator SMOOT. Let me ask some questions here. You are interested in refining sugar?

Mr. PIKE. Yes.

Senator SMOOT. In the past we have had sugar based upon 96 per cent sugar—96 degrees, have we not?

Mr. PIKE. Yes.

Senator SMOOT. In this bill they carry that right up to 100 per cent of refined sugar?

Mr. PIKE. Yes. So did the previous bill.

Senator SMOOT. Under the present law, you mean?

Mr. PIKE. Yes.

Senator SMOOT. What you claim is this, that in the past they have had a free rein here with no differentials between the refined sugar and the 96 degree sugar. Now, the House in this bill has made a differential, and that is what he is complaining of.

Senator WATSON. Yes.

Senator SMOOT. In other words, the rate as increased in the present law is 64 cents; that is, on 96 degree sugar.

Senator WATSON. Yes.

Senator SMOOT. But we carry that on now until it reaches Cuba, and they are kicking about it because they want the same plan they have had in the past; is not that it?

Mr. PIKE. Yes, sir.

Senator SHORTRIDGE. That is the proposition.

Mr. PIKE. That is the proposition; and the Republican Party, in the last bill which they passed, I believe established the principle of equalizing the costs of production; that our tariff is for the purpose of excluding foreign goods. It does not at the present time, but the bill you are now considering will exclude Cuban refined sugar.

Senator HARRISON. Where did you get the idea that some gentleman had the idea, who was writing the tariff now, that it is not excluding foreign importations?

Mr. PIKE. I have not got that idea.

Senator SMOOT. The importations are greater than they ever have been, so that they were not successful.

Mr. PIKE. Business all over the world is increasing.

Senator SMOOT. Ours is growing more than that of any other country in the world.

Mr. PIKE. Yes.

Senator SMOOT. The tariff did not keep it out, did it?

Mr. PIKE. No; but I am American enough to think that there are other reasons; that the greatness of our people and of our country have caused business to grow, and we are surmounting the difficulties of an exclusive tariff.

Senator WATSON. What do you mean by an exclusive tariff? Where is there an exclusive tariff on anything?

Mr. PIKE. Perhaps I should not have used the word "exclusive."

Senator WATSON. But you did.

Mr. PIKE. But you have a tariff on raw sugar which, according to all the expert reports which we have, is a half a cent higher than it should be; and a half a cent on sugar, if I may say so, is a profit that any sugar company would like to have.

Senator SMOOT. Whose fault is it that the price of sugar is as it is to-day? Is it the American producer's?

Mr. PIKE. The present sugar duty?

Senator SMOOT. Yes; whose fault is it?

Mr. PIKE. That is a question of world trade that I do not think I am able to answer, but I can say this, that the principal thought, the principal reason, why the price of sugar is at its present condition is the tariff barriers that have been put up by foreign countries, and that have completely dislocated the market for sugar.

Senator SMOOT. Do you not know that there is overproduction of sugar in the world?

Mr. PIKE. Yes; and, for instance, our tariff of 1922 increased the production of sugar in our islands 75 per cent. Now, there is where our tariff added its little piece to the overproduction.

Senator SMOOT. All right; we understand you.

Senator SHORTRIDGE. I do not want to argue the case, but when you get through I want to ask one or two questions.

Mr. PIKE. Mr. McCarthy said it was cheaper to refine sugar in Cuba, and he said that the American refiner could not compete if there were no refined margin. I think that is perfectly true. He is going on the supposition that you can refine sugar in Cuba cheaper, and he actually stated that in Cuba there was no cost for coal, because they produced it by burning bagasse—that is the cane refuse—in the process. As a matter of fact, every sugar producer knows that the bagasse is a sufficient amount to make raw sugar, but the refining process is in addition to the sugar-making process. As a matter of fact, the Hershey Corporation in its manufacture of sugar in Cuba is buying coal, and the amount of coal that they consume may be a very few per cent less on account of slight overage on the bagasse, but for all practical purposes they are buying just as much coal for the refining of their sugar as the American refiner is, and they are paying almost double the price.

Senator SMOOT. Can you tell the committee now just why Hershey went to Cuba to produce refined sugar?

Mr. PIKE. May I ask you, sir, why the Utah-Idaho Co. located in Utah instead of Colorado?

Senator SMOOT. Because the Utah-Idaho people that started this business live in Utah, and Utah produced the first sugar that was produced in the United States, and they recognized that as one of the commodities to be produced in Utah in the condensed form, before it should go into the market.

Mr. PIKE. I think the answer is similar. I think the Utah-Idaho representative here testified that unfortunately he had not put his mills in the best place; that, as a matter of fact——

Senator SMOOT. That is all right; but then I asked you why they went to Cuba.

Mr. PIKE. I will say that if Mr. Hershey had it to do over again, he would not build a refinery in Cuba.

Senator SMOOT. That is all right. He went there with the idea that they could produce refined sugar cheaper in Cuba than they could in this country, did he not?

Senator SHORTRIDGE. Of course.

Mr. PIKE. He wanted to have a unified process which would put refined sugar from his plant here——

Senator SMOOT. Very well. Go on.

Senator SHORTRIDGE. Naturally.

Mr. PIKE. I might call your attention to the fact that the supplies in Cuba all cost more than they cost the American refiner, because they are all American supplies, made in this country. Their coal comes from Virginia. They buy bags here, these little cotton bags that you see refined sugar in. They are supplied right from here; and the cost of their supplies is what the American refiner pays, plus the cost of getting them to Cuba, and plus the Cuban duty; and the Cuban Government does not allow drawbacks; so that the cost of their supplies is practically the same and sometimes they are higher than the cost of supplies to the American refiner.

Mr. McCarthy said that Hershey was sending his sugar up here in foreign bottoms, indicating that we were shipping our sugar here in foreign boats, not favoring American tonnage. As a matter of fact, the sugar that Mr. McCarthy buys, or any of the refiners, principally comes here, the sugar that comes from Cuba I am talking about now, in foreign bottoms. It comes in the cheapest tonnage.

Senator SHORTRIDGE. Right there, touching the cost of the production of refined sugar in Cuba, by your company and by any well-organized and going concern in America, do you claim that yours is more or less, or about the same? What is your contention?

Mr. PIKE. I have not got the cost figures of refiners here.

Senator SHORTRIDGE. Your company? I beg your pardon; go on and answer the question.

Mr. PIKE. I have not got cost figures of my company, as a matter of fact. I am in touch with the marketing, but we have got to have both in order to make a comparison. I shall give my company's figures, but without the other my opinion would not be worth anything; but I am telling you the reason why it is my very firm belief that it costs more to refine sugar in Cuba than here; and as I said before, Mr. Hershey would not do it over again if he could start afresh.

Senator HARRISON. Maybe he would go to Utah.

Mr. PIKE. Perhaps, sir.

Senator SHORTRIDGE. Or any American State.

Mr. PIKE. The point was brought up of the labor cost, and I think Mr. Snyder said there was no comparison.

In the refining of sugar labor is not very heavy. Sugar is a bulky commodity, and the principal cost of sugar is the matter of manhandling it around.

Mr. Snyder yesterday, on questioning from the committee, referred to the "field labor," which of course sounded very cheap, because I think he said it cost a dollar a day.

Senator SHORTRIDGE. That was the mill labor. He did not know what it cost for the field.

Mr. PIKE. I think that was the field labor.

Senator SHORTRIDGE. No; the mill labor. The field labor runs down to 50 and 60 cents.

Senator SMOOT. He said that he did not know. I asked him if the cost was not 60 cents, and he said he did not know.

Senator SHORTRIDGE. He was speaking of mill labor and not the other. He said that the labor was given houses to live in.

Mr. PIKE. I would be glad to have the record referred to on that, sir.

Senator WATSON. Let him go on and finish his statement.

Mr. PIKE. The refining cost, so far as labor is concerned, is a comparatively small amount; the cost of handling the sugar, Hershey has equally in this country with any other refiner. His sugar comes in and it is handled out of the vessel by stevedores into stores and warehouses which is paid for, and he pays for the labor of putting it out and transportation and all the rest of it; and I think that if you check up the figures, you will find that the actual cost of the labor is not very materially different.

Furthermore, Mr. McCarthy is asking 48 cents protection, when the cost of labor is nothing like 48 cents in refining sugar here, or anywhere else.

He then referred to our marketing, which of course hit me particularly. He said he was selling sugar at 40 cents under the American refiner. There would be such a rush to get our sugar, if we made such a price, that some one would get hurt. We do not sell a pound of sugar, and have not since we handled Hershey's sugar, at any price below the American refiner. We do not feel that it would be proper for us, even if they could afford it, to come in and undersell American goods; and we have therefore kept our price on the American refiner's closing price.

He referred to the fact that we could ship sugar up the Mississippi River in barges.

Senator SMOOT. No; I referred to that.

Mr. PIKE. I beg your pardon.

Senator SMOOT. I referred to that.

Mr. PIKE. I thought he mentioned the cheap rate for shipping up the Mississippi River in barges. Did you mention that?

Senator SMOOT. I did.

Mr. PIKE. That rate is equally available to Mr. McCarthy or Hershey or anybody else, and as a matter of fact, when we get it up the Mississippi River in barges, we sell on a price which is the same as for beet.

Senator SHORTRIDGE. But your sugar would come from Cuba right around to New Orleans and up the river. You would not be able to ship up the river very well sugar that was made in New York.

Senator HARRISON. Would you not favor an embargo against these vessels coming up the Mississippi River and carrying sugar?

Mr. PIKE. No vessel carries sugar up the Mississippi River from——

Senator HARRISON. Would you favor an embargo against that? We appropriate millions of dollars to keep the Mississippi River open to navigation and make it deeper, and so forth. We appropriate money for this barge canal. Do you not think we ought to put an embargo against commerce going up it?

Mr. PIKE. I see your point, sir.

Senator SMOOT. Do you know anything about Cuban refined sugar being sold in the Middle West yesterday at 4.65, or under the beet-sugar price?

Mr. PIKE. I do not.

Senator SMOOT. Then you have not watched the market very closely?

Mr. PIKE. I watch the market very closely.

Senator SMOOT. Do you deny that to be a fact?

Mr. PIKE. Yes; I deny absolutely that Hershey has sold any sugar under the price of 4.85, the price last Monday.

Senator SMOOT. That was the price of the sugar that was sold there that came up the Mississippi, 4.65, yesterday, was it not?

Mr. PIKE. I do not know, sir.

Senator SMOOT. Is anybody shipping refined sugar with the exception of Hershey?

Mr. PIKE. Yes.

Senator SMOOT. Who else?

Mr. PIKE. There are three others.

Senator SMOOT. You do not know, then, that it was not sold for that?

Mr. PIKE. Yes; I do know, absolutely, that it was not.

Senator SMOOT. Do you know that Hershey's sugar has always sold at less than the price quoted in New York and the Middle West?

Mr. PIKE. That has never been so since we have handled the account, which has been since March 8 last year. Since that time it has never sold at less.

Senator SMOOT. There is a whole lot of sugar comes in there, from somebody.

Mr. PIKE. As a matter of fact, the Hershey Corporation has been much more considerate of the beet growers of the United States than some of the gentlemen who are asking for increased protection here on refined sugar, because, as a matter of fact, the Hershey Corporation, ever since we have handled it—which is since March 8 of last year; that is almost 18 months, is it not—has sold absolutely no sugar west of the Mississippi River, with the single exception of the State of Louisiana, which we do take, because we actually land the sugar in New Orleans; so that we do sell in the State of Louisiana.

Senator SMOOT. Then the sugar that was sold on yesterday at 4.65 was not Hershey sugar?

Mr. PIKE. That was not Hershey sugar.

Senator WATSON. Go on with your statement.

Senator HARRISON. Maybe that is the reason that the sugar men have not made money. Of course they have been getting in that shape?

Mr. PIKE. What is that?

Senator HARRISON. Never mind.

Senator SHORTRIDGE. I do not need to caution you against my friend from Mississippi, but I would like you just to take note of his words.

Mr. PIKE. I might add there, that as a matter of fact, in addition to the fact that we do not put sugar into that territory, one of the principal beneficiaries in an advance in a refined differential is the company which is selling the bulk of the cane sugar in the beet sugar section, which I take it is principally west of the Mississippi River.

That is all I have to say, gentlemen, with the exception that in connection with a lower price, and our underselling the market, that is true of Porto Rican white sugar coming in here. It is underselling the market by 5 or 10 points.

Senator SMOOT. Does Porto Rico ship any sugar to Louisiana?

Mr. PIKE. According to Mr. McCarthy's figures, which I am accepting, Porto Rico ships in 28,000 to 40,000 tons of white sugar. I think that was principally made by the Chauchart process, and that sugar was sold under the American refiner; and if you put on a tariff differential on refined sugar, what you are doing is knocking out a very weak competitor; because the Cuban refiner is a weak competitor. The fact is that there has been no new refinery built in Cuba since 1920, with the single exception of Hershey's.

You refer to the sugar that came in and was sold in the West at 4.65. I do not happen to know what sugar that was, except that it was not Hershey sugar; but there are three other refineries in Cuba. They were all built prior to 1921, and so long as you have the higher cost in Cuba which you have got, and so long as you have a differential that you are going to put in on refined, you are not going to have any great increase in refining in Cuba, because it is not a stable and profitable industry.

Senator SMOOT. Let me make a request of you. Will you send me, for a part of this record and of your testimony, Hershey's daily quotations, compared with other cane refineries, for the last three years? I will see that it goes into the record.

Mr. PIKE. I have made it clear that my statement is made of my own knowledge from March 8 of last year, but I will get that for you. My statements refer to the time since March 8. Back of that I believe the same is true, but I do not know it of my own knowledge.

Senator SMOOT. But you will send up the figures from the date since you took hold of the agency?

Mr. PIKE. I will.

Senator SMOOT. Send me those; and you know them to be correct?

Mr. PIKE. Absolutely.

Senator SMOOT. Yes. The others you will simply send, knowing nothing about whether they are correct or not?

Mr. PIKE. Yes; I will see if I can get those for you.

Senator SMOOT. Will you also send me the costs, Hershey's costs, of producing sugar?

Mr. PIKE. I think I can get that for you. I have not got that in my office. You see, we are sales agents. I can get that and give it to you.

Senator SMOOT. Does the Hershey sugar coming from Cuba have any special name or brand?

Mr. PIKE. Yes, sir; Hershey.

Senator SMOOT. It is just Hershey?

Mr. PIKE. Hershey sugar; yes, sir.

Senator SMOOT. Limones, is that your sugar?

Mr. PIKE. No, sir.

Senator SMOOT. That means Cuban sugar, does it not?

Mr. PIKE. Yes, sir.

Senator SMOOT. That is the meaning of it?

Mr. PIKE. Yes, sir.

Senator SMOOT. But your sugar is not called Limones?

Mr. PIKE. No; it is not. Limones is the name of a refinery that was built down there and that mill is turning out some refined sugar. It is very small. I doubt if they will continue at all.

Senator SMOOT. It sold for $4.65, as I said yesterday.
Mr. PIKE. Yes, sir.
Senator HARRISON. How much do they turn out?
Mr. PIKE. Limones?
Senator HARRISON. Yes.
Mr. PIKE. I could get you that figure. It is not a large quantity. I could get it for you, but I do not know it. The point I was making was the sum of them all is not sufficient to burden the American consumer with a differential, when the threat of a differential and the fears that you may put one on in the future is doing the same thing, preventing people from building refineries in Cuba, and it costs the American consumer nothing.
Senator SMOOT. This is not a threat. This is actual facts.
Mr. PIKE. You have, Mr. Chairman, a record there of refined sugar coming into this country.
Senator SMOOT. And we will have your statement.

STATEMENT OF JUNIOR OWENS, WASHINGTON, D. C., REPRESENTING THE AMERICAN BOTTLERS OF CARBONATED BEVERAGES

(The witness was duly sworn by the chairman of the subcommittee.)
Mr. OWENS. I am secretary of the American Bottlers of Carbonated Beverages. I am not a sugar expert. I do not know a thing about sugar. And from what I have heard here the last couple of days, I do not know much more about it, I am frank to say.
Senator SHORTRIDGE. You are referring to what section?
Mr. OWENS. Paragraph 501. I am here representing the American Bottlers of Carbonated Beverages, which is an organization of what we might term soda-water bottlers, consisting of about 12,000 manufacturers scattered in practically every village and hamlet in the United States. Frankly, I may state this, I have heard here that sugar is at a pre-war price. I may just insert here that we are at the precentury price. We have not raised our price in a hundred years.
Senator SHORTRIDGE. The price of what?
Mr. OWENS. Bottled beverages, ginger ale, and so forth.
Senator SHORTRIDGE. Mention a few.
Mr. OWENS. Cold drinks; everything that you know as pop.
Senator SMOOT. I was interested for a few years in a little company and they made more money for the amount of money invested than anything I know of.
Mr. OWENS. We have not a price in America to-day that is over 40. We are users of 300,000 tons of sugar annually.
Senator SHORTRIDGE. You are interested in the tariff on sugar?
Mr. OWENS. Yes, sir; we are to this extent——
Senator SHORTRIDGE. You wish to tell us about the subject, namely, what duty shall be placed upon sugar?
Mr. OWENS. No; I do not at all.
Senator SHORTRIDGE. What is it you want to talk about?
Mr. OWENS. I want to place before you the position that our industry finds itself in with an increased cost or an increased tariff without some compensatory retaliation of some sort with us. We are not interested in and we are not fighting the sugar tariff, we are not fighting the beet people, and we are not fighting the sugar-cane

people at all. But we are vitally interested from the standpoint of our product in the cost, and what comes up in connection with the sugar tariff proposed increase.

We have some industry of some small magnitude, as I said, 12,000 manufacturers in this country, with an investment of some $200,000,000. We are users of some 300,000 tons of sugar, both cane and beet, though we are not particular, every year.

Senator HARRISON. Can you give us any idea of the value of the sales annually on these bottled goods in the United States?

Mr. OWENS. Yes; about $600,000,000 annually. I saw some statistics gotten up by a concern yesterday in reference to that.

Senator WATSON. That does not include either White Rock or Appolonaris?

Mr. OWENS. Yes.

Senator WATSON. Do you use sugar in the manufacture of those two?

Mr. OWENS. No. Those two are the only ones.

Senator SMOOT. How about Poland water?

Mr. OWENS. Poland water is not a carbonated water.

Senator WATSON. You manufacture Coca Cola and pop, and so forth?

Mr. OWENS. Yes, sir. You may think in terms of Canada Dry and Clicquot Club and some of the higher-priced beverages that you pay a dollar for in some places late at night. Ninety per cent of the 12,000,000,000 bottles that are consumed by the public annually in this country are sold at 5 cents. It is essentially a 5-cent product in this country.

Senator SHORTRIDGE. To the retailer?

Mr. OWENS. No; 5 cents to the consumer. A retail price of 5 cents, which is more or less with us a roof price on account of public psychology. I might say that we had a very difficult time in 1920 when sugar was up. In the Senate Restaurant you were paying 8 cents at that time for Coca Cola when a 6-cent price would have been perfectly legitimate to the retailer. After we get over the 5-cent price we can not control it at all between 5 and 10 cents.

Senator SHORTRIDGE. That is when sugar was 24 cents a pound?

Mr. OWENS. Yes, sir.

Senator SMOOT. You do not expect any such thing to occur again, do you?

Mr. OWENS. I hope not.

Senator WATSON. What does a bottle of Coca Cola consist of?

Mr. OWENS. It consists of a lot of things. Frankly I do not know. If I knew I would go out and try it. They have it tied up by a secret process.

Senator WATSON. You are the fellow I have been looking for for a long time. I have been wondering what is in the bottle of pop that we drink.

Mr. OWENS. Well, there are certain fruit acids and essences. Our basic cost is sugar, by the way. That is the largest cost that we have in the manufacture of a bottle of carbonated beverage.

Senator WATSON. It is a combination of fruit essences with sugar in it?

Mr. OWENS. And acids, the citric acid, of course, with carbonated water.

Senator SMOOT. What is the weight of the contents of one of those 5-cent bottles?

Mr. OWENS. They run from 6½ to 9 ounces.

Senator SMOOT. Why the great difference?

Mr. OWENS. That is what has wrecked our industry in the last three or four years.

Senator SMOOT. You sell this for 60 cents a dozen?

Mr. OWENS. They are sold at a top price now of 40 cents. You see a case is 2 dozen bottles. There are 2 dozen bottles in the case, and we have the same problem that sugar has. They sell from 50 cents up, but the normal price will run from 75 to 80 cents.

Senator SMOOT. Do you give them credit for bottles?

Mr. OWENS. The good business man gets a deposit.

Senator SMOOT. You say the weight of content is how much in a dozen bottles?

Mr. OWENS. It would be 6½ ounces times 12.

Senator SMOOT. You do not have 12 ounces in a bottle, do you?

Mr. OWENS. The bottles are from 6½ up to 9 ounces per bottle.

Senator SMOOT. In these 5-cent bottles what is the content?

Mr. OWENS. Six and one-half ounces up to nine ounces. That is per bottle.

Senator WATSON. Six and one-half ounces to the bottle, and there are 12 bottles in a case?

Mr. OWENS. Twenty-four bottles in a case.

Senator SMOOT. Now, in that 6½ ounces how much sugar is in weight?

Mr. OWENS. There is 6 pounds of sugar used to a gallon of sirup, and a gallon of sirup will make 5 cases of beverages, which is 120 bottles.

Senator SMOOT. That is 1⅕ pounds of sugar?

Mr. OWENS. To the case.

Senator SMOOT. And a case is 24 bottles?

Mr. OWENS. Yes, sir.

Senator SMOOT. That would be about five one-hundredths of an ounce in a bottle?

Mr. OWENS. I did not figure it.

Senator SMOOT. I was trying to figure out what the 64-cent increase in sugar would cost per bottle, that is all; and it got so small that I could not do it.

Mr. OWENS. Let me put it to you this way: We figure in our business in units of cases. We sell these cases, as I say, at various prices, 75 to 80 cents being a legitimate price. On a case you have about eight-tenths of a cent, I would judge, on a pound and one-sixth.

Senator SMOOT. What did you say it was?

Mr. OWENS. About eight-tenths of a cent.

Senator SMOOT. A little less than that.

Mr. OWENS. That is in round figures. If this 64-cent increase is put into effect, eight-tenths of a cent is what it would mean to us per case. Incidentally, I may say we are paying quite a heavy duty on sugar now, a tariff that runs to 5.66 per cent of our investment annually.

Over a period of three years we have had auditors working analyzing plants in various places throughout the United States. We have picked them here and there, from Montana to Maine and down to

Louisiana in the South. We find that during that period of two and one-half or three years the average return to the bottler in this country on his capital invested has been a trifle less than 6 per cent. So that you can see that our business is one of turnover and very, very small profits. In view of the fact that our costs have gone up, as everybody knows, in practically everything, any increase now to us in our cost is extremely vital, no matter how small it may be. We have this roof price. That is what faces us.

Senator SHORTRIDGE. You pay for sugar?

Mr. OWENS. To a certain extent; and the price we pay for glass or anything else.

Senator SHORTRIDGE. But one of the elements is sugar?

Mr. OWENS. Yes, sir.

Senator SHORTRIDGE. Your position is that an increase of the tariff would result in an increase in the price of sugar, which you have to pay? Otherwise, are you interested?

Mr. OWENS. We are logical to this extent. We are at a point, Senator, where our cost can not go any higher without we increase the price of our beverage. We do not want to do that.

Senator SHORTRIDGE. Then you argument is, if I understand you rightly, and the reason why you are opposed to an increase, is that you would be required to pay more for the sugar which goes into your business?

Mr. OWENS. Quite true.

Senator SHORTRIDGE. Otherwise you would not be opposing a tariff, would you?

Mr. OWENS. No; I am looking frankly at it from the cost standpoint absolutely.

Senator SHORTRIDGE. It is proper for you to view it from that standpoint.

Senator SMOOT. You had no difficulty when Cuban sugar was selling at about 75 cents per 100 higher than it is to-day, did you? You had no difficulty then?

Mr. OWENS. These costs I am giving you are averaged over a period of the past two and a half to three years.

Senator SMOOT. I never heard but what your industry was fairly profitable.

Mr. OWENS. Unfortunately, I must say to you we are not prosperous.

Senator SMOOT. Fairly prosperous; not now any more than it was two years ago.

Mr. OWENS. I wish you would look at our credit statement.

Senator SMOOT. I would like to have that statement. We heard no complaint here when Cuban sugar sold at 2½ cents?

Mr. OWENS. No.

Senator SMOOT. You did not complain then?

Mr. OWENS. No, no; not at all.

Senator SMOOT. But it is not selling for that now?

Mr. OWENS. No. Right now on 5-cent sugar we are making a lot more money than we would on 7-cent sugar. But you gentlemen have been told that the sugar industry is going to pot and that it will have to go out of existence.

Senator SMOOT. And you want it to go out of existence?

Mr. OWENS. No; we have to have it or we will go with it, because they will not let us use saccharine.

As I said to you before, our interest is not in this tariff. Our interest is in protecting our industry, and we feel that in the consideration of the tariff bill——

Senator SHORTRIDGE. I will not interrupt you but once more. You have just stated you were not interested in the tariff, that you were interested in your own business.

Mr. OWENS. We are not sugar experts. We realize every industry has to have a living wage, just as we are fighting for ours.

Senator SHORTRIDGE. Are you not interested immediately, and from your standpoint quite properly, in the rate of duty contemplated, or which may be contemplated, put on sugar imported?

Mr. OWENS. Quite true; but I am going further than that——

Senator SHORTRIDGE. You are interested in that because, as I understand you, it affects your business.

Mr. OWENS. Quite true.

Senator SHORTRIDGE. Proceed.

Mr. OWENS. You have taken the premise every man who has gotten up here is fighting the sugar tariff. I am not fighting the sugar tariff at all. You do not let me get to my ultimate point. What I am asking for is some sort of compensatory consideration for our industry which right now is at a point where we can not go any higher with our cost without increasing the price to the ultimate consumer. I will say this to you, if the 64 points that are proposed in the House bill increased the price of sugar 64 points it would only cost our industry a trifle better than $4,000,000. That may seem a very small amount to you gentlemen, but if you figure out the $4,000,000 on a $200,000,000 capitalization of our industry you will see that in percentage it amounts to a considerable sum of money.

We feel that in the consideration of this tariff bill the beverage industry should be given some consideration from that standpoint. We do not want to raise this price. I will tell you frankly why we do not. It is because we found out in 1920 when we did it that it cut our consumption terribly and we found out that the retailer goes wild. It is a terrible drain on the public and it reflects itself, of course, on our sales. The moment it gets over the 5-cent price it will run from 6 cents on up to 9 and 10 cents. When you stop to figure out on 90 per cent of 12,000,000 bottles consumed in this country ever year, a raise of a cent we are paying out for $4,000,000, you will find it is $108,000,000 from the public, a 1-cent raise from 5 to 6.

We know what it means. We do not want to go over the nickel if we can help it. I am stating that to you frankly because it is good business. But if our costs of production go beyond a certain point, and we are pretty nearly at that dividing point now, we will have to do it and it is going to play havoc with us.

I am going to make a suggestion now in connection with your consideration of this bill. I am not a tariff expert. I do not know a lot about this thing, as I told you time and time again. I do know, however, my own business. There is such a medium now in the tariff bill known as the drawback and in order to prevent us from having to raise our price on our products, selfishly on our side, of course—that is the reason why I am here, but there is another side to it and that is what a cent or two increase means in public expenditure annually. We would like to have you consider the question of a drawback on sugar when used in beverage purposes for 5-cent beverages.

Senator SHORTRIDGE. I see your point. Have you suggested the phraseology of an amendment?

Mr. OWENS. We have not, but we can.

Senator SHORTRIDGE. That would be helpful.

Mr. OWENS. It is very serious with us and I hope you will consider it.

BRIEF OF THE FAIR TARIFF LEAGUE, NEW YORK CITY

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: We respectfully submit the following:

A SUGAR TARIFF AND BOUNTY COMBINED

The primary purpose of protection is to promote profitable production of the protected article in the continental United States.

The differences in the costs of production between the States are small enough to permit of a uniform method of treatment, including sugar.

Sugar is unique, however, in that it is produced in our island possessions at approximately the cost in Cuba and very much cheaper than in the States.

Consequently, to admit sugar from our island possessions free is disastrous to production in the States, much as free admission from Cuba would be. The islands are to be congratulated on their lower cost; but financially considered and without disrespect to the islands, free admission of their sugar is to growers in the States like a well-built sheepfold with several wolves left inside.

It is as fair to equalize a tremendous difference in production costs between the States and the islands as between the States and foreign countries, provided that this difference leaves them all on a basis of equal costs and opportunities as against foreign countries.

THE BOUNTY

A bounty of 1½ cents per pound on sugar grown in continental United States would equal $4.50 per ton on beets. It could be paid, after the English fashion, directly to the refiners, upon condition of their paying $3 more than now for beets, or not less than $10 per ton, with corresponding price increase on Louisiana cane. The other third of the county would be kept by the refiners. This would give sugar-beet growers about 40 per cent increase in prices per ton and assure great prosperity.

The bounty would cost the Government on beets and cane $45,000,000 with enormous savings hereinafter indicated to consumers.

A TARIFF OF 1¼ CENTS PER POUND ON CUBAN SUGAR

In addition, there should be a tariff on foreign imports like the present tariff but only 1¼ cents per pound, on Cuban raw.

This duty would bring the National Treasury $75,000,000, and in this sum would benefit both the islands and the States, benefiting the islands as follows:

Hawaii	$20,000,000
Porto Rico	15,000,000
Philippines	15,000,000
Total	50,000,000

This $50,000,000 to the islands would be a good-will cash contribution from the pockets of American consumers as a protection against Cuban production, where costs are little if any lower.

This 1¼ per cent duty equals the difference in cost between the States and Cuba as estimated by the Tariff Commission in 1923. It should please the islands.

ADVANTAGES OF A COMBINED BONUS AND TARIFF

This combination of a bonus and a tariff would save consumers as against the present tariff $76,000,000, and as against the Hawley bill, $190,000,000, a great sum.

The combined bonus and tariff would double the present tariff benefits to continental beet and cane growers, giving them $53,500,000, as against $26,000,000 now, on the basis of growers getting one-half of the tariff and refiners the other half.

This $53,500,000 is 85 per cent of the net farm value of the crop. Our continental growers would get net cash 2.2 cents per pound of tariff benefit as against a 1.8 cents price on Cuban raw sugar in New York Harbor, a protection of more than 100 per cent. Now, their net protection is about 42 per cent only and no safeguard against Philippine low-cost production. No comparable advantages are contemplated in any other proposal.

Greater protection than this would unfortunately overstimulate production in unsuitable areas.

The plan here proposed is the only one that makes prosperous sugar growers both in the States and in the islands.

The Hawley bill would exceedingly stimulate low-cost production in the islands to the destruction of growers in the States.

Under the present tariff production has not increased materially in the States but has about doubled in the Philippines, where a vast further acreage awaits development, and production can again be doubled and possibly again doubled.

The Hawley bill might be called a bill for the transfer of sugar production from the States to the islands. Under it the above-mentioned bonus of $50,000,000 from American consumers to island producers would soon rise to sixty and seventy million dollars and more, with corresponding decreases to producers in the States.

That the islands are now rapidly securing more and more dominance of the American market through increased production is shown by the decrease in the duty paid by Cuba, which was $148,000,000 about three years ago, then dropping to $130,000,000 and last year about $112,000,000.

The price of sugar at retail should be 6 cents a pound under this combination of bonus and duty.

OUR DISLIKE FOR THE WORD BONUS

What's in a word? Alexander Hamilton called a protective rate a bonus. It is. The present ill-conceived sugar tariff costs consumers $248,000,000. Although it gives to the Government a large but rapidly decreasing revenue, its purpose is the stimulation of production in the States; but it gives producers only $51,350,000, of which the refiners are generally estimated to keep about one-half, with only about $26,000,000 going to the farmers, or one-tenth of the cost of the tax to consumers.

The total value at the farm of sugar beets marketed in 1928 was $50,500,000 and sugar cane $12,500,000, total, $63,000,000.

The sugar tax upon consumers is four times the total value of the crop and ten times the advantage to growers, and farmers, as consumers of sugar, pay twice what they gain from the tariff.

Couple this cost with the ineffectiveness in stimulating prosperous production in the States and the present sugar tariff and the Hawley bill may be considered to present a sorry picture.

A BONUS IS LAWFUL

Table 1 herewith shows the effect of the proposed bounty and duty combined.
Table 2 shows the cost of the present sugar tariff.
Table 3 shows the effect of the proposed Garner plan, sliding scale.

THE GARNER PLAN, SLIDING SCALE

The Garner sliding scale would make the sugar duty higher than the Hawley bill when the price delivered in New York Harbor, duty not paid, is around $1.80 per 100 pounds, as it has been many times recently, and bids fair to continue to be because of world overproduction.

At $2 per 100 pounds, the Garner tariff equals the Hawley bill.

"Sliding scale" sounds well. The Garner scale would simply prevent retail prices much above 6 cents per pound—almost impossible anyhow under rapidly increasing world production.

WORLD PRODUCTION

Java is making the price for the world. Her newly developed seed called Wonder Corn is said to have trebled or quadrupled production with corresponding decrease in costs. Experiments ind.cate clearly that this seed will be as effective in Cuba and the Philippines, where conditions of production are about the same. With this new seed the bounty to beet growers in the States will soon be utterly necessary.

Respectfully submitted.

FAIR TARIFF LEAGUE,
H. E. MILES.

STATEMENT OF FRANK A. DILLINGHAM, MIDVALE, N. J., REPRESENTING THE ASSOCIATION OF SUGAR PRODUCERS OF PORTO RICO

(The witness was sworn by Senator Smoot.)

Senator SMOOT. Whom do you represent?

Mr. DILLINGHAM. The Association of Sugar Producers of Porto Rico.

Senator SMOOT. You may proceed.

Mr. DILLINGHAM. Mr. Chairman and Senators, at the hearing before the Ways and Means Committee in January, the case of Porto Rico was presented at length on behalf of the association, and it is printed at page 2881 of the hearings on Schedule 5, January 1, 1929. Therefore I shall not go into the details of production, and so forth, of Porto Rico, except so far as you may ask for information, further than that which I shall now give you.

I shall try to make my statement as short as possible. The association has compiled a statement representing 10 of the large factories of the north coast of the island of Porto Rico, making, altogether, 186,000 tons this year, according to the latest estimates. Those figures are as of May 31, the latest date for which figures are available, although the crop was not finished then.

The cost of those factories this year making sugar and delivering same at the United States ports, New York or other Atlantic or Gulf ports, was 3.95 per pound, exclusive of interest, but including depreciation.

The four large factories on the south coast, making approximately 180,000 tons, the average for this year is 3.86 cents per pound, or an average for the 14 factories of 3.90 cents a pound, including depreciation, but excluding interest on the invested capital, or interest paid on obligations.

These factories produce nearly two-thirds of the total output of the island. They include most of the low-cost producers, and they represent well the entire industry of Porto Rico.

Senator SMOOT. The Porto Rican sugar industry is virtually owned by American citizens, is it not?

Mr. DILLINGHAM. All citizens of Porto Rico are American citizens.

Senator SMOOT. No, I mean——

Mr. DILLINGHAM. You mean residents in the United States.

Senator SMOOT. That is what I do.

Mr. DILLINHAM. I should say about one-third of it.

Senator SMOOT. Who owns the other two-thirds?

Mr. DILLINGHAM. Porto Ricans and Spaniards, and a small amount is owned by French citizens.

Senator SMOOT. What percentage of the production is owned by Spaniards?

Mr. DILLINGHAM. Until recently I should say it was about 10 to 20 per cent. I think, though, Senator, that the one or two factories that were owned by Spaniards have been sold in the last two years to the United Porto Rican Sugar Company, the owner of which is partly American and partly in Porto Rico. I do not know the proportions.

Senator WATSON. Can you give the total production of Porto Rico?

Mr. DILLINGHAM. It is estimated this year at about 600,000 short tons.

Senator WATSON. And it is all sold in the United States?

Mr. DILLINGHAM. All except a few tons, perhaps 25,000 tons, sold locally.

Senator WATSON. Is it all refined in Porto Rico?

Mr. DILLINGHAM. About 35,000 tons is refined in Porto Rico. The rest is refined here.

Senator WATSON. The rest is brought here as raw and is refined here?

Mr. DILLINHAM. And is refined in the Atlantic coast and Gulf refineries.

Senator HARRISON. Then the crop this year, so far as Porto Rico is concerned, would be les than the crop last year?

Mr. DILLINGHAM. Yes. That is largely the result of the severe hurricane of September 13 last year.

Senator SMOOT. What is the difference? It is not very much.

Senator HARRISON. Last year it was 744,800 tons.

Mr. DILLINGHAM. Short tons.

Senator HARRISON. This year you estimate it at 600,000 tons?

Mr. DILLINGHAM. That is the best I can give you.

Senator SMOOT. You know when we advanced $10,000,000 by way of legislation, we were told that the sugar crop of Porto Rico was altogether destroyed.

Mr. DILLINGHAM. If you were told that, the statement was exaggerated.

Senator SMOOT. It has so developed.

Senator WATSON. Do you import into Porto Rico cane from Santo Domingo and the other islands?

Mr. DILLINGHAM. There is one factory in Porto Rico, which I am connected with, which imports from Santo Domingo from 200,000 to 240,000 short tons of sugar cane a year, paying the duty provided in the tariff act of 1922 at $1 a ton.

Senator SMOOT. That is $1 a ton on cane?

Mr. DILLINGHAM. On cane.

Senator SMOOT. What were the profits on that transaction?

Mr. DILLINGHAM. The profit on that transaction was, I should say, about 50 cents a ton of cane.

Senator SMOOT. I mean the total profits made by the importation of cane from Santo Domingo into Porto Rico, and then shipping that sugar of Santo Domingo into the United States? I have a statement issued and supposed to be an authentic one, stating just what the profit was during last year.

Mr. DILLINGHAM. I do not know what statement you have, Senator, or from where it came. If it came from the company, it was authentic. If it came from some one else, it was a guess.

Senator SMOOT. Is it true that out of that cane your company shipped from San Domingo and then shipped the sugar itself into America free of duty, the profit was $345,000? That is the statement I got, and it was suppposed to come from the company.

Mr. DILLINGHAM. I should say it might run to that in some years, but it is not——

Senator SMOOT. I am speaking of the last report I have from the company.

Mr. DILLINGHAM. I do not know what year that was for.

Senator SMOOT. It was for year before last. I have not got this last year's report.

Mr. DILLINGHAM. It might have been between $300,000 and $400,000 year before last.

Senator SMOOT. The statement was that there was $345,000 made.

Mr. DILLINGHAM. But that is the absolute profit, and not a comparative profit. If we did not import that cane from San Domingo, we have a mill in San Domingo at which we could grind it, and we make the same profit as when we ship it to Porto Rico.

Senator SMOOT. Why do you ship it to Porto Rico?

Mr. DILLINGHAM. Because that mill was built for it before we built the mill in Santo Domingo, and it gives us a better grinding capacity at both mills than to grind it all in Santo Domingo. Moreover, I will admit that we make higher profit than we do at Santo Domingo.

Senator SMOOT. If we put a higher rate of duty on cane, would that make any difference?

Mr. DILLINGHAM. It would stop the importation.

Senator SMOOT. Do you not think there ought to be a duty on that cane?

Mr. DILLINGHAM. No, sir.

Senator SMOOT. You think that this sugar ought to come in from Santo Domingo into the United States free?

Mr. DILLINGHAM. It has never come in free.

Senator SMOOT. That is exactly what it is, unless we extend the duty on cane.

Mr. DILLINGHAM. Yes; and so do the Canadian beets, with the exception of the duty paid on beets.

Senator SMOOT. That came about from the fact that they had a sugar factory there that was closed, and they wanted to take care of the beets.

Mr. DILLINGHAM. That was a praiseworthy object, but if you closed our factory I do not know that we would get the same treatment in Porto Rico. Fortunately we do not have to close it. But I do not like the discriminatory treatment of Porto Rico and Santo

Domingo in the House bill, which I understand is very satisfactory to you, Mr. Chairman.

Senator SMOOT. It is not satisfactory so far as San Domingo is concerned. I do not want to single out San Domingo and have her sugar brought in here free.

Mr. DILLINGHAM. You do single out Santo Domingo, and it is perfectly well known that you do.

Senator SMOOT. We are not going to take care of Santo Domingo and allow you to make $345,000 a year profit out of it.

Mr. DILLINGHAM. All right.

Senator SMOOT. That is what we are not going to do if we can help it.

Mr. DILLINGHAM. I can not force you to do it. I only say that I think your attitude is not fair to San Domingo or to Porto Rico or to the company I represent here.

Senator SMOOT. You mean the company you represent.

Senator HARRISON. Why is it not? Let the rest of us in on all this business. Some of us are not as great experts as you and the chairman.

Mr. DILLINGHAM. I do not know that we are experts at all, Senator. An expert has to be away from home, I believe, to be an expert. I do not know just what you mean. We began in 1911 to plant cane in San Domingo at a place called Larimina, at the southeast corner of the island, about 125 miles from Guanica, P. R., where we have a large sugar mill.

Senator WATSON. When did you erect that sugar mill in Porto Rico?

Mr. DILLINGHAM. It was erected in 1918.

Senator WATSON. When did you begin to import your cane into Porto Rico?

Mr. DILLINGHAM. In 1913 and 1914.

Senator WATSON. You have kept it up constantly since?

Mr. DILLINGHAM. We have kept it up constantly in varying amounts; in amounts since we were well started, I reckon, from 80,000 to 240,000 tons, one year with another.

Senator WATSON. What was it last year?

Mr. DILLINGHAM. Last year, 235,000 tons of cane.

Senator WATSON. Is there any difference in the saccharine content? Which is the better cane?

Mr. DILLINGHAM. The cane from San Domingo, in San Domingo, is practically of the same sugar content as the average good cane of Porto Rico. After importation the sucrose content falls slightly, and there are grown in Porto Rico a great many canes that are not quite as good; that is, the sugar content of cane grown in Porto Rico varies from 10 to nearly 16 per cent, depending upon the quality of the cane and the part of the island in which it is grown.

Senator WATSON. Is it produced more cheaply in Santo Domingo than in Porto Rico?

Mr. DILLINGHAM. Yes.

Senator WATSON. The sugar cane is?

Mr. DILLINGHAM. Yes.

Senator WATSON. What is the difference in the cost?

Mr. DILLINGHAM. I should say the difference is more or less two to two and a half dollars a ton. San Domingo has a virgin soil, more or less, as Cuba has, and the Porto Rican soil has been worked for a great many years and has to be cultivated and fertilized, besides some irrigation on the south coast, which makes the cost much higher.

Senator WATSON. After you pay the duty on the San Domingo cane in Porto Rico you still buy it cheaper than the Porto Rican cane?

Mr. DILLINGHAM. After we have paid the duty and the carrying cost from San Domingo to Porto Rico, which is about a dollar a ton of cane, and the other charges connected with it, the cost is more or less the same as the average cost of Porto Rican cane each year.

Senator SMOOT. In other words, the San Domingo cane goes into Porto Rico, and you could not get the sugar from the San Domingo cane in any other way; but they ship it into Porto Rico, and, of course, the Porto Ricans ship sugar in here free.

Senator WATSON. Yes.

Mr. DILLINGHAM. That is one of the benefits that one is supposed to get from a tariff, as I understand it; the chance to import raw materials and add to their value, and sell the finished product in the United States market. I think that has been stated for the last 125 years.

Senator HARRISON. How long have you been importing that cane?

Mr. DILLINGHAM. Since 1913 or 1914.

Senator HARRISON. They began it in 1913 or 1914?

Mr. DILLINGHAM. I would say 1914 or 1915.

Senator HARRISON. Why did they begin it?

Mr. DILLINGHAM. The outlook in Porto Rico at that time for a falling off in the quantity of cane grown was rather alarming, in the first place, and there was no outlook at that time for an increase in the cane available for the factory which we had been building and bringing up to capacity for some 15 years, and that part of San Domingo appears to be the place where you could grow cane and import it into Porto Rico at a rate that would be reasonable and would afford a profit to the factory grinding it in Porto Rico, and as we say, that was begun in 1914 or 1915, and continued ever since by ourselves only.

Senator HARRISON. No one else does it?

Mr. DILLINGHAM. No one else does it.

Senator HARRISON. Have the importations increased from year to year?

Mr. DILLINGHAM. They increased in 1918; I think they rose to 208,000 tons, more or less. Then they fell off to something less than 100,000 tons, and last year there was about 235,000 tons. This year it will be more or less the same. It depends on conditions in the two countries.

Senator HARRISON. How is that stopped in this bill?

Mr. DILLINGHAM. By putting a prohibitive duty on.

Senator SMOOT. $3 a ton; or in other words, to equalize it with the sugar shipped from San Domingo. That is what it is for.

Mr. DILLINGHAM. Without taking into account the labor cost of shipping sugar and cane, that is rather large, and the other costs of handling and manufacture, just taking the figures and saying "$3 is the equivalent," and let it go at that.

Senator SHORTRIDGE. I would very much like to hear the witness make his statement.

Mr. DILLINGHAM. You mean as regards the island of Porto Rico generally?

Senator SHORTRIDGE. Yes.

Mr. DILLINGHAM. That is what I came particularly for.

Going back to this statement to which I have referred, it shows that the interest charges amount to sixty-six hundredths of 1 per cent per pound, so that the total cost this year in Porto Rico, including the interest, is 4.5 cents a pound—slightly over that.

Senator SMOOT. Do you mean that is 96 degree test?

Mr. DILLINGHAM. Ninety-six degree test raw sugar; 4½ cents a pound.

Senator SMOOT. You are losing money, then, on that?

Mr. DILLINGHAM. Yes; there is not a factory in Porto Rico that has not lost money this year.

Senator SMOOT. Why does it cost so much more in Porto Rico than in Cuba?

Mr. DILLINGHAM. The soil of Cuba over a large part of the island, not all of the soil, but a large part, was until a few years ago virgin soil, that is forest, which when cut down and planted in cane would give better crops for from 7, let us say, to in some cases 20 years. In Porto Rico we have to plant cane at least every two years, and in some parts every single year, in order to get a good crop.

Senator SMOOT. Do you ratoon?

Mr. DILLINGHAM. We only ratoon for one year in Porto Rico; occasionally two, but the average is not over one year; and we have to fertilize very heavily in Porto Rico, up to 800 pounds. That is heavy for the cane business. It might not be for some others.

Senator WATSON. What do you use?

Mr. DILLINGHAM. The ordinary commercial fertilizers.

Senator WATSON. Can you give us an idea of the difference in cost in producing an acre in Porto Rico and in San Domingo?

Mr. DILLINGHAM. In San Domingo it costs us—I say "us," I mean the company with which I am connected—let us say $40 to $50 a year for the cultivation itself.

Senator WATSON. Yes.

Mr. DILLINGHAM. Supervision and all overhead expenses connected with the cane season. In Porto Rico, where cane is planted in the autumn—that is in August, September, and November—for the crop of the second succeeding year, fertilized and irrigated and cultivated, it costs from $155 to $250, which is at least four to five times as much per acre. We get a higher tonnage of cane per acre, but the cost per ton is at least double.

Senator WATSON. How much refined sugar do you get from that?

Mr. DILLINGHAM. Do you mean how much sugar per ton of cane?

Senator WATSON. Yes.

Mr. DILLINGHAM. The average of Porto Rico I should say is about 240 pounds of raw sugar from each ton of cane; about 12 per cent. That is the average.

Senator WATSON. Very well. You may proceed.

Mr. DILLINGHAM. The average selling price of raw sugar from January 1st to May 31st of this year as reported by Willet & Gray for Porto Rican sugar, costs and freight to New York, is 3.65 cents a pound, that is without taking into account interest charges. The producers of Porto Rico are losing over $4 a ton on every ton of sugar they are making at to-day's price. Most of the producers have sold under the average price, because few had any sugar to sell in January when the high price prevailed.

Senator HARRISON. How do the Cuban sugar producers do under the prevailing conditions?

Mr. DILLINGHAM. My understanding is that the Cuban sugar at the largest and most modern factories is costing them slightly less than the price they are getting, f. o. b., on the average price.

Senator SMOOT. Do you mean $1.50?

Mr. DILLINGHAM. They are getting a dollar average, perhaps.

Senator SMOOT. No; Cuba; what do you say they have been getting for raw sugar?

Mr. DILLINGHAM. For raw sugar this year the average price is about—I have Willet & Gray's figures here—is about $1.75 to-day, f. o. b.

Senator SMOOT. They have not averaged that price for the past year.

Mr. DILLINGHAM. I think they have.

Senator SMOOT. Not on the price of sugar quoted last year.

Mr. DILLINGHAM. Willet & Gray's average price, costs and freight, was $1.92.

Senator SMOOT. That was last year.

Mr. DILLINGHAM. No; from January 1 to May 31, 1929.

Senator SMOOT. You do not think they are making any money at that price, do you?

Mr. DILLINGHAM. Who; the Cubans?

Senator SMOOT. The Cubans.

Mr. DILLINGHAM. I doubt if they are doing any more than paying their interest charges. The Porto Ricans are not even doing that. I would like to see the Cubans get a higher price. Certainly, we all would. There is no objection to that.

The net result of that is that the price that has been received by the Porto Ricans this year would have to be increased 92½ to cover their cost and interest charges.

Senator SMOOT. That is the valuation on refined sugar?

Mr. DILLINGHAM. No; raw sugar.

Senator SMOOT. For raw sugar?

Mr. DILLINGHAM. Yes. None of these figures include any amount for the damage caused by the hurricane of last year. That has been eliminated.

Now, in regard to the treasury of the island, last year and for the years immediately preceding, the Porto Rican income tax was 12½ cents, which amounted, I am told, approximately to $500,000 annually.

Mr. DILLINGHAM. This year there will be no income tax on sugar production, meaning a loss of $1,500,000 to the Treasury. If this House duty of $3 a ton on cane is agreed to by the Senate, Porto Rico will lose automatically another $300,000 a year in revenue. You all know, I think, the situation of Porto Rico economically and you will realize what a loss of $1,800,000 in revenue will mean. That loss will continue so long as the price of sugar is as it is.

Senator SMOOT. What are you asking for?

Mr. DILLINGHAM. 2.40 against Cuba.

Senator WATSON. What would be the effect if enacted into law, of the House rate on Porto Rican sugar?

Mr. DILLINGHAM. If the House rate on sugar applied to the production of Porto Rico?

Senator WATSON. Yes, sir.

Mr. DILLINGHAM. And Porto Rico paid a duty of anything a pound?

Senator WATSON. Yes.

Mr. DILLINGHAM. The industry would be ruined.

Senator WATSON. What portion of the sugar-cane production does your company have in Porto Rico?

Mr. DILLINGHAM. How much do we produce?

Senator WATSON. Yes.

Mr. DILLINGHAM. We produce a hundred thousand tons out of 600,000 tons, produced there; in other words, about one-sixth.

Senator WATSON. Do you own your own refinery?

Mr. DILLINGHAM. We own a manufacturing plant. Our sugar is mostly refined in the United States. We refine about 10,000 tons locally in the Island.

Senator WATSON. You say "we"; who do you mean?

Mr. DILLINGHAM. The South Porto Rico Sugar Co.

Senator WATSON. So you have your own mill for that purpose. Now, are you the only company that ships cane from San Domingo into Porto Rico?

Mr. DILLINGHAM. Yes, sir.

Senator WATSON. The only one?

Mr. DILLINGHAM. Yes, sir.

Senator HARRISON. You only differ with those who advocate this higher rate in that you do not like the rate on sugar cane that is shipped from San Domingo into Porto Rico?

Mr. DILLINGHAM. Yes, sir.

Senator HARRISON. Is that all that you oppose?

Mr. DILLINGHAM. That is all in the House bill that we oppose.

Senator HARRISON. You are for the increased rate?

Mr. DILLINGHAM. Yes, sir. I am trying to make that clear. The introduction of the cane duty has made it perhaps confusing.

I would like to say a few words about some of the arguments against an increase in duty adduced by the Cuban representative, if I may, shortly.

The first is that Cuba has been unfairly treated for the benefit of Hawaii, Porto Rico, and the Philippines. There is, however, a table of figures compiled by Willett & Gray and stated on page 81 of the June, 1922, circular of the National City Bank of New York which, doubtless, has been called to your attention, in which it appears that the importations of sugar increased from 1,131,000 long tons, refined value, in 1904, to 2,608,000 tons in 1928. That is an increase of 130 per cent. The importations from other countries fell during that period from 645,000 to 29,000 tons. In other words, the increase in output of the insular possessions and Hawaii consumed in the United States did not displace any Cuban sugar whatever, but simply displaced the sugar that in 1904 was being imported from other foreign countries.

Senator SMOOT. But the Philippines and the Hawaiian Islands increased their production of sugar during that same period?

Mr. DILLINGHAM. Very materially; also Porto Rico and also the consumption in the United States increased during that period.

Senator HARRISON. How about the production of sugar cane, of beets and sugar cane in the United States?

Mr. DILLINGHAM. I do not know the figures as far back as 1904. But I should say during the last 10 years, taking 10 years ago just after the war and to-day, the joint amount of cane and beets produced within the continental United States does not differ very greatly. It changes from year to year, but I think the total of this year as compared with 10 years ago is not very far apart.

Senator HARRISON. Do you mean to tell the committee that, notwithstanding this increase that was given in 1922, the production has not increased in the continental United States?

Mr. DILLINGHAM. The total production has not been increased very largely, but, as I understand that, it is principally because of the difficulties they have had in Louisiana, which, as you know, is a difficult State to raise cane in, with the varieties of cane that they had been growing prior to three years ago. They fell from a production of 300,000 to 400,000 tons down to less than 100,000 tons.

Senator HARRISON. Has there been an increase in the Louisiana sugar production?

Mr. DILLINGHAM. The increase, they say, is considerable for this coming year. They have imported new varieties of cane and have extended them as fast as they could, and they are hopeful of the results this year. My information on that, of course, is wholly secondhand. The gentleman from Louisiana will be able to tell you more about that than I can.

Senator SMOOT. You are also using a better class of cane in Porto Rico, are you not?

Mr. DILLINGHAM. We have very much improved the cane in Porto Rico in the last five years.

Senator SMOOT. And so have the Hawaiian Islands?

Mr. DILLINGHAM. We are not up to the Hawaiian Islands.

Senator SMOOT. And how about Java?

Mr. DILLINGHAM. Java has done it more rapidly than any other place, I think.

Senator HARRISON. How do you explain that in the United States since 1921 up to now the beet-sugar production has not increased, notwithstanding we have given them this larger tariff?

Mr. DILLINGHAM. I am not a beet-sugar man. I can only give you my guess as to that situation.

Senator HARRISON. Well, your guess would be pretty correct, I imagine.

Mr. DILLINGHAM. The price of everything has gone up, so that the addition in duty made in 1922 did not more than cover the additional cost incurred since that.

Senator SMOOT. Whereas you used to buy beets for $5 and you now have to pay $7 to $7.50, is that correct?

Mr. DILLINGHAM. Yes, sir.

Senator SMOOT. If there is any profit made by the beet-sugar people the beet grower gets one-half of that profit?

Senator WATSON. Would not the amount of sugar imports into the United States have something to do with that?

Mr. DILLINGHAM. Well, it is a question, Senator, whether the beet production or any other so-called American production is affected by imports into the United States or whether the imports into the United States is affected by that production. It is just like any other case of supply and demand. It is one thing or another from time to time, and to pick out one period, or one month, and say that during that period foreign importations were affected and domestic were not, and during the next period it was the domestic that was affected and not the foreign, is futile, to my mind. It is the supply and demand from day to day.

Senator WATSON. Suppose we had no sugar shipped into the continental United States from anywhere, do you think that the production of sugar in the United States would be increased?

Mr. DILLINGHAM. Yes, sir.

Senator WATSON. So that the imports do have something to do with holding down the price and therefore the production?

Mr. DILLINGHAM. Yes; there is no question about that. When the imports are available and the sugar is available for imports from all over the world, it simply knocks the price out of things.

Senator WATSON. As an American citizen, what is your view of the tariff on sugar from the Philippines or what should be our treatment of Philippine sugar?

Mr. DILLINGHAM. My personal opinion is that it would be perfectly fair to the Philippines, and particularly to the present producers of sugar, if the amount of sugar that could be imported free of duty should be limited to approximately the present output of the Islands—let us say 700,000 tons. If it is seen fit to increase that 50,000 tons every three years, or something of that sort, it could be taken care of when the time came.

Senator SMOOT. I believe that you were present in 1909 when the tariff bill was passed at that time?

Mr. DILLINGHAM. Yes, sir; I think so.

Senator SMOOT. At that time the committee was told that the Philippines would never produce more than 300,000 tons, and that bill contained a limitation of 300,000 tons. However, that prediction has fallen down because now they are producing nearly 700,000 tons of sugar in the Philippine Islands.

Mr. DILLINGHAM. May I call your attention to a statement made by General McIntyre in that regard before the House committee. This is on page 2316:

> We have not increased our export from the Philippine Islands materially at all. We have increased them slightly recently; but, as a matter of fact, taking these figures, 560,000 tons that were exported in 1905, the cane that produced that would produce more sugar than we exported from the Philippines last year.

There was some misinformation connected with some of that information.

Senator SMOOT. In other words, they do not gibe?

Mr. DILLINGHAM. No.

Senator SHORTRIDGE. How much did they export last year?

Mr. DILLINGHAM. Around five or six hundred thousand long tons.

Senator SMOOT. Mr. McIntyre is attorney for the Philippine producers, is he not?

Mr. DILLINGHAM. Yes, sir.

Senator CONNALLY. Do you not think the increased rate stimulated production in the Philippines?

Mr. DILLINGHAM. I think it will.

Senator CONNALLY. I am talking about what it has already done. Has not the production increased?

Mr. DILLINGHAM. It has increased and it is natural to expect it to go on.

Senator CONNALLY. And do you not ascribe that to the increase in duty on sugar?

Mr. DILLINGHAM. Yes, sir; and the removal of the restriction of importations.

Senator CONNALLY. Why has it not had the same effect on domestic production of sugar?

Mr. DILLINGHAM. Because the costs are entirely different in America than in the Philippine Islands.

Senator CONNALLY. Suppose the costs are different. If it has had the effect of stimulating it in the Philippines, why should it not have the effect of stimulating it here? There may not be as much of a stimulation, but would it not have that tendency?

Mr. DILLINGHAM. I do not know. I can only tell you that I think——

Senator CONNALLY. Take the cane-sugar production.

Mr. DILLINGHAM. It has stimulated production in Louisiana, which is the only cane-producing State in the United States, practically.

Senator CONNALLY. You mean the soil or climate that is suitable for the production of cane sugar is limited?

Mr. DILLINGHAM. In the United States it is very limited.

Senator CONNALLY. How about beet sugar?

Senator SMOOT. Is that not a disputed proposition?

Senator CONNALLY. I do not believe he is giving the final word on it. How about beet sugar; is that limited, too?

Mr. DILLINGHAM. I understand that that is very much larger than the amount now in the cultivation of beets. How much larger I do not know.

Senator CONNALLY. Mr. Chairman, I favor the development of the domestic industry, but I am wondering why it is this increased tariff did not make our people raise more sugar cane to supply the American demand. If it does not have that effect, what good is there in increasing the rate?

Senator HARRISON. Let us get the witness to testify.

Senator SHORTRIDGE. I would like to hear the witness state the facts.

Senator CONNALLY. You know we have a little sugar down in Texas too.

Mr. DILLINGHAM. Considering the difficulties they had with cane going bad on them in Louisiana, the development in the last three years has been extraordinary in the Southern States.

Senator SMOOT. From 47,165 to 162,400 estimated for 1929.

Mr. DILLINGHAM. They will probably double that amount by next year.

Senator SHORTRIDGE. What were those difficulties that you referred to in Louisiana? Just give us some information on that in a word.

Mr. DILLINGHAM. The cane got diseased as has happened probably in every country in the course of its history. It happened in Java, it happened in Hawaii, it happened in Porto Rico, and I am told it is now happening in Cuba. It took us six years to get rid of the cane so diseased that had been planted 20 years ago. We are practically beyond that now. Louisiana is still in the throes of it.

Senator HARRISON. But in 1922 we raised 324,000 tons of cane in Louisiana, did we not?

Mr. DILLINGHAM. Yes, sir.

Senator HARRISON. Last year there were 70,000; this year we will have more, you say?

Mr. DILLINGHAM. Yes, sir.

Senator HARRISON. But there has been a very marked decrease, even if we assume what the Senator says here, that there is 160,000 of a production in the South next year. That is quite a falling off, a little more than half of what it was in 1922.

Senator SHORTRIDGE. But due to the difficulties he mentioned, as I understand it.

Mr. DILLINGHAM. That can be explained more fully to you by the representatives of Louisiana. They have been going through the same thing we went through 10 years ago.

Senator HARRISON. Let me get back to this proposition. We put this increased tariff on in 1921 and 1922 and you have shown that there is no increase in production in the continental United States. Do you believe that this further increase in duty would increase the production in the United States?

Mr. DILLINGHAM. Without any question.

Senator HARRISON. Why do you say "Without any question," when the proof of the pudding is the eating thereof?

Mr. DILLINGHAM. That does not mean that you never get a good pudding.

Senator HARRISON. Maybe not, but we will not get any pudding at all if we keep on increasing the sugar rate.

Senator SMOOT. Is it not a fact that nobody ever thought, in 1922, the Philippines or Cuba could produce sugar as cheap as it is produced to-day in Java? I mean with their new cane and with their new processes, with everything in their favor? No one ever thought that they could produce sugar for what they are producing it for in Java to-day.

Mr. DILLINGHAM. I do not think anybody ever realized that.

Senator SMOOT. Not even Java. And that stimulation has, together with the increased production of sugar in Cuba, had a world-wide effect on sugar. There is now more sugar produced than there is a call for.

Senator WATSON. Have you got the figures there showing the increase in Java?

Senator SMOOT. I have not the figures here; no.

Senator HARRISON. If we should limit the production in the Philippine Islands, you would be in favor of limiting it in Porto Rico and Hawaii, would you not?

Mr. DILLINGHAM. No, sir. But if you should limit it in those two islands to more or less the maximum crop, I do not think any of us would have very good ground for saying much.

The ratio of the Cuban importations to the total consumption in the United States also raised 15 per cent between 1904 and 1908, notwithstanding the large increase in domestic production.

The second argument of the Cubans of which I should like to speak is the one which is to the effect that any increase in duty is a bonus to the sugar producers of Hawaii, Porto Rico, and the Philippines at the expense of the domestic consumer. Of course, it is elemental that Cuba can not suffer and the consumer also suffer from the amount of duty. Aside from that, as I understand the theory of the reciprocity treaty with Cuba, it was and it is that the producers of Cuban sugar are to be given a bonus at the expense of the consumers of the United States equivalent to 20 per cent of the full rate of duty, which would be some $30,000,000 under the 1922 tariff on Cuban production this year.

Senator SMOOT. Do you watch the retail price of sugar?

Mr. DILLINGHAM. Oh, yes.

Senator SMOOT. The other day I got a circular from a local grocery store in which was advertised 10 pounds of sugar for 49 cents. Is that not lower than it has ever been in the United States? No matter what rate of duty there is or was on it, is not sugar selling to-day cheaper in Cuba than it ever did?

Mr. DILLINGHAM. Within the last 25 or 30 years; yes.

Senator SMOOT. That is what I mean.

Mr. DILLINGHAM. Refined sugar is selling to-day at the average price of before the war, as low a price as any price in any year. It has been low this spring, notwithstanding the increased duty and higher cost in every part of the industry.

Senator HARRISON. That is always true when there is an overproduction.

Mr. DILLINGHAM. There is no question about that. There is more sugar produced than will be taken care of.

Senator SMOOT. Every country in the world now is making every effort possible to sustain and support the production of sugar, and every principal country in the world has a higher rate of duty than we have in America?

Mr. DILLINGHAM. I believe that is the case. The question with us, to go back to the matter of overproduction, is that if a reduction is necessary—and I believe it to be necessary on the amount of sugar produced or available for marketing in the United States—shall that be forced upon our producers by levying a rate of duty that we can not operate under and drive some of us out of business, or shall Congress give us that relief that we need, even though incidentally it may reduce the importations of sugar into the United States from foreign countries? That is the answer. I believe that the consumer is not really seriously affected. Sugar is now selling at the pre-war price. It has sold at rather a high price in 1923, 1924, and 1925, but it is now back to the old price while everything else the people are using has increased from 40 to 70 per cent. This increase that we are asking for will increase the price of refined sugar perhaps 12 per cent.

Senator HARRISON. How much sugar is consumed in the United States?

Mr. DILLINGHAM. Roughly, five to six million tons annually.

Senator HARRISON. About 6,000,000 tons. To what extent will this duty that is carried in the House increase the cost of Cuban sugar?

Mr. DILLINGHAM. Sixty-four cents per hundred pounds.

Senator HARRISON. Have you figured how much that will increase the cost per pound of sugar in the United States?

Mr. DILLINGHAM. Why, it may increase it 64 cents a hundred. We hope it will, but it is not at all certain that it will.

Senator HARRISON. If it does increase it that much, how much of an additional cost will there be on the American consumer?

Mr. DILLINGHAM. About 12 per cent of the present market of, let us say, 5 cents a ton.

Senator HARRISON. How much is that?

Mr. DILLINGHAM. You mean in dollars?

Senator HARRISON. Yes.

Mr. DILLINGHAM. Some fifty or sixty million dollars. I would like to have some one who has a pencil check that figure.

Senator HARRISON. This will increase the cost of sugar in the United States, if the Senate adopts the proposed House increase, between fifty and sixty million dollars?

Mr. DILLINGHAM. If that figure is correct; yes.

Senator SHORTRIDGE. Theoretically, that might be so?

Mr. DILLINGHAM. Yes, sir.

Senator SHORTRIDGE. But competition will keep it down?

Senator SMOOT. It will be $30,000,000. It is not $60,000,000 at all.

Senator HARRISON. It does not make much difference whether it increases it $40,000,000 or $60,000,000.

Mr. DILLINGHAM. I think it makes a difference. I doubt if it will increase it anything like that figure as a practical matter.

Senator SMOOT. It will not increase the price of candy, will it?

Mr. DILLINGHAM. It will reduce it. That is all I have to say, Mr. Chairman.

Senator WATSON. How much more can Porto Rico produce than she is now producing under a high stimulus?

Mr. DILLINGHAM. Last year we produced 150,000 tons more than this year, approximately.

Senator SMOOT. That is on account of the storm?

Mr. DILLINGHAM. There is practically no more land available—perhaps a few thousand acres brought in by a new irrigation plan last year. The only outlook for increase is through further improvement in the character of the sugar content of the cane that we grow. We are following along behind Hawaii in improving the variety of our sugar cane. We have made some progress and will undoubtedly make more, so that it is possible within five years we would suffer 150,000 to 200,000 tons, just as we did last year.

Senator WATSON. How much more cane can be produced in San Domingo than now produced?

Mr. DILLINGHAM. Under the present laws of San Domingo, none. There would be practically none. They have passed limitations on the importation of sugar machinery. That would prevent the building of any more factories there. They are using every effort they can to discourage the planting of lands to cane. They think they should begin to diversify their crops. They are frightened by what has happened in Cuba through maintaining a single crop, and, perhaps to some extent, that is quite justified. They are endeavoring to guard against that. They hope to have more corn produced and more cattle produced, especially dairy cattle, and to keep away from becoming a one-crop country.

Senator SHORTRIDGE. You come primarily to oppose the $3 per ton duty on sugar cane?

Mr. DILLINGHAM. No; I should not have brought that question up except incidentally if the Chairman had not asked me about it.

Senator SHORTRIDGE. Well, when you say theoretically the American people would have to pay $50,000,000 or $60.000,000 or more for sugar should the rate of duty be increased, you wish to be understood as saying that that is a mere theoretical estimate?

Mr. DILLINGHAM. That is a possibility. The price might be increased by the same amount of the increase in duty. I consider it very unlikely that the full increase would come.

Senator SHORTRIDGE. Sugar to-day is selling at pre-war prices?

Mr. DILLINGHAM. Absolutely.

Senator SHORTRIDGE. And as low as it has ever been?

Mr. DILLINGHAM. Oh, except incidentally for a few weeks perhaps. I think two weeks ago it was as low as it has ever been.

Senator SMOOT. About 3 cents lower than it ever was.

Senator SHORTRIDGE. Did the rates fixed in the 1922 bill cause any material increase in the price of sugar as purchased by the consumer throughout the United States?

Mr. DILLINGHAM. I do not think there is any increase at all due to that change in the rate. The increase has come within two or three years due to natural conditions, but that change in rate, as I remember it, made substantially no difference.

Senator SHORTRIDGE. An increased rate might affect the revenues or the amount of revenue the Government will collect, might it not?

Mr. DILLINGHAM. Yes, sir; it might do that.

Senator SHORTRIDGE. And probably would increase the revenue, would it not?

Mr. DILLINGHAM. It probably would.

Senator CONNALLY. You say this increase is theoretical purely?

Mr. DILLINGHAM. I say the highest point is possible. Less than the high point is probable. The further down you go the more probable it gets.

Senator CONNALLY. If you did not think this duty would raise the price of sugar you would not be here asking for it, would you?

Mr. DILLINGHAM. I would not be here if I did not so think; no. I believe it is perfectly apparent that is why we are here.

Senator SHORTRIDGE. You are not primarily interested in the consumer of sugar save as it affects the sale of your sugar?

Mr. DILLINGHAM. We would like to keep them a consumer; otherwise we would like to get a good price for our product.

(Mr. Dillingham submitted the following brief:)

BRIEF OF THE ASSOCIATION OF SUGAR PRODUCERS OF PORTO RICO

NEEDS OF PORTO RICAN SUGAR INDUSTRY

From a statement compiled by the Association of Sugar Producers of Porto Rico, which will be filed with your committee, it appears that the average cost of making sugar this year (1929) at 10 of the large factories on the north coast of the island is 3.95 cents per pound delivered at United States port, including depreciation charges but no allowance for interest on investment or working capital. The names of these factories and their total estimated production for the year are as follows:

	Tons
Central Fajardo	42,000
Central Canovanas	19,300
Central Victoria	9,500
Central Vannina	7,500
Central Constancia	14,200
Central Carmen	10,000
Central San Vicente	16,200
Central Plazuela	17,500
Central Cambalache	27,500
Central Coloso	21,900
	186,000

At the four large factories on the south coast (Aguirre, Machete, Cortada, and Guanica, making altogether 180,000 tons) the average cost for this year is approximately 3.86 cents per pound, including 15½ cents per hundred pounds for ocean freight to United States ports and 15 cents per hundred pounds for depreciation.

The average for the 14 factories named is, therefore, approximately 3.90 cents per pound. These factories produce two-thirds of the total output of the island; they include the principal low-cost producers and are representative of the entire Porto Rican industry.

From the same statement it appears that interest at the rate of 6 per cent per year on the capital invested by the 10 factories above named amounts to 0.661 cents per pound of sugar manufactured, making their total cost, including interest, 4.506 cents per pound.

The average selling price of Porto Rican raw sugar in the United States market from January 1 to May 31, 1929, is reported as 3.6856 cents per pound, by Messrs. Willett & Gray, indicating a loss of $4.25 per ton to the producers of Porto Rico on their entire production of 550,000 tons, without taking any interest charges into account. The price actually received by many Porto Rican factories was considerably less than said reported price, as they did not begin grinding until January and made no sales of sugar at the higher price prevailing in that month. The above-mentioned statement shows that the 10 factories covered thereby had an average selling price of 3.58 cents to May 31 (the price now prevailing in the New York market) which would have to be increased by 0.926 cents per pound to cover their cost and interest on their investment.

In none of these figures is there included any allowance for the very substantial damage and losses caused by the hurricane of September 13, 1928.

LOSS OF REVENUE TO INSULAR TREASURY

During 1928 and the years immediately preceding the selling price of sugar was such that the Porto Rican producers made a reasonable profit and paid income taxes to the insular treasury amounting to well over $2,500,000 annually. Needless to say that, with producers operating at a loss in 1929, there will be no income to the island this year from this source.

The income of Porto Rico will be automatically reduced by more than $300,000 annually as an effect of the embargo on the importation of canes from Santo Domingo contained in the House bill, the details of which have been given to your committee by the Hon. Felix Cordova Davila, Representative from Porto Rico. If this discriminatory injustice to Porto Rico and its industries is not remedied by the Senate, it becomes all the more important so to increase the duty on foreign sugar that the Porto Rican producers may operate at a reasonable profit and again pay income taxes to the insular treasury. The economic situation of the island is known to you sufficiently well to make it unnecessary to elaborate upon the effect of reductions in insular income aggregating $1,800,000 each year.

CUBAN ARGUMENTS AGAINST INCREASE IN DUTY

It seems not amiss to point out that the great, if not the only, outcry against any increase in the duty on sugar comes from the producers of Cuban sugar through their (miscalled) United States Sugar Manufacturers' Association. They adduce two arguments against this increase:

First, that it constitutes unfair treatment of Cuba, for the benefit largely of producers in the insular possessions of the United States. As to this, it appears from figures compiled by Willett and Gray and stated on page 81 of the June, 1929, circular of the National City Bank of New York, that the increase in importations from our insular possessions has been not at all at the expense of the Cuban producers but has been wholly at the expense of producers in other foreign countries; the importation of sugar from Cuba increased from 1,131,000 long tons (refined value) in 1904 to 2,608,000 long tons in 1928, an increase of over 130 per cent, while the importations from other countries fell from 645,000 tons in 1904 to 29,000 tons in 1928, a decrease of nearly 100 per cent. The proportion of Cuban sugar imported to total consumption in the United States rose during the same period from 40.87 per cent to 47.06 per cent, an increase of 15 per cent in Cuba's proportion from 1904 to 1928.

The second argument of the Cubans is that any increase in duty will constitute a "bonus" to the producers of our insular possessions, at the expense of consumers in the United States. Of course, these consumers and the Cuban producers can not both be adversely affected; but this aside, the Cubans apparently forget that the whole basis of their reciprocity treaty with the United States consists in an attempt to give the Cuban producers themselves a "bonus" (under the 1922 duty) of some $30,000,000 a year at the expense of the same consumers in the United States. It is true that their expected "bonus" has not been realized by the Cubans in recent years (to their apparent surprise and dismay) but they have used every effort to obtain it, even going so far as, in January, 1928, to sell to Canada and Europe (through the Cuban Export Commission) 370,000 tons of sugar in two days at a price substantially under that at which they were then selling the same sugar to the United States refiners, with the expectation, apparently, that the reduction of Cuban stocks by this substantial amount would lead refiners here to pay an even higher price and enable Cuba to get a substantial part of her "reciprocity preference." However, this attempt to mulct the consumers of the United States $10,000,000, for Cuba's sole benefit, failed miserably.

As a business proposition, it is, of course, vain for Cuban producers to think that they can sell two-fifths of their product at a low price in the world market and the remaining three-fifths at a substantially higher price in the United States, so long as there is overproduction so substantially in excess of the demand in the United States as has been the case during the last few years. While this overproduction continues, Cuba must sell to the United States at the world price, no matter what the duty is; when overproduction ends, it is elemental that selling below the cost of production will also terminate. The real question is, shall the necessary reduction in the amount of sugar produced for their own market be forced upon producers in the United States by the maintenance of a low duty at which they can not live, or shall Congress afford them the needed relief.

THE CONSUMERS' POSITION

With regard to the consumer, it can not too often be repeated that sugar is practically the only commodity of universal use that is now selling in our market at substantially the same price as before the war. From the June 10th Bulletin of the National Bureau of Economic Research it appears that the average prices of goods used by consumers in the United States have increased since 1913 by from 40 to 70 per cent; if as a result of an increase in the duty the price of sugar should be increased by, possibly, 12½ per cent, the consumers of sugar would have no complaint in view of the manifest advantages resulting to the country as a whole from the maintenance of its domestic production.

CONCLUSION

It is respectfully submitted that the rate of duty on sugar provided in the House bill is fair to all concerned and should be agreed to by the Senate without fear of injustice to the consumers of this country or to others.

June 26, 1929.

THE ASSOCIATION OF SUGAR PRODUCERS OF PORTO RICO.
FRANK A. DILLINGHAM.

ASOCIACIÓN DE PRODUCTORES DE AZÚCAR DE PUERTO RICO,
San Juan, P. R., June 19, 1929.

Mr. F. A. DILLINGHAM,
New York City.

MY DEAR MR. DILLINGHAM: In accordance with your cablegram of even date, I cabled you to-day as follows:

"May 31 combined costs f. o. b. mill 3.619 cents per pound. Marketing cost, including transportation, 0.331 cent per pound. Total cost c. i. f. New York, 3.95 cents per pound. All charges for investment, interest, and hurricane damages eliminated. Total produced by centrals included in statement 151,563.479 long tons. Ten mills reporting Fajardo, Canóvanas, Victoria, Vannina, Constancia, Carmen, San Vicente, Plazuela, Cambalache, Coloso."

The inclosed statement shows in detail the different items of cost reported in the usual form. These figures do not include charges for damages resulting from the hurricane of September, 1928.

Yours very truly,

D. ABOY BENITES, *President.*

Association of sugar producers of Porto Rico, weighted average cost of raw-sugar production, in cents per pound—northern coast, 1928–29 crop, up to May 31, 1929

Cost of cane	2.431	
Manufacturing expense	.376	
Repairs and maintenance	.205	
Administration	.209	
Fixed charges (excluding interest)	.398	
Total above		3.619
Credit for receipts from by-products	.105	
Net cost, f. o. b. mill (excluding interest)	3.514	
Investment cost on basis of 6 per cent of invested capital	.661	
Net cost, f. o. b. mill, including above investment cost	4.175	
Investment cost on basis of interest actually paid plus 6 per cent on owners' net equity	.684	
Marketing cost, including transportation		.331
		3.950
Net cost, including both investment and marketing costs		4.506
Receipts from sale of sugar		3.580
Profit or loss, f. o. b. mill basis (investment and marketing costs deducted) (loss)		.926
Total production of crop, long tons (to May 31, 1929)		151,563.479
Number of mills covered by above cost data		10

STATEMENT OF ROYAL D. MEAD, WASHINGTON, D. C., REPRESENTING THE HAWAIIAN SUGAR PLANTERS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MEAD. I am a vice president of the Hawaiian Sugar Planters Association, producers of raw sugar in the Territory of Hawaii.

My organization comprises practically all of the plantations producing such sugar in those islands.

In the first place, let me suggest that Hawaii is just as much a part of the United States as California, as Indiana, as Utah, or as Mississippi.

Under the treaty of annexation it was so declared, under the resolution of Congress carrying out the treaty is was so declared, and the decisions of the Supreme Court carry out that resolution and that treaty. We are an integral part of the United States, an incorporated Territory of the United States. We came in a little later than did Mississippi, California, Utah, or Indiana, but we are here and a part of the United States.

A great deal has been said by witnesses here concerning the earnings of some Hawaiian plantations. A very good proportion of the Hawaiian sugar industry does make a profit. There are plantations, irrigated plantations, located in very favorable places with very good soil, and fresh mountain water, and they produce a very considerable amount of cane per acre, and a very considerable amount of sugar per acre. Under normal conditions they make money. There is also a very considerable portion of the Hawaiian sugar industry that does not make money. It certainly has not made money in the last few years with the prices as they have been.

Most of these plantations report to the Hawaiian Sugar Planters Association concerning their earnings and their profits.

I might say, generally speaking, that the Hawaiian sugar plantations are undercapitalized. In 1925, 38 plantations, producing 703,100 short tons of sugar, showed capital stock of $84,271,720. The total assets of those plantations were $162,660,266. The net worth of those plantations was $142,429,989. The total dividends paid during that same year of 1925 were $7,997,440, representing 9.5 per cent on the total capitalization, and 5.4 per cent on the net worth.

Senator WATSON. Are you speaking of all the companies in Hawaii?

Mr. MEAD. I am speaking of practically all of them, sir. There are a few of the plantations, the smaller plantations, not owning their own mills, that do not report their detailed figures of earnings and profit.

Senator WATSON. What per cent of the total production is included in your statement?

Mr. MEAD. That includes at least 90 per cent, or probably 95 per cent, I would say.

Senator SMOOT. Do the others sell their cane?

Mr. MEAD. The others sell their cane or grind on shares, or something of that kind. There is one plantation, the Honolulu plantation, the only one that produces refined sugar on the islands, and that is about 30,000 tons. I believe they do not report to our organization.

In 1926, 40 plantations, producing 728,496 tons, showed a capitalization of $86,552,720; total assets, $165,293,398; net worth, $145,244,217; and dividends paid, $7,907,580. The dividends were at the rate of 9.13 per cent on capital and 5.4 per cent on the net worth.

In 1927, 38 plantations, producing 749,336 short tons, with a capital of $86,552,720 and net worth of $150,233,464, paid dividends of $9,244,690. Those dividends were at the rate of 10.7 per cent on the capital and 6.15 per cent on the net worth.

Senator HARRISON. Why do you pick out a certain number of those corporations for 1927 but the whole number for 1926?

Mr. MEAD. There is but a slight difference there; 38 plantations in 1925 and 38 in 1927. There happened to be 40 plantations in 1926. Just why there is a difference of two plantations in the period of three years I do not know.

Senator HARRISON. They are the same plantations?

Mr. MEAD. They are the same identical plantations. Each of those 38 was the same.

I think I do know one reason. One plantation on the island of Hawaii went out of business in 1926. That would make a difference of one. I do not know what the reason for the other one was.

The Hawaiian industry is a very closely integrated industry. The Hawaii Sugar Planters Association, representing those plantations, has been an enormous factor in bringing that industry to the point where it is now. We have our own experiment station established and carried on by our own funds with a budget of over a half a million dollars a year. We have developed our own canes from the tassel seed, not from the seed that they plant. And at one time when the cane of some of our plantations was going bad these various canes that we have established, one in particular, rehabilitated those plantations. At one time we were threatened with extinction because of an insect pest, and our entymologist went abroad and found the parasite of that pest. We have other pests there that have been dealt with by our own scientists. We ask nobody's assistance in carrying on our affairs.

It is true that many of these plantations produce very large tonnages of cane. The Ewa plantation, situated at Pearl Harbor, with exceedingly rich soil and all the water that it wants, has a production per acre which has gone up as high as 10 tons on their total area of 2,700 acres.

The Hawaiian Commercial & Sugar Co., with a large area for a sugar plantation in Hawaii, although not large as compared with Cuban plantations, and with a very rich soil and with plenty of fresh mountain water has been able to produce a very large tonnage per acre.

But there are other plantations where the tonnage is not one-fifth of what the production is of the Ewa or the Hawaiian Commercial Co.

Our production per acre on the average for the entire island has gone from about 4 to 4½ tons per acre to over 6½ tons per acre, due to better varieties of cane, better agricultural methods, the control of insect pests, better irrigation, better fertilization, and so forth. But those plantations can not be selected and held up any more than the Cuban-American Co. can be held up for Cuba.

Mr. Shattuck was very careful not to take from the stock reports the plantations which did not pay any dividends. He forgot all about Olaa, Honokaa, Kilauea, Koloa, and a dozen others. Those were not put in here. Oh, no. They did not pay any dividend. They had no earnings.

There has been a great deal of talk here about the poor housewife, and how she is going to pay for all this tariff on sugar.

At a tariff rate of $2.40 on 6,000,000 tons' consumption it is stated it would cost the housewife $288,000,000. As a matter of fact, half of the sugar which is consumed in the United States goes into manufactured products. It does not go onto the table. And there is no increase in the cost of the manufactured product because of the duty on sugar. You can lay that down as an established fact.

So that leaves $144,000,000. The Treasury gets $136,000,000 in taxes. If that was not collected by the Treasury the housewife would have to pay for it. So that is an even thing.

Taking that $136,000,000 from the $144,000,000 leaves $8,000,000. I don't know whether that is right or not, but I am giving it to you. This is just as right as the figures they have given you.

Another thing they state is this: If you increase the duty you are going to hurt Cuba. You are just going to raise the devil with Cuba, and she will go out of business. Also, they state if you increase the duty you will not put it on to the housewife and the consumer.

If Cuba pays the duty the housewife does not. If the housewife pays it, then Cuba does not. It is either one or the other. It can not be both.

Now, to take the reverse side of the picture. The price of sugar to-day is 4.85 cents a pound. The duty is 1.77 cents. If it is true the entire duty is paid by the consumer, then if you take the duty off, sugar ought to be that much cheaper. So if you take off the 1.77 that price would be 3.08 cents for wholesale refined sugar.

There is not a man in this room, a refiner or anybody else, who believes that the refiner would sell sugar to-day, if there was no duty, for 3.08.

He would go out and get the very highest price he could get for his sugar. Duty or no duty, that is what he does every time. He is not considering the consumer, not for a minute. He is getting every cent he can for every pound of sugar he sells. If you take the duty off to-day the price would be exactly what it is to-day.

Another little story about the Cuban is that they are being hurt, that they are being frightfully hurt by our tariff.

The tariff act of 1922 went into effect in September, 1922, and since that time—just referring to that period—they have had an $8.80 advantage in tariff remitted on their sugar. Have they collected it? Not a penny of it.

If they marketed their sugar in an orderly way, if there wasn't destructive competition among the Cuban sellers, they would get that $8.80, or the greatest portion of the $8.80. That was the purpose of the reciprocity treaty—to pour that into the laps of the Cuban producers. Have they taken it?

In the very first years they did take it. It helped them. Since that time their own destructive competition, their poor marketing practices, their inability to get together to market their sugar as it should be marketed, have caused them to throw that completely away.

On the total tonnage of sugar they sent to the United States in 1928 they should have received $28,125,996 more than they actually received if they had taken advantage of their opportunity, which was intended to be given by the reciprocity treaty, and which we were very glad to have them get.

Considering the years since the tariff act of 1922 went into effect, there has been remitted by the United States in the customs duties on Cuban sugar a sum in excess of $170.000,000. If they want to throw it away, that is their business. But they have the opportunity of taking advantage of it if they wish to.

There was some talk here about Cuban refined sugar. Cuban refined sugars have gone over to the Pacific coast in competition with our sugars, and in foreign bottoms, at a freight rate of $3 to $3.50 a ton. It goes from Cuba through the Canal and up to San Diego, Los Angeles, San Francisco, and Seattle, at the option of the buyer.

Senator SHORTRIDGE. $3.50 a ton?

Mr. MEAD. Yes; $3 to $3.50 a ton. That is the rate they have paid on their sugar in cheap foreign bottoms from Cuba to the Pacific coast of the United States. That rate is less than the rate which we pay for our sugar from Hawaii to San Francisco, a haul of 2,000 miles.

Senator SMOOT. It is less than we pay from Salt Lake City to Ogden, about 44 miles.

Mr. MEAD. When that sugar gets there, what do they do with it?

Senator WATSON. Have you got that right?

Mr. MEAD. I have it absolutely right. I know it is right.

When they get their sugar over there, what do they do with it? Do they sell it at American prices? They sell it anywhere from 10 cents to 35 cents under the C. & H. and Western Refinery prices every time.

And why do they do it?

In the first place, because they manufacture so cheaply; in the second place, because they have such a cheap freight rate.

I don't know what their cost is in Cuba, but I know very well that Cuban companies this year, in the way they purchase their cane, and with their manufacturing plants running at capacity, will not be more than $1.50 a hundred pounds. That will be their cost. And you will find it from their statements when they come out. And one statement already out shows the cost $1.50 a hundred. And they say they have covered their expenses and interest charges.

Senator WATSON. What does it cost you in Hawaii?

Mr. MEAD. About $4 to get our raw sugar to the refinery at Crockett and pay our freight rate and land it at Crockett—a little less, perhaps, but around about that.

Senator SMOOT. Ninety-six degree sugar?

Mr. MEAD. Ninety-six degree sugar.

Senator WATSON. Your sugar is all refined in the United States?

Mr. MEAD. All refined in the United States. The Hawaiian refinery, which will be attacked here by Mr. Spreckels and possibly others, is not a part of my organization. It is owned by some of the plantations in my organization, but not my my plantation. It is located at Crockett, on the bay above San Francisco. I hold no brief for the California-Hawaiian, but I just want to tell you that when it comes to attacking the reputation of the California-Hawaiian or the Hawaiian Sugar Planters' Association and planters, I will put their reputation on the table, and they will hold their own in a comparison with any of the Atlantic coast refiners over a period of years.

Senator HARRISON. You mean they are both bad?

Mr. MEAD. Well, perhaps I should say they will not suffer by comparison.

In the brief submitted to the Ways and Means Committee I put in some photographic representations of the laborers' houses on the Hawaiian plantations, villages, as compared with the plantation quarters in Cuba. We are very proud of our labor conditions in Hawaii; very proud indeed. We do not employ—have not employed—American citizens in field work as common laborers, because American citizens are not there; but we do employ very largely, the majority of our laborers are, citizens from a possession of the United States—the Philippine Islands. They are given the nicest, best, plantation houses that I know of. I shall ask permission to present a copy of this brief to each member of the committee.

Senator SMOOT. How about the Japanese?

Mr. MEAD. The Japanese are decreasing. The total number of laborers we have on the plantation pay roll is about 50,000. Of those I think 37,000—I may not have that just right, but I think 37,000 are Filipinos.

Senator WATSON. What do you pay them, on the average?

Mr. MEAD. Nearly all our plantation laborers, with the exception of 2,500 to 3,000 that work in the skilled and semiskilled positions, work under what we call the contract system. The contracts are divided into long-term and short-term contracts. A man, or a number of men, will take a field after it has been planted and carry on the contract through the various stages up to the time that it is harvested, and they are paid so much per ton of the sugar raised.

Senator WATSON. Have you stated how much pay they get, the short-term contractors, for the year?

Mr. MEAD. The long-term contracts comprise a very large proportion of the contractors, and for the year 1928 they were paid $2.35 a day. That was the average for the full year.

The short-term contractors—and many of these short-term contractors, let me explain, work sometimes under a long-term contract, and then when their cultivation is well up they go into a short-term contract, so that you can not always check them—the short-term contractor earns $1.70 a day.

In addition to that, all the laborers are paid a bonus of 10 per cent if they work 23 days per month.

Senator HARRISON. That is, the laborers you employ?

Mr. MEAD. Yes; the laborers we employ. In fact, it is all the labor we employ.

In further answer to your question, when a Filipino comes in, a green hand, who has never been in Hawaii before, he is started out at day labor. Those Filipinos do not go into a contract until they have had experience, and they are paid $1 a day, plus their bonus. The bonus of 10 per cent is paid the laborers who work 23 days a month. Seventy-five per cent received the bonus in 1928.

Senator WATSON. Does the laboring man receive that himself, or is there a contract with a head man, and does that head fellow get it?

Mr. MEAD. No; the boss contract system is not in Hawaii. The contract is with the individual.

There is no seasonal work; work is provided throughout the year. It is not a problem of working this month and laying off next month; they go through the 12 months of the year. In addition to that——

Senator HARRISON. Are they natives?

Mr. MEAD. There are a good many Hawaiians, but they have mostly graduated out of the agricultural work. They are teamsters, engine drivers, overseers, or something else.

Senator SMOOT. There are only 23,000 of the Hawaiians, anyway?

Mr. MEAD. The pure-blooded Hawaiian is decreasing, but the mixed races are increasing.

Senator SMOOT. What about the Japanese?

Mr. MEAD. I think we have less than 8,000 Japanese laborers at the present time.

Senator HARRISON. Out of a total of how many?

Mr. MEAD. Fifty thousand.

In addition to their wages we furnish them, without charge, houses such as that [exhibiting picture]. Those are the kind of houses we give them.

In addition laborers are given their hospital treatment, medical treatment, and they are provided with fuel and water and in many instances, where they have power on a plantation, with light, all without charge.

They are given areas of land around the house, where they can plant vegetables to help them out in the cost of living, and at the plantation stores they are given the necessaries, the staples, at cost, no profit being made on those things.

There is a great deal spent by the plantations in welfare work. We think that is a very good investment. Hundreds of thousands of dollars are spent in looking after the comforts and well being and pleasures of the plantation laborer. It is quite an item with us.

Just to show what plantation laborers do out there, I would like to just read this portion of what I said before [reading]:

On the 30th of June, 1928, there was on deposit in the savings banks of the Territory of Hawaii by Filipinos the sum of $2,830,518, and during the year there was deposited with the Hawaiian Sugar Planters' Association by Filipinos who were returning to the Philippine Islands the sum of $191,377, which the Filipinos wished safeguarded and transmitted to the Philippine Islands for them.

The money is deposited by them and transmitted by way of draft, so as to prevent them gambling with it on the ship.

The 3,504 returning laborers recorded that they had saved while in Hawaii $780,849, and had sent home to the Philippine Islands $1,172,019.

It is quite apparent that the plantation Filipinos, at any rate, are in a very prosperous and comfortable condition.

There is just one other matter. I do not care to take the time to say any more, but should an attack be made upon the California-Hawaiian Sugar Refining Corporation, for which, as I say, I hold no brief, but if they are attacked, I ask permission of the committee for the California-Hawaiian Corporation to file a brief in respect to any statements that are made against that corporation.

Senator SHORTRIDGE. I think you have stated it, but I just want to get it clear in the record, for others. About how many men are employed on the plantations, in the Islands?

Mr. MEAD. There are actually on the pay roll 50,000 plantation laborers.

Senator SHORTRIDGE. Can you give the approximate number of Filipinos?

Mr. MEAD. There are, I think, about 30,000 or 35,000 Filipinos.

Senator SHORTRIDGE. And about how many Japanese?

Mr. MEAD. I think about 8,000. I have not those detailed figures with me.

Senator SHORTRIDGE. Approximately how many?

Mr. MEAD. Approximately, I believe that is it.

Senator SHORTRIDGE. And of Hawaiians, about how many?

Mr. MEAD. I do not know. Let me see; I do not know, Senator, but I should be very glad to furnish a list compiled, a monthly report of plantation laborers, which I have in my office.

Senator SHORTRIDGE. The laborers consist of those three races, and are there other races?

Mr. MEAD. Yes; there are Americans, Portuguese, Spaniards, Porto Ricans, and a scattering of other races.

Senator SHORTRIDGE. Generally speaking, have you any present labor trouble there?

Mr. MEAD. No; we have no labor troubles.

Senator SHORTRIDGE. Such as you encountered a few years ago?

Mr. MEAD. No; we have no labor troubles at all.

Senator SHORTRIDGE. You have no strikes such as you did have there, as I remember?

Mr. MEAD. No; we did have a very serious strike in 1920 of Japanese laborers. The Japanese then were very largely predominant in the plantations, and perhaps—I should not refer to it—it grew into a racial situation, and we were very glad to be able to defeat them.

Senator SMOOT. I want to ask you a question for information. In 1909, and before that, there was a fear expressed in the islands that within 20 or 25 years native-born Japs would be in the majority in the islands. Is there any fear of that now?

Mr. MEAD. I think that fear has quite largely died out. It works this way, as near as I have been able to observe in my 25 years in Hawaii, that the Japanese immigrant—the one who came there—and his children do not become Americanized to any great extent. One thing against this was the Japanese language schools; and the Japanese children would go from our public school to the Japanese schools, where they would be taught Japanese traditions and gain a Japanese education, so that it was a great force working against Americanization, and we did not make very much headway. But more recently, in the last few years, the third generation of Japanese seem to become Americanized. They seem to adopt our ideas and methods, and the situation is going along very nicely; and I think in the course of the next 15 or 20 years we will find the Japanese citizens—American citizens living in Hawaii—probably as good citizens as any we have there.

Senator SMOOT. Are there many intermarriages?

Mr. MEAD. They are growing in number. It used to be that a Japanese never married outside of his own nationality. Occasionally a white man would marry a Japanese woman, but the Japanese man never married a white woman—a white woman never married a Japanses man, to put it that way. More recently, under our educational system—and we spend annually millions of dollars on the public schools—we find the Japanese of this generation are becoming quite like us, and it is a very pleasing thing.

Senator SMOOT. Do they still keep up the Japanese schools?

Mr. MEAD. I believe not to the extent that they used to. I do not know definitely. I was out there this last year, the early part of this year, but there was no complaint about the Japanese schools. I did not inquire particularly about it.

Senator HARRISON. I want to ask one question. You spoke of the possibility of some witness making a attack upon this refinery—this institution at Crockett—and said if it was made you wanted to be heard.

Mr. MEAD. I do not want to be heard. I want permission given to California-Hawaiian Sugar Refining Corporation to file a brief.

Senator HARRISON. I want to know why do you expect that?

Mr. MEAD. The reason is that Mr. Spreckels has spread around throughout the country statements about the California-Hawaiian Refining Co., and as he is here in the room, I anticipate that he will carry that out in his verbal testimony.

Senator HARRISON. Before he comes on, may I ask you a question from a pamphlet I have here.

Mr. MEAD. I suppose that is the one of which I got an advance copy in June.

Senator HARRISON. So that you had notice?

Mr. MEAD. I had notice that he had this point of view. I had no notice that he was coming to this hearing; no, sir.

Senator HARRISONS. This reads as follows:

> Only recently when other cane refineries increased their refined sugar price from 4.90 to 5 cents, in order to prevent an unreasonable financial sacrifice, the Hawaiian-owned refinery immediately reduced its price from 4.90 to 4.75 and forced down the price of beet sugar to 4.55.

What do you say about that?

Mr. MEAD. I am giving you now my own belief of it. I have no first-hand knowledge. My understanding of it is this, that the California-Hawaiian Sugar Refining Co. had a very large quantity of sugar on hand. They had been unable to move it at 4.85. When a buying move came along, as it did at that time, they moved their sugar by dropping the price.

Senator HARRISON. So that the facts as stated there are correct?

Mr. MEAD. The facts are stated correctly. That is Mr. Spreckels's statement. Mr. Spreckels owns the Federal Sugar Refining Co. Previous to the time when the Sugar Institute was formed by the Atlantic coast refiners, and since which time all prices have been level, the Federal Sugar Refining Co., owned by Mr. Spreckels, consistently sold their sugar under the prices quoted by the other Atlantic coast refiners. He is complaining of the California-Hawaiian doing exactly what he himself or his refinery did previous to the formation of the institute.

As long as the question has come up, I would like to file with my statement extracts from Willett & Gray's Weekly Statistical Sugar Trade Journal, showing the previous attitude of the Federal Sugar Refining Co., owned by Mr. Spreckels, and the manner it dropped below prices of the other Atlantic coast refiners.

Senator SHORTRIDGE. What bearing has that quarrel, if it be a quarrel, on this subject matter before us?

Mr. MEAD. It has not the slightest in the world. It is simply an attack on the California-Hawaiian Sugar Refining Co., to help a proposal which he has regarding a sliding-scale duty.

Senator SHORTRIDGE. Then it may be considered that it has some bearing upon the subject matter before us?

Mr. MEAD. He may consider so. I do not.

Senator SHORTRIDGE. It is not a quarrel?

Mr. MEAD. It is not a quarrel. It is simply a case of one refiner wanting to sell his sugar and dropping the price so that he can do it. That is what Mr. Spreckels and the Federal Sugar Refining Co. has done for years.

Senator SHORTRIDGE. I will not call it a quarrel. I used that word because of your use of the word "attack"—that an attack was made upon them, at least. It is a controversy, then, between the various companies?

Mr. MEAD. It is not even a controversy. The California-Hawaiian Sugar Refining Co. is not a member of the National Sugar Institute. It proposes to sell its sugar how and when it chooses to sell it, and at any price that it chooses to sell it at in order to move its sugar.

Senator SHORTRIDGE. It must be considered that that is the right of any company.

Mr. MEAD. We claim it is.

(Mr. Mead submitted the following brief:)

BRIEF OF THE CALIFORNIA & HAWAIIAN SUGAR CORPORATION

ANSWER OF CALIFORNIA & HAWAIIAN SUGAR REFINING CORPORATION, A CALIFORNIA CORPORATION, TO CERTAIN ALLEGATIONS MADE BY MR. RUDOLPH SPRECKELS, OF THE SPRECKELS SUGAR CORPORATION, NEW YORK, BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE, IN WASHINGTON, ON FRIDAY, JUNE 28, 1929

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: Your committee has requested certain figures as to the earnings of this corporation. These are furnished you herewith, together with certain statements in answer to allegations inimicable to the interests of the Hawaiian sugar producers made before your committee by Mr. Rudolph Spreckels.

MARKET POSITION OF C. & H.

The California & Hawaiian Sugar Refining Corporation operates a refinery at Crockett, Calif., which refinery refines and distributes all of the cane sugar produced by a group of 33 Hawaiian plantations. These plantations own all of the stock in the C. & H. approximately in proportion to their annual sugar output. The C. & H. and plantation organization is essentially a cooperative, domestic, agricultural alliance in every sense. The plantation owners of C. & H. own or lease their land on American soil, raise their own sugar cane, and produce their own raw sugar with American capital, ship the sugar by American vessels to an American refinery employing American labor, and distribute the same into 36 of the United States in competition with other domestic producers and with Atlantic seaboard and Gulf refiners who refine principally Cuban raw sugars.

The C. & H. production constitutes approximately 10 per cent of the sugar consumed by the American public.

HAWAIIAN SUGAR IS A DOMESTIC PRODUCT AND MUST BE SOLD IN DOMESTIC MARKETS

It is an economic truth that can not be controverted that foreign sugar can enter and be sold in the United States only to the extent of the difference between domestic production and total United States consumption. Hawaiian sugar is domestic sugar and domestic producers have no market in the world other than their own country. The balance of the country's requirements must necessarily come from Cuba due to our reciprocity treaty with her. Anything in excess thereof will and does demoralize the American refined market.

SELF-IMPOSED LIMITATION OF OUTPUT

It is the right of American producers of an agricultural product to organize and operate their own manufacturing and marketing medium. The plantation owners of the C. & H. built the Crockett refinery solely as an outlet for their domestic sugar crops. The function of that refinery is to refine and sell such crops, whatever they may amount to. Self-imposed reduction of output may be a proper function for refiners of foreign products acting in their independent discretion in an effort to keep the distribution of sugar in this country within the bounds of the economic law of supply and demand. The sugar tariff, however, is primarily designed to foster and enlarge the domestic sugar industry and it is idle to talk of self-imposed crop or refining restriction by domestic producers so long as it is necessary for a single ton of foreign sugar to enter the United States.

BASIC REASONS WHY C. & H. REFINERY WAS ESTABLISHED, WHY IT IS NOW MAINTAINED, AND WHY ITS MAXIMUM CAPACITY IS ITS NORMAL CAPACITY

Many years ago, when competition in the sugar business was not free and unrestricted in this country, Hawaiian planters sold their sugars in the form of raws to refiners on the mainland. In their struggle to establish the cane-sugar industry in Hawaii, the producers found difficulty in securing from the Pacific coast refiner the going market price for their product. Finally, when the penalties imposed upon them became unreasonable, the planters were forced to establish their own refining and distributing organization at Crockett. They thereby broadened their market from a few buyers of raw sugar to thousands of buyers of refined. To justify the existence of the refinery, it must return to the producers interest on the capital invested, plus an amount for raw sugar equal to that which could be secured from the sale of raws to other refiners.

The Hawaiian planters, however, continued to ship large quantities of raw sugar to refiners on the Atlantic seaboard, but in 1915 the Atlantic coast refiner declined to buy it any longer. This recurrence of the former Pacific coast difficulties in the sale of their raws caused the planters to increase the capacity of their refinery at Crockett so as to be able to handle their entire output, which they are now doing. By this means they increased the number of buyers for their production from 3 or 4 to over 2,000. The development of business has been along natural lines, which includes proper consideration of economy of operations. If the Atlantic seaboard and Gulf refiners who purchase and refine principally foreign sugars, have enlarged the capacity of their respective plants beyond the sugar requirements of the country, that is a matter within their own discretion and control and for which they can not complain as against strictly domestic institutions.

The refining capacity in the United States during the summer months and periods of large demand is not in excess of requirements. The C. & H., because it must take the raws from Hawaii as they are produced, builds up stocks of refined to meet the peak demand, whereas other refiners may vary their rate of operations to meet distribution needs, and during the times of large demand there probably is not enough refining capacity in the entire United States to take care of the immediate requirements of the trade.

The same condition exists in street railway and the restaurant business, which may not be able to take care of the peak-load business but which could serve four or five times as many people if distributed in an even flow throughout the hours of the day.

MARKETS FOR HAWAIIAN SUGARS

The refineries in the United States are located along the seacoast, where deep-water facilities exist for the economic handling of cargoes brought to this country by water. The sugars refined on the seaboard and the beet sugar manufactured in the Mountain States supply not only the local markets but are also transported to the central part of the country, where no refineries are located. The large consuming markets in the Mississippi and Missouri River valleys are supplied from the Atlantic, the Gulf, the beet-producing States, and the Pacific coast, and as a result competition is particularly keen in those markets. The line of transportation from Hawaii to the ultimate market is a direct one. There is no retracing of steps or routes except in cases where recognized waterways offer economic advantages over rail.

Through a low intercoastal steamship rate, the C. & H. for several years has been enabled to ship refined sugar through the Panama Canal to New Orleans, and thence up river by Government barge line, to Chicago at a freight rate of approximately 70 cents. More recently some shipments have been made by steamer to New York, and thence by barge and lake steamer to Chicago at a freight rate of approximately 65 cents. The all-rail rate from San Francisco to Chicago is 84 cents.

Simple arithmetic indicates that when sufficient supplies are available for the longer transit time, the transportation of sugar by water is not "an uneconomic routing."

PRICE POLICY DISCUSSIONS WITH COMPETITORS

The California and Hawaiian Sugar Refining Corporation has never discussed the price of its products or its price policies with any competitor, or with any group of competitors, organized or unorganized, nor has anyone been authorized to do so for us. It is the right of an American industry to market its products in a lawful manner in any market or markets which it may select in open competition with its competitors. Any statement, either directly or by implication, that the C. & H. has participated or is participating in any understanding or concert of action with respect to the price at which it has sold or is going to sell its product is false.

The California & Hawaiian Sugar Refining Corporation recognizes the value to the sugar industry of trade associations, and it has been a willing participant in all of the activities of the two sugar-trade associations with respect to the collection and distribution of statistical data of value to the industry, as well as with respect to the maintenance of ethical sales practices. No refiner will deny that for many, many years prior to the formation of either of the present trade associations, as well as afterwards, the California & Hawaiian Sugar Refining Corporation sold its goods on the basis of its openly announced prices and terms, and did not resort to the practice of underhanded or secret concessions in prices or terms.

EARNINGS OF C. & H.

In submitting the following schedule of earnings, we beg to state that the California & Hawaiian Sugar Refining Corporation, in its present corporate form and with its present stockholders, has existed only since February 24, 1921. From that date it has been operated as a cooperative institution, and its earnings have been predetermined by arbitrary withholdings. These withholdings have been made for the purpose of retiring bonds for plant improvements and for increasing working capital.

1921	$749, 229. 61
1922	1, 247, 566. 34
1923	1, 714, 689. 84
1924	1, 772, 120. 18
1925	1, 955, 390. 86
1926	1, 753, 200. 05
1927	1, 152, 754. 01
1928	1, 081, 423. 35
Total (8 years)	11, 426, 374. 24

Had the C. & H. been operating as an independent refining unit, and had it been paying the San Francisco market price for the raws shipped it, its refining profits during the above period would have amounted to $10,592,854.

The C. & H. has outstanding 100,015 shares of common capital stock having a par value of $10,001,500.

THE PRICE OF SUGAR IS MADE IN THE NEW YORK MARKET

The price of raw sugar in the United States (and since the war largely for the entire world) is made in the New York market, and generally the price of refined sugar is based on the relative cost of raw sugar, which is also made in the New York market. Local competitive conditions, competition from imports of foreign refined sugar, and the condition of supply and demand at times are the governing factors which influence price. For many years sugar has been sold under free and unrestricted competitive conditions, which conditions the laws of the country guarantee to the consuming public and those engaged in the sugar industry.

The C. & H. has always sold its sugar in accordance with those principles, and without restraint, coercion, or influence by or against competitors. At times, we have taken the initiative in reducing the price in our markets, and at other times we have taken the initiative in advancing the price, but we have usually followed the normal changes in prices established in the New York market, which is the controlling factor. This is the ordinary procedure in the sale and distribution of any staple commodity.

WHAT CONSTITUTES THE MARKET PRICE OF SUGAR?

The C. & H. has consistently maintained that the current market price of sugar is not necessarily the price being publicly quoted by sugar refiners or producers, but rather the price at which a preponderance of the product is actually changing hands. If refiners are quoting sugar at 5 cents per pound and a preponderance of sugar is changing hands at a lesser figure, then such lesser figure represents the market price which may justify any refiner, in his individual discretion, to publicly announce a price reduction in order (1) to meet competition, (2) to supply the demands of his trade at the going price, or (3) to distribute the products which are accumulating in his warehouses due to the maintenance by competitors of a fictitious price schedule.

It is a custom of the sugar business, upon a price advance, to permit the sugar buyers to contract for their requirements at the price ruling prior to the advance. Due to this custom, current price quotations of refiners, at any particular time may fail to represent the current price at which a preponderance of sugar is changing hands due to one or more of the following reasons:

(*a*) Because large buyers may have committed themselves, at the low price, in excess of their requirements, with the result that the excess of sugar so purchasd is thrown upon a higher-priced market as "second hands," with the result that such lower-priced sugars make the market so long as they exist and a higher current quotation is meaningless.

(*b*) Because refiners' current quotations may be excessive and out of line with the current price of raw sugar, with the result that buyers will not buy.

(*c*) Because individual refiners may be giving secret price or term concession to large buyers, with the result that those sellers who are living up to their published prices and terms are not favored by their regular trade.

C. & H. PRICE POLICY

It is the policy of the C. & H. to sell its products in its regular markets at the best price obtainable and no less. If sugar refiners and producers are currently quoting sugar at 5 cents a pound and it becomes apparent that lower-priced sugars are taking the market, then the C. & H. at its discretion has openly reduced its published price quotation to whatever extent is necessary in order to meet competition and supply the demands of its regular trade at the "going" price.

As long as resale or secondhand sugar is available at lower prices no seller who enforces his 30-day contracts can make any new sales at an advanced price until this secondhand sugar is out of the way. This situation compels the seller, who has enforced his 30-day contracts, either to stand by and see his trade taken away from him with the incoming sugar from his crop piling up as an unsalable commodity, or openly meet the so-called secondhand price of sugar. The latter alternative is what this company adopts and proposes to adopt in the future in order to market the crop which its plantations have produced. If there is anything destructive, unethical, or contrary to the law in pursuing this practice, we do not know it. When we meet such secondhand prices we openly announce it and every buyer has the opportunity of buying such sugar as he may desire.

RAW SUGAR BAGS

Mr. Spreckels, in his testimony, laid particular stress upon the reuse at Crockett, for refined sugar, of the bags in which the raw sugar is shipped from Hawaii, and it was stated that this gives the Hawaiian producers a competitive advantage. This is one of the accomplishments of the Hawaiian producers along the line of economy. Refiners of foreign sugars apparently do not insist upon their producers shipping raw sugar in smaller bags so that they may be reused for the refined product.

The 100-pound raw sugar bags which are reused at Crockett are laundered, repaired, and printed, and then lined with a cotton liner. 50 per cent of these bags require hand repairing before they are suitable as a container for refined sugar. These bags are pierced with "tryers," as are the larger Cuban bags. The statement made to the committee failed to mention that the refiners of Cuban sugar receiving the large bags containing 325 pounds of raw sugar, sell these large bags for a substantial price to southern cotton growers who use them for baling cotton. The proceeds from Cuban bags thus sold enables the the refiners to purchase new burlap which gives them a new bag for their refined which must be to their advantage in selling.

C. & H. SUGAR IS DOMESTIC SUGAR

C. & H. sugar is domestic cane sugar which is produced in the United States of America. The Territory of Hawaii is an integral part of the United States and the cane sugar produced there forms as much a part of the domestic sugar industry as does beet sugar grown in the Rocky Mountain States or cane sugar grown in Louisiana or Texas.

Mr. Spreckels was not authorized to represent any domestic sugar interests before your committee. If other branches of the domestic sugar industry feel that they can not compete with C. & H., or that C. & H. holds any unfair market advantage over them, then they will, of course, appear in their own behalf. The relations of C. & H. with other domestic interests have always been cooperative and cordial.

The sole stated justification for the tariff schedule proposed by Mr. Spreckels is that any other form of tariff would not give needed protection to the domestic industry on the ground that added tariff protection alone would be nullified by indiscriminate price cutting on the part of the C. &. H. With the proposed tariff schedule, the C. & H. is not concerned other than to deny emphatically that it has ever resorted to indiscriminate price cutting or contemplates doing so; first, because, in the opinion of those who control its sales, such a policy would be economically ridiculous and, second, because its general sales policy as determined by its principals is to get the highest possible price for its output, and this can be obtained only by sound selling methods—certainly not by indiscriminate price cutting. The C. & H., however, realizes that sound-selling methods occasionally impose upon it the necessity of placing the trade, on whom it depends to distribute its product, in a position to compete with available sugars, regardless of competitors' published price lists.

Respectfully submitted.

CALIFORNIA AND HAWAIIAN SUGAR REFINING CORPORATION,
By GEORGE M. ROLPH, *President.*

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

George M. Rolph, being first duly sworn, deposes and says that he is an officer, to wit, the president of California & Hawaiian Sugar Refining Corporation, a corporation, that he has read the foregoing answer of said corporation to certain allegations made by Mr. Rudolph Spreckels and knows the contents thereof and that the same is true of his own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters that he believes it to be true.

GEORGE M. ROLPH.

Subscribed and sworn to before me this 12th day of July, 1929.

[SEAL.] ANNE F. HASTY,
Notary Public, City and County of San Francisco, Calif.

BLACKSTRAP MOLASSES

[Par. 502]

STATEMENT OF JOHN H. CALDWELL, ST. LOUIS, MO., REPRESENTING THE AMERICAN FEED MANUFACTURERS ASSOCIATION, THE SOUTHERN MIXED FEED MANUFACTURERS ASSOCIATION, AND THE ALFALFA MEAL MILLERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Whom are you representing?

Mr. CALDWELL. I represent the American Feed Manufacturers' Association, the Southern Mixed Feed Manufacturers' Association, and also the Alfalfa Meal Millers & Merchants Exchange, of St. Louis, of which I am president.

Mr. CALDWELL. Mr. Chairman and gentlemen of the committee, I do not want to take up your time. I know that you are busy. I have brought with me some briefs that our people filed with the House Ways and Means Committee.

Senator SMOOT. There is no need in filing those. There is no need in filing those briefs again, because we have them already.

Mr. CALDWELL. I just wanted to tell you that we did file them with the committee. And you have those briefs. I have a few of them here and can pass them around.

Senator SMOOT. We can pass them around.

Mr. CALDWELL. There are just a few points to which I would like to call your attention that are contained in the briefs.

The feed industry is dependent upon the farmer for its existence. The industry is for everything that will help the farmer. The feed industry uses approximately 100,000,000 gallons of nonedible molasses. There are produced in this country about 7,500,000 gallons, or about 7½ per cent of the total amount required.

Any duty that might be placed on blackstrap molasses would necessarily have to be passed onto the consumer, to the farmer who uses that feed with molasses.

Senator SHORTRIDGE. From where does it come chiefly?

Mr. CALDWELL. From Cuba chiefly. But at the present time it is coming in from Hawaii, Porto Rico, and Java as well.

There is no compensating benefit that would be derived from a duty on blackstrap molasses, as only 7½ per cent of the total amount used for feed purposes is produced in this country.

Senator SHORTRIDGE. Where is it produced or manufactured?

Mr. CALDWELL. Primarily in Louisiana. In fact, last year I believe there was only about three and a half million gallons of blackstrap molasses produced in Louisiana. There was a total of about seven and a half million gallons, which included edible as well. I think the United States statistics will show that.

Senator HARRISON. And all of the blackstrap is produced in Louisiana?

Mr. CALDWELL. Practically all the United States production, yes, sir.

There is one other point to which I would like to call attention, and that is that blackstrap molasses does not take the place of corn and other grains. In fact, it stimulates the consumption of corn by cattle. If you will read the brief I submitted you will find some tests that were actually run showing that it actually increased the use of corn and roughages.

Senator SHORTRIDGE. Why?

Mr. CALDWELL. It is appetizing. It causes animals to eat more. You will eat more of anything that you like to eat. That is the reason.

The proposed duty by Mr. Broussard of 4 cents, I believe it is, would simply be a penalty upon the farmer who is going to use blackstrap. It will not prevent the use of it for any purposes, but it will just cause him to pay more money for it.

Senator SHORTRIDGE. I assume you proceed upon the assumption that it would increase the price 4 cents, or whatever the rate is as fixed?

Mr. CALDWELL. Absolutely.

Senator SHORTRIDGE. That it would be passed onto the consumer?

Mr. CALDWELL. It must necessarily be. We figure the price this way; we take the cost of each ingredient that goes into the manufacture of mixed feed. The duty, whatever it is, is part of that cost to us.

Senator SHORTRIDGE. Have you a monopoly?

Mr. CALDWELL. Not by any means.

Senator SHORTRIDGE. Then there is competition?

Mr. CALDWELL. Oh, yes, very great competition. There are hundreds of feed manufacturing concerns in the United States that are competing with each other all of the time.

Senator SHORTRIDGE. Still you said that the increase in tariff would be 100 per cent passed on to the consumer?

Mr. CALDWELL. Absolutely. There is no way of getting around it.

Senator SHORTRIDGE. Notwithstanding the active competition?

Mr. CALDWELL. We have that now.

Senator SHORTRIDGE. Notwithstanding that?

Mr. CALDWELL. Yes.

Senator SHORTRIDGE. You say the full amount will be passed on?

Mr. CALDWELL. Yes. We have the same competition right now without any tariff.

Senator WATSON. Is it not possible to produce more blackstrap in America?

Mr. CALDWELL. There are about 50 gallons of blackstrap molasses produced in the manufacture of 1 ton of sugar. I believe this country consumes about 6,000,000 tons of sugar——

Is that right?

Senator CONNALLY. That is not cane sugar.

Mr. CALDWELL. I know it is not.

Senator WATSON. Six million tons.

Mr. CALDWELL. But I was going to show that you would have to produce in this country approximately 2,000,000 tons of cane sugar to produce enough blackstrap molasses for feed purposes, which is, I believe, impossible.

Senator WATSON. How much blackstrap is consumed in the United States?

Mr. CALDWELL. For feed purposes approximately 100,000,000 gallons.

Senator WATSON. Is it used for any other purpose than feed purposes?

Mr. CALDWELL. It is used for making industrial alcohol.

Senator WATSON. What part of it goes to the manufacture of industrial alcohol?

Mr. CALDWELL. I do not know just the amount. I think it is around 150,000,000 to 160,000,000 gallons. However, I am not positive about that.

Senator SHORTRIDGE. How much do you say came in last year?

Mr. CALDWELL. Into this country?

Senator SHORTRIDGE. Yes.

Mr. CALDWELL. For feed purposes approximately 100,000,000 gallons. I don't know how much for alcohol purposes.

Senator SMOOT. Two hundred and thirteen million gallons used last year.

Mr. CALDWELL. For alcohol?

Senator SMOOT. Yes; for alcohol.

Senator SHORTRIDGE. And it came from the islands you mentioned?

Mr. CALDWELL. Yes.

Senator SMOOT. The production is based upon 50 gallons for every long ton of sugar.

Mr. CALDWELL. Yes.

Senator SMOOT. For every 2,240 pounds.

Mr. CALDWELL. Yes.

Senator SHORTRIDGE. Cane sugar?

Mr. CALDWELL. Yes; cane sugar.

Senator SMOOT. Do you folks use beet molasses as well?

Mr. CALDWELL. There is very little beet molasses used now for feed purposes, Mr. Chairman, because most of it is going for yeast purposes. They have also discovered a way of extracting more of the sugar from the beet residue molasses. The residue molasses after this extraction has taken place is practically valueless for feed purposes. So that does not enter into the feed proposition at all at the present time.

Senator SHORTRIDGE. So much of this blackstrap molasses is imported and a certain quantity is made here in the United States.

Mr. CALDWELL. According to the United States statistics, about seven and one-half million gallons is produced in the United States. The balance is imported.

Senator SMOOT. What uses are made of it?

Mr. CALDWELL. For feed purposes.

Senator SMOOT. That is one.

Mr. CALDWELL. And making alcohol.

Senator SMOOT. It is not only for the feed purpose?

Mr. CALDWELL. Also for making alcohol. I say for feed and making alcohol.

Senator SMOOT. The amount produced in the United States from cane was 5,598,250 gallons. That is based upon 50 gallons to the 2,240 pounds.

Mr. CALDWELL. I think you will find another place where it says about three and one-half million gallons of blackstrap other than edible was produced. I think it showed about seven and one-half million gallons last year for both edible and nonedible molasses.

Senator SHORTRIDGE. I gathered from your earlier remarks that the blackstrap molasses was used by the farmer?

Mr. CALDWELL. It is; yes, sir.

Senator SHORTRIDGE. What proportion is used by the farmer as compared with that quantity used for alcoholic purposes?

Mr. CALDWELL. There is about a hundred million gallons used for the manufacture of feed, and I believe Senator Smoot said there was 213,000,000 gallons used for alcohol last year.

Senator SHORTRIDGE. More than twice as much is used for alcohol as for feed?

Mr. CALDWELL. Yes, sir; that is right.

Are there any other questions the committee would like to ask me?

Senator SHORTRIDGE. Where is your establishment, or for whom do you appear here?

Mr. CALDWELL. I appear for the American Feed Manufacturers Association; headquarters, Chicago, Ill.; also the Southern Mixed Feed Manufacturers Association, headquarters in Memphis, as well as the St. Louis Merchants Exchange, St. Louis, Mo. My home is at St. Louis. I am with the Ralston Purina Co.

Senator SHORTRIDGE. You sell your product to the farmer?

Mr. CALDWELL. Yes, sir. In fact, we are dependent upon the farmer for our livelihood in our industry.

Senator CONNALLY. Do you mix this in with corn and milo maize?

Mr. CALDWELL. Yes, sir.

Senator CONNALLY. And all of the different kinds of feeds?

Mr. CALDWELL. Yes, sir.

Senator CONNALLY. Aside from its taste and stimulation of the appetite of the animal, does it have food properties itself?

Mr. CALDWELL. It has laxative properties as well.

Senator CONNALLY. Does the sugar in it have a food value to the animal?

Mr. CALDWELL. Yes.

Senator CONNALLY. Just as it does with respect to the human body?

Mr. CALDWELL. Yes. The average blackstrap contains about 53 or 54 per cent of sugar.

Senator CONNALLY. It has a distinctive food value, then, in addition to its flavoring and whetting the appetite, and so forth.

Mr. CALDWELL. Yes, sir.

Senator SMOOT. Is that all you have to say?

Mr. CALDWELL. I want to say that our people are satisfied with the language and provision of the House bill covering blackstrap molasses, and we hope you gentlemen will see fit to accept it.

Senator SHORTRIDGE. What rate does the House bill carry?

Mr. CALDWELL. About one-sixth of 1 cent per gallon, Senator. That is the same as it has been.

Senator CONNALLY. The same as the present law?

Mr. CALDWELL. Yes, sir.

Senator SHORTRIDGE. What section is that? Is that 501?

Senator SMOOT. 502.

Mr. CALDWELL. It amounts to about one-sixth of 1 cent per gallon.

Senator SMOOT. Three one-hundredths of 1 cent per pound. The figure is about the same because the amount of sugar in your molasses varies very little, indeed, does it not?

Mr. CALDWELL. That is right.

Senator HARRISON. This is really a decrease from the present rate, is it not?

Mr. CALDWELL. It is practically the same. It might be a fractional part of a cent. It depends altogether upon the total sugar.

Senator HARRISON. It is a decrease from the increase that was granted by the Ways and Means Committee and was adopted on the floor of the House?

Mr. CALDWELL. I forget what they did do. This was adopted. This bill here was adopted.

Senator SMOOT. The House provides for three one-hundredths of 1 cent per pound on the total sugar; the existing law is one-sixth of 1 cent per gallon.

Mr. CALDWELL. Yes, sir. It is just a little different method of figuring it.

Senator SMOOT. Yes. In other words, no matter whether it was 48, 49, or 47, it is one-sixth.

Mr. CALDWELL. No; we had an advancing scale.

Senator SMOOT. I mean in the old law.

Mr. CALDWELL. Yes; we had an advancing scale.

Senator SMOOT. So here it is practically the same?

Mr. CALDWELL. Practically the same; yes, sir.

Senator SHORTRIDGE. The Louisiana people asked for an increase, did they not?

Mr. CALDWELL. Yes, sir.

Senator SHORTRIDGE. Do you know why they changed the wording in the House?

Mr. CALDWELL. No, sir; I do not.

Senator SMOOT. Wasn't that on account of the fact that most of the blackstrap molasses coming into this country was diluted so that it would fall under 48?

Mr. CALDWELL. It was diluted.

Senator CONNALLY. This makes it the same. If they dilute it they pay the same rate?

Mr. CALDWELL. Yes.

STATEMENT OF HON. GRANT HUDSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HUDSON. Inasmuch as my colleague who preceded me has gone, perhaps, quite thoroughly into the matter, I do not want to take up too much time of the committee, and I will try to hold myself to a printed statement that I have here, and I will ask the committee to recall what I sent to each member of the committee in my extension of remarks the appeal that I made before the House committee when the proposition was there, to add 2 cents to the blackstrap as an import duty, which was later removed by the committee, and the bill stands before you as coming from the House with no additional duty upon blackstrap.

I understand that the application is again before you, however, to increase the duty to 8 cents a gallon, and possibly 10.

Certain interests on the plea of aiding agriculture have proposed the placing of a duty against blackstrap molasses, this duty to be high enough to shift the distillation of ethyl alcohol from the blackstrap material now used to corn. The proposition has ranged all the way from 8 to 10 cents or even higher per gallon of blackstrap.

A discriminatory tax as this would be placed upon the item of blackstrap molasses imported for the purpose of distillation would advance the cost of production about 25 cents per gallon and the price to the ultimate consumer of alcohol to about $1 per gallon, affecting its use for medicinal and industrial purposes.

The great increase in the demand for alcohol for industrial purposes is of comparatively recent date. In 1907 only 1,780,276 wine gallons of industrial alcohol were produced, while in 1928 it had increased to 92,418,025 gallons.

The proposed tax, if levied, would put an added cost on practically every article in daily use, so varied has become the use of industrial alcohol in industry.

My colleague spoke of the automobile industry. I, too, have large interests in that because my cities are all producers of automobiles. The Ford plants at Dearborn, Fordson, and Highland Park are within my district and use more than 100,000 gallons of industrial alcohol per month.

The General Motors is situated in my cities, and other smaller plants. But that is not the entire use of the industrial alcohol. It goes into practically every article used to-day in common use. So when you pass on this discriminatory tax you are passing it on to the user of almost every article of daily need.

Forty million gallons every year go into antifreeze for the automobile owner. This means $40,000,000 levied on that one class of the American public. The important pharmaceutical trade, the varied cellulose industries, our varnish, paint, shellac, dyes, and cosmetics industries are dependent upon a plentiful and cheap supply of industrial alcohol.

Our great motor industry, our airplane industries, the rayon-silk industry, and kindred manufacturers are vitally interested in this matter. In the time of war it must enter into our defense plans—for smokeless powder and poison gases.

The days when the production of alcoholic beverages was within the law, corn was the principal raw material used for the disillation of alcohol. With the coming of the industrial development demanding the use of alcohol in these industries, the chemists of the Nation were asked to find a cheaper substitute for the production of alcohol.

Eventually these chemists settled on the material known as blackstrap molasses that was going to waste and therefore could be obtained very cheaply, and the supply was abundant and recurrent.

Senator HARRISON. When was that?

Mr. HUDSON. That was back at the beginning of the industry, just prior to the war.

The material was easily handled, and, as I stated, the price was low.

The shift from the use of corn to molasses is shown as follows: In the fiscal year 1910, 20,547,427 bushels of corn and 42,293,073 gallons of blackstrap molasses were used in the manufacture of alcohol. In 1928 the basis had changed and only 6,189,264 bushels of corn were used and more than 213,000,000 gallons of blackstrap molasses were used.

Without exception, every industry affected, and most especially the great motor industries of my district as well as the paint and varnish and pharmaceutical establishments, were anxious that the pending tariff bill should carry every relief possible for the American farmers and the industry of agriculture.

You can readily understand why that would be. Take the automobile industry. The expansion of the automobile industry depends now largely upon the country and not upon the city, and they are very anxious that the agricultural interest of this country should be in its most prosperous condition, and I am sure that they would not object to any tariff import duty that would protect agriculture, if it would do that. If this proposed import duty would do this—which it will not—there would be no objection.

The fact is, however, that if the raw material now used, which is a waste product, were closed to them the producer of industrial alcohol would be compelled to turn to the production of industrial alcohol by synthetic processes. Through chemical methods for the synthesis of ethyl alcohol such materials as petroleum, coal, gas, and water are available, and the only reason such processes have not been used is because of the low cost of blackstrap material.

During the discussion of the tariff bill in the House on this item I prepared a very extensive study which shows very fully the matter of synthetical production of ethyl alcohol for industrial purposes, and which I would like to file with my statement before the committee this morning for your consideration, and which I trust the committee will make use of in coming to their conclusion. I also mailed one to each member of the Finance Committee.

Briefly, let me make a summary of the argument at this time.

First. A higher duty on blackstrap molasses will increase the cost of countless articles of everyday life. Your toilet soap, your toothbrush, your comb—everything that enters into everyday life.

Second. It will work an enormous hardship on existing concerns that have invested great amounts of capital in molasses plants near the seaboard. If you turn to corn, these facilities could not be used. Fifty-five million dollars must be scrapped, and that must go into the cost. There are no distilleries adequate to produce the amount of alcohol that would be needed in industry, without the building up of new distilleries.

Third. Valuable fertilizer by-products of the molasses distilleries will disappear. I have not touched on that, but I want to stop a moment in this point. Out of this blackstrap molasses the chemists have found a by-product of potash that is extremely valuable to the agriculture of this country. It has come there as waste from the development of use of blackstrap in distillation, and is found to be, on what are known as truck crops, practically the best and most effective fertilizer that we have, and we would be striking a blow at that very much needed industry of agriculture.

Fourth. Under no circumstances would any such increase in tariff provide a permanent outlet for corn. We are now developing synthetic ethyl alcohol processes.

Mr. Chairman, just a further word, because of what I have seen in the daily paper, in the New York Herald-Tribune of Thursday, June 20, under the heading of "The Chemists Find a New Sale for Oil By-Products." Let me read you one paragraph [reading]:

ETHYL ALCOHOL FROM ETHYLENE

One of the most alluring possibilities in this field is the production of ethyl alcohol from ethylene, of which it is estimated that 5,000,000,000 cubic feet per year are available in petroleum refinery gases. This amount is equivalent on a theoretical basis to roughly 100,000,000 gallons of 190-proof alcohol. This fact, coupled with the 1928 production figures (99,600,000 gallons of denatured alcohol, valued at $47,800,000) defines a goal worth considering. In facing this possibility we have to deal not so much with technical and economic problems as scientific or chemical ones. Assuming a production cost of 20 cents a gallon to be the lowest figure at which industrial alcohol can be made through the fermentation of molasses, the problem is reduced in its primary aspects to the development of a process that will make alcohol from ethylene at a cost under 20 cents a gallon.

This opportunity may be found to exist in known processes, among which the absorption of ethylene in concentrated sulphuric acid should be mentioned.

In other words, the chemists are alert, and when you raise the price of a commodity which must be used in industry, immediately the chemists of that industry will go to work and produce a product that can be used that would be cheaper, and that is what would happen if, under the assumption that you are going to help the agriculture of this country, you raise the import on this. You will not produce a market for the corn, but you will force the chemists to produce synthetic alcohol.

Senator SHORTRIDGE. I take it you think that the added duty will be added to the selling price of the article in which blackstrap is used in its manufacture?

Mr. HUDSON. Well, it is almost always true that Jones pays the freight. If you increase the cost of the raw material, you must increase the cost of the finished product.

Senator SHORTRIDGE. You think, then, that any additional duty on an article used by automobile manufacturers would increase the price of automobiles?

Mr. HUDSON. That is probably not a fair question for this reason. Let me state this——

Senator SHORTRIDGE. It is intended to illustrate the problem.

Mr. HUDSON. I mean it can not be developed in an answer yes or no. The automobile industry has probably been the outstanding industry of this Nation, that has constantly found a way of reducing the price of its product.

Senator SHORTRIDGE. By mass production and machinery.

Mr. HUDSON. And in other ways in the industry, and the great automobile industry of to-day is being centered more and more in large organizations.

Senator SHORTRIDGE. Yes.

Mr. HUDSON. Which have the capital, like the Ford people in my district, and the General Motors, to produce their material synthetically, which they would be forced to do.

Senator SHORTRIDGE. That is worthy of thought.

Mr. HUDSON. That they would be forced to do. Therefore you are not helping anybody; you are simply working a penalty upon an industry which must find its way out through its chemists, who will produce things that they need in another way, and in doing that, of course, you have thrown back on the scrap-heap a wealth of material that is now being used.

Senator HARRISON. Do you favor an increase of tariff on sugar?

Mr. HUDSON. Sure. I favor an increase of tariff on anything that will help the industries of the United States.

Senator HARRISON. I understand that there is a limited number of blackstrap producers in the United States.

Mr. HUDSON. I suppose in that way that you mean the production of blackstrap from our own cane growers would not be sufficient to meet the need?

Senator HARRISON. That is over five times what our production is. You say this increase in duty will increase the cost of alcohol to the consumers, and so forth, and therefore you oppose it. That is the argument?

Mr. HUDSON. No; I think you do not quite get my argument. I say it will do that; but my opposition is that it will not accomplish the purpose for which it is put on. It is not put there as a matter of a tariff; it is put there to increase the market for corn.

Senator HARRISON. Yes.

Mr. HUDSON. And it will not increase the market for corn.

Senator HARRISON. But it will increase the cost of alcohol?

Mr. HUDSON. It will temporarily, until they can find some other means of producing it, and they will have to do it. Competition will force that.

Senator HARRISON. There are a limited number of sugar producers in the United States, are there not?

Mr. HUDSON. Yes.

Senator HARRISON. We import something more than six times what our production is.

Mr. HUDSON. Well, whatever the figures are.

Senator HARRISON. And this increase in the tariff on sugar will likewise increase the cost, and be a burden on the sugar consumers, will it not?

Mr. HUDSON. It has not in the past.

Senator HARRISON. You do not think that it has in the past?

Mr. HUDSON. No. The price of sugar is lower to-day than it has been.

Senator HARRISON. The object of it is to increase the cost of sugar, though, is it not?

Mr. HUDSON. No; the object of it is to increase the possibility of development of sugar-producing area within the United States.

Senator HARRISON. These blackstrap molasses producers argue the same thing, do they not?

Mr. HUDSON. They argue what?

Senator HARRISON. They argue that this tariff will also help them, do they not, and that they need the protection?

Mr. HUDSON. No.

Senator HARRISON. They do not?

Mr. HUDSON. No.

Senator HARRISON. They are not asking for an increase in the tariff?

Mr. HUDSON. The blackstrap producers?

Senator HARRISON. I understand so. Maybe I am mistaken on that.

Senator BROUSSARD. I have an amendment to that effect.

Mr. HUDSON. There was no such thing brought out before our committee. It was primarily the corn people who were asking for an increase.

Senator HARRISON. Is not the object in putting out these tariff rates to protect the home producers and manufacturers?

Mr. HUDSON. Yes.

Senator HARRISON. And naturally it is accompanied by an increased cost of that particular product?

Mr. HUDSON. If that were true, if the blackstrap producer of Louisiana was interested, I would have to say to him that the logic is the same as it is with the corn producer, and that you can not increase the value of his product, blackstrap, by putting an import duty on it, because industry will find a substitute.

Senator HARRISON. I am just wondering if there is any inconsistency in that position of wanting to increase, which adds greater burdens to the consumer, and upholds the increased tariff on the blackstrap molasses, because it adds a burden to the producers of that particular product. You do not think there is anything inconsistent in that?

Senator WATSON. Let me ask you this question. Under the old protective tariff theory, we were supposed to put a tariff on competing products coming into this country from other countries, so that later, under proper stimulation, they could manufacture in sufficient quantities to supply the home demand; is not that the theory?

Mr. HUDSON. That is the theory.

Senator WATSON. Now, it is your theory that if we put a proper tariff on sugar, whatever that may be, in time we can produce enough sugar in the United States to supply the domestic demand?

Mr. HUDSON. There is no justice in it on any other ground.

Senator WATSON. On any other ground. Now, is it not your theory that regardless of the tariff that may be put on blackstrap we can not, under any circumstances, produce enough blackstrap to meet the future demand?

Mr. HUDSON. That is absolutely true.

Senator WATSON. And in this case is it not the theory that we can eventually produce enough in this country?

Mr. HUDSON. I can not conceive that there is anything in any such argument, because we could not under any conditions produce enough blackstrap in this country to provide the alcohol producers with sufficient material.

Senator HARRISON. Then your idea is that where we can not produce enough of any article for the consumers of this country, we ought not to put a tariff on it?

Mr. HUDSON. No; I do not argue that.

Senator CONNALLY. Now, if you put a tariff on sugar to increase the development of the domestic sugar supply, would they not also, as an incident to the production of sugar, have more blackstrap molasses?

Senator WATSON. My understanding is not in sufficient quantities to supply the domestic demand. That is what I was informed.

Senator CONNALLY. You want an increase of the tariff on sugar so as to produce enough sugar here to supply our domestic wants?

Senator WATSON. Yes.

Senator CONNALLY. If you do that you will increase the amount of blackstrap molasses, because it runs 50 gallons to the ton.

Mr. HUDSON. And every gallon that is produced would have a ready market in its conversion into industrial alcohol and would be one of the greatest things for the sugar man in furnishing him a market for his by-product.

Senator CONNALLY. If you put a tariff on blackstrap would not that increase the tendency to produce more sugar, and therefore develop the domestic supply, and we would have more sugar and more blackstrap? Of course, it is a necessary corollary of any tariff comparison that if you produce more the price will come down, and you will have a blessed state where you have more produced and you shut off the foreigner and produce a cheaper domestic product.

Senator WATSON. Which is true.

Mr. HUDSON. My friend from Texas puts an ideal before us; but we have not gotten to that yet. If there is nothing further, thank you for your kind attention to my statement.

(Mr. Hudson submitted the following:)

The following is one of a series of statements approved by B. H. Hibbard, John R. Commons, and Selig Perlman, of the University of Wisconsin, resulting from an impartial investigation of the tariff conducted under their direction with funds generously supplied by W. T. Rawleigh, of Freeport, Ill.:

"The Corn Belt farmers have asked that the tariff rate on blackstrap molasses be increased from one-sixth cent per gallon to 8 cents per gallon. The new tariff bill as passed by the House of Representatives May 28, however, made no change in the rate. Contrary to the expectations of the Corn Belt representatives, the gain to corn growers due to any increase in duty is extremely problematical, while it would result in higher prices for alcohol and alcohol products.

"Blackstrap molasses, prior to 1914 considered largely as waste, is now a useful by-product of the sugar industry. Since the World War, technical methods have been developed by which this material can be converted into industrial or ethyl alcohol. Consequently plants have been constructed on the seaboard or in other favorable locations for the utilization of molasses, about two-thirds of which is imported from Cuba. To-day approximately 85 per cent of the industrial alcohol used in this country is made from blackstrap.

"It is contended that a high tariff on blackstrap will compel the alcohol manufacturers to substitute corn for molasses, thus increasing the demand for corn by about 40,000,000 bushels and excluding the importation of some 200,000,000 gallons of molasses from Cuba. While this argument sounds plausible on its face, there are several factors which will hinder if not entirely prevent this shift from taking place. These factors are:

"(1) The manufacture of alcohol from corn is a more expensive process Fifty-seven of the sixty plants in operation during 1928 were fitted to convert the sugar present in molasses into alcohol. In order to use corn as a raw material those plants would have to equip themselves with facilities for first converting the starch in corn into sugar. This would involve the expenditure of large sums of money for equipment and would at the same time increase the cost of producing alcohol by adding to the capital charges, making an additional process necessary, in addition to the use of a higher-priced raw material.

"(2) The freight charges to bring corn to the seaboard plants will be a large part of the total cost, since most of the existing alcohol plants are located on or near the seaboard outside of the Corn Belt.

"(3) The production of alcohol from soft-wood waste and by synthetic methods, now being done on a small scale, will be encouraged. To-day there are at least four ways in which alcohol may be produced without the use of a sugar or starch substance as the raw material. A small incentive is all that is needed to induce men to start the production of alcohol by these new methods.

"(4) Some plants will continue to use domestically produced molasses and molasses admitted, duty free, from our insular possessions. It is possible that about half our present consumption of blackstrap molasses might be furnished by our domestic producers and our insular possessions. To the extent that cheap molasses was available, the use of corn would not be stimulated.

"In the face of all these facts bringing elements of uncertainty into the alcohol industry, it is quite unlikely that the alcohol producers would rebuild their present plants or open new ones nearer the supply of corn. Molasses would continue to be used as the chief raw material in the manufacture of alcohol; and synthetic methods now in actual use would gradually be developed. The corn farmer, therefore, can expect little or no benefit from a tariff on blackstrap molasses."

STATEMENT OF HON. R. H. CLANCY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

(The witness was sworn by the chairman of the subcommittee.)

Mr. Clancy. Mr. Chairman and Senators, I wish to thank you for your courtesy in allowing me to testify here. I hope to very brief. I wish to talk on this blackstrap molasses item. Very briefly, I would like to tell you what has been done in the House on this item.

In the original draft of the Ways and Means Committee bill they increased this tariff 1,200 per cent, but upon review they knocked out that 1,200 per cent and left the item as it is in the existing law.

Senator Smoot. Is that satisfactory to you?

Mr. Clancy. Very satisfactory as it is in the existing law.

Senator Smoot. In the existing law?

Mr. Clancy. In the existing law.

Senator Smoot. You do not approve of these amendments?

Mr. Clancy. Well, it is practically the same thing except the wording.

Senator Smoot. Practically the same?

Mr. Clancy. Yes. But the question was appealed to the House and the friends of the tariff increase thought 1,200 per cent increase was not enough to help the industry, so they asked for 4,800 per cent. The question was very thoroughly debated. It was one of the most bitterly contested items in the tariff discussion in the House, and the Ways and Means Committee was sustained and the item was left as it is.

What I respectfully request you Senators to do is to sustain the Ways and Means Committee of the House and the House itself and the United States Tariff Commission, which, through its expert, Mr. W. N. Watson, chief of the chemical division, has opposed very vigorously any increase in this schedule.

Senator Shortridge. What district do you come from?

Mr. Clancy. The first Michigan district, the east side of Detroit. I have in my district and in my State and in my city some of the largest industries in the world, and they are very vigorously opposed to this tariff increase. I do not believe any of these industries, of the highest integrity, have ever asked for any tariff increase.

Senator Shortridge. What type of industry?

Mr. Clancy. I am going to tell you. In the drug industry Parke-Davis Co. is the largest in the world. They are backed by the Frederick Stearns Co. and other large drug companies, and some associations take that stand. The largest drug and varnish factory in the world, Berry Bros., the Chrysler Automobile Co., and the Briggs Manufacturing Co., which is the second largest body company in the world, making most of the bodies for the Ford and other companies, and the Ford Motor Co. have taken a very vigorous stand against this increase.

The effect of the increase would be injurious to the drug industry, the paint and varnish and lacquer industry, toilet preparations, pyroxylin products, and the automobile industry mainly.

This industrial alcohol is used largely for antifreeze solutions in the radiators of your own cars. It is used miscellaneously in a number of industries.

Industrial alcohol, as you know, is a basic necessity.

What we contended in the House was that whereas the Corn Belt people and the Louisiana people were asking for this increase, they would not get the benefit which they thought they would get. The Corn Belt people now provide about only one-sixth of the industrial alcohol used in the United States. It is 120,000,000 gallons total, and they provide about 20,000,000 gallons.

And synthetic alcohol has come into the field. The Germans have patents, and through research they have devised means of making industrial alcohol very cheaply. And the great Dye Trust, the Interressen Gemeinschaft, has turned over to the Carbon & Carbide Co. its patents, and I believe also to the Du Ponts and possibly to various American firms. And the Prohibition Bureau has issued a permit especially for a factory at Charleston, W. Va., to manufacture this industrial alcohol.

Our research people in Detroit in the automobile industry and in other up-to-date industries believe the future of industrial alcohol lies in synthetic alcohol, and if you try to force them to make alcohol from corn, which is very valuable for other uses, they will turn to using alcohol made synthetically from coal and coke and from waste products and by-products.

Also, instead of using industrial alcohol in the radiators, if it becomes too dear, they will use glycerin and various other solutions.

I think that is about all I have to say.

Senator HARRISON. You say there are about 120,000,000 gallons used in the United States?

Mr. CLANCY. Yes; of industrial alcohol.

Senator HARRISON. And 20,000,000 of that is made from corn?

Mr. CLANCY. Yes.

Senator HARRISON. How much from the sugar beet?

Mr. CLANCY. I would have to rely upon the figures which the gentleman who just preceded me gave here.

Senator HARRISON. How much is imported? Do you know that?

Mr. CLANCY. If it is 120,000,000 gallons total one-sixth is produced from corn, and I do not know the proportion from Louisiana cane sugar, but the rest of it is made from imported black-strap molasses.

Senator HARRISON. There is quite a large amount imported?

Mr. CLANCY. Yes, sir.

Senator SHORTRIDGE. Of this 120,000,000 gallons used a certain percentage of it is imported?

Mr. CLANCY. Yes, sir.

Senator SMOOT. It is 235,147,142.

Senator HARRISON. Imported?

Senator SMOOT. Yes; and that all comes from Cuba.

Senator SHORTRIDGE. That is quite a difference.

Senator SMOOT. It is 235,147,142 in 1928.

Senator SHORTRIDGE. What?

Senator SMOOT. Gallons.

Senator SHORTRIDGE. Of this article?

Senator SMOOT. Yes.

Senator SHORTRIDGE. Imported?

Senator SMOOT. Imported from Cuba.

Mr. CLANCY. If I may dare say so, Mr. Chairman, the prohibition question comes in here, because corn alcohol, as you know, before 1918, went into whisky very largely. Now, they wish to divert it to industrial alcohol.

This blackstrap molasses alcohol can be used as a beverage also. I believe the Prohibition Bureau has taken the stand—I quoted in the House to that effect and so did other Members—that they fear if there is too much corn alcohol made it may not all be controlled and that the Cuban alcohol, if shut out by the proposed tariff, may get into the United States surreptitiously.

Senator SHORTRIDGE. Is it your position that this increase, if an increase be made, would injuriously affect the drug business and the automobile business? Is that the point?

Mr. CLANCY. It would. The Ford Co. alone uses 100,000 gallons plus per month. It would increase the cost of industrial alcohol about 24 cents a gallon to you and to every other consumer in the United States, as well as increase the cost to these great American industries.

Senator SHORTRIDGE. Do you think it would increase the cost of automobiles?

Mr. CLANCY. It should. The automobile people have just taken a very heavy raise in plate glass, and they will probably get another. This tariff bill will increase possibly the cost of the automobile along other lines. I have been told there is a very small margin of manufacturers' profit in some of those cars, particularly the new Ford car. For instance, if they took a raise of a million dollars on plate glass and a million dollars on industrial alcohol per year, would you expect them to still keep their car at the same price?

Senator SHORTRIDGE. A gentleman named Ford seems to be doing pretty well.

Mr. CLANCY. He seems to be doing pretty well, but there are other automobile manufacturers involved. And it was said in the House, right along the line of your remarks, why can't Henry Ford go down into his jeans for a million or a couple of millions for the farmer raising corn in the Middle West?

He has lifted the farmer out of the mud in the Middle West and in the South, and he has done a great deal for the farmer. He has bettered the farmer's life to a large extent. And to say that you should penalize him to a great extent—those are the arguments advanced.

Senator SHORTRIDGE. I do not sympathize with that thought.

Mr. CLANCY. Henry Ford is in business to make money. He has taken very heavy losses in the last year or two.

Senator SHORTRIDGE. I think he spends most of that advertising himself.

Mr. CLANCY. And a very good product.

Senator HARRISON. Of course, these gentlemen who ride in Cadillacs and Packards do not appreciate Fords like some of the rest of us, do they?

Mr. CLANCY. Packards are made in my district, and the price may be increased on them and on the Cadillacs, which are made in Detroit.

Senator HARRISON. What would it cost on the Ford car if this increase be put in? It would cost Mr. Ford 35 cents a car more.

Senator SHORTRIDGE. Then let's put in the increase. He can suffer that, can't he—35 cents on each car?

Senator CONNALLY. That would raise the price 35 cents to the consumer.

Senator HARRISON. The Congressman comes from the great beet-growing State of Michigan. Are you in favor of this increased rate on sugar?

Mr. CLANCY. I voted for it.

Senator HARRISON. I asked you if you are in favor of it?

Mr. CLANCY. I am not testifying on the sugar schedule. I am testifying on molasses.

Senator HARRISON. Were you in favor of it or were you not?

Mr. CLANCY. Yes; I voted for it. It would probably help my State and many farmers in other States.

Senator SHORTRIDGE. I do not wish to argue, and it is not exactly proper, but, speaking generally, do you believe in what, for brevity, we call the protective tariff theory?

Mr. CLANCY. Oh, yes.

Senator SHORTRIDGE. Do you believe in that theory?

Mr. CLANCY. Surely. And Detroit can meet the world without protection on many of its products. That has been our attitude for years. We pay the highest wages in the world, and we brought many up to our standard. We can lick the Germans, the English, the Belgians, or anybody else in the world market on many products without protection. What my manufacturers want is their protection in a legitimate industry, not persecution.

Senator SHORTRIDGE. Would additional tariff duties increase the revenues of the Government?

Mr. CLANCY. My argument has been mainly, Senator, that if you make this alcohol so dear and try to shift it from blackstrap molasses to corn you will not achieve your purpose. You will have the country taking to the manufacture of synthetic alcohol. Alcohol can be made from pretty nearly anything—potato peelings, and so forth.

Senator SHORTRIDGE. The immediate thought in my mind which I wish to put in the form of a question is this: Would the increase in the rates, in your judgment, increase or decrease the revenues of the Government?

Mr. CLANCY. If you shut out blackstrap molasses entirely I presume it would decrease the revenues.

Senator SHORTRIDGE. Of course, if you shut it out entirely and put an embargo on it, that would shut off the revenue?

Mr. CLANCY. Yes, sir.

Senator HARRISON. In speaking of this protective proposition, you represent an industry in your State which has probably made greater strides than any other—the automobile industry?

Mr. CLANCY. Yes; it's the leading industry of the United States now and a good one.

Senator HARRISON. Do you know any other industry that has less protection than they have?

Mr. CLANCY. I do not believe there is any.

Senator SHORTRIDGE. I will tell you one that has less protection. The great poultry industry of the United States to-day has less protection than the automobile industry.

Senator HARRISON. We are not selling many chickens abroad.

Senator SHORTRIDGE. We are getting in a good many of the products of chickens from abroad.

Senator CONNALLY. You pay the highest wages in the automobile industry that are paid in the world?

Mr. CLANCY. Yes.

Senator CONNALLY. And still you compete and beat all of them, do you not?

Mr. CLANCY. Yes.

Senator SMOOT. You know why you can beat them. It is not because of the tariff for or against you, is it?

Mr. CLANCY. No.

Senator SMOOT. It is that you have the local market of the world here. You have more cars used in the United States than all the balance of the world combined, over and over and over again.

Mr. CLANCY. Not only that, Senator, but we have been going into the world market on a large scale and owe much of our prosperity to that.

Senator HARRISON. And sell them cheaper than the foreign manufacturer?

Mr. CLANCY. Yes.

Senator SHORTRIDGE. And Mr. Ford is now setting up a great establishment in England to manufacture the Ford car. Why is that? Has he explained that to you?

Mr. CLANCY. Well, we will share indirectly in any benefit which the English people achieve through that. A good portion of that sort of wealth is still coming into the United States. Mr. Ford also has built a factory in California.

Senator SHORTRIDGE. In the manufacture of these automobiles in England he will necessarily employ English workmen, skilled and unskilled.

Mr. CLANCY. Yes.

Senator SHORTRIDGE. How many Americans will go to that factory to work?

Mr. CLANCY. Possibly not so many. Our policy in Detroit is to live and let live. You sometimes hear it said that the world should buy everything from us and we should not buy anything from the world. We have $337,000,000 per year coming to Detroit from abroad which we divert throughout this country into all channels, and it helps everybody in the United States. Of the $9,000,000,000 world trade of this country, $5,000,000,000 is what we sell. And that is a tremendous factor in American prosperity.

Senator SMOOT. Do you know whether other manufacturers of automobiles are going into Europe?

Mr. CLANCY. I beg your pardon.

Senator SMOOT. Do you know whether other manufacturers of automobiles are going into Europe to make their automobiles there?

Mr. CLANCY. Well, we have the Studebaker in Canada now and the Chrysler.

Senator SMOOT. I mean in Europe.

Mr. CLANCY. I am saying that we have adopted the idea. We will go to Europe eventually. The General Motors is certainly going in on an enormous scale. I believe they are buying German or other European factories.

Senator SMOOT. Yes; they are going in there, but they do not make the same kind of car. It is an entirely different car. It is a cheaper car. Take the La Salle car; the ones that are made by Americans and the models provided here weigh about 2,550 pounds. The car that they will make there will probably not be over 1,800 pounds. It is an entirely different car.

Mr. CLANCY. Mr. Chairman, you know the General Motors manufacture Chevrolets, which is in the Ford field, and a number of cheaper cars, like the Pontiac, the Oakland, and the Buick.

Senator SMOOT. But when they manufacture those cars in Europe they will not be the same cars as manufactured here. It is a lighter weight. And I know what I am talking about, because that is exactly what they are going to do, and that is what they are working to now. The Cadillac car will be made in Europe by the General Motors, but the Cadillac car in this country will weigh about 800 pounds more than the Cadillac car that they are going to make in Europe.

Senator HARRISON. What difference does that make?

Senator WATSON. Mr. Chairman, I think we have gotten a long ways from the tariff on sugar.

Mr. CLANCY. That is what I would like to emphasize. If there is any tendency to criticize Henry Ford or the automobile industry, then just think of the drug industry, which is certainly a legitimate industry, just as is the automobile industry; and think of the paint and varnish industry; of the toilet preparations; and think of the pyroxlyn and shatter glass products, and all of the new things coming in in which industrial alcohol is used.

Senator HARRISON. This increased rate in the end will be reflected on the man who buys alcohol, will it not?

Mr. CLANCY. Absolutely.

Senator SHORTRIDGE. It will if there be no competition. If one concern has a monopoly they might be able to add the increased duty to the articles sold, but in competition it never results that way.

Mr. CLANCY. There are too many things from which you can make alcohol, I think, for any company to achieve a monopoly.

Senator, I have telegrams, letters, and arguments from all of these companies, from Parke-Davis and Berry Bros. and others. They are in the Congressional Record already in the House.

Senator SMOOT. Could you give us the pages of the Record and then we can refer to them without printing them?

Mr. CLANCY. Page 1700 and page 1958 of the Congressional Record, this past session. I will file it.

Senator SMOOT. Very well.

STATEMENT OF PHILIP C. FRIESE, REPRESENTING McCORMICK & CO., BALTIMORE, MD.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SMOOT. Whom do you represent?

Mr. FRIESE. McCormick & Co., Baltimore.

Senator SMOOT. You want to speak on blackstrap molasses?

Mr. FRIESE. Yes, sir; paragraph 502, of Schedule 5.

Senator SMOOT. You may proceed.

Mr. FRIESE. McCormick & Co. has already filed a brief in these proceedings, and I want to say only a very few words following up this brief. McCormick & Co.'s interest in blackstrap is as a user of industrial alcohol. Of course, its flavoring extracts and insecticides are both made either with or with the use of industrial alcohol and it is used by us in very large quantities. Industrial alcohol is a basic raw material that is used for the production of our merchandise which is sold to the general public.

The cost of such merchandise is based upon the raw material, multiplied by a fraction which represents the overhead and profit. Naturally the increase in cost of any basic raw material is going to very considerably increase the purchase price of the article that is used by it under any modern system of cost accounting. That is the method by which the selling price is finally arrived at.

The particular disadvantage, however, to which a large user of industrial alcohol is put by the increase in its price is in its attempt to conquer any portion of the foreign market. Naturally, all the American producers, including McCormick & Co., are very anxious to secure foreign markets for their merchandise. In the past we have had excellent foreign markets in the West Indies, Canada, and South America. A very heavy increase in the price of alcohol would put us, however, at an even more tremendous disadvantage than we find ourselves at this time and would practically make it impossible to compete with the companies that do not have such a handicap.

The method of securing tax-free alcohol for export is so exceedingly complicated that we have found it has never been profitable for us to use it. We have attempted to do so and we have found it entirely impracticable. It is cheaper, in other words, to pay the duty than to take the necessary procedure to avoid paying it when the goods are manufactured for export.

On the other hand, a large number of foreign competitors of manufacturers such as McCormick & Co. are making very violent and highly successful attempts to break into the American market.

Senator SHORTRIDGE. In order that I may follow you, what do you manufacture?

Mr. FRIESE. McCormick & Co. manufactures flavoring extracts and spices and all sorts of condiments and insecticides.

The interest, of course, of a consumer such as McCormick & Co. is quite obvious, and the reason why it would be an exceedingly dangerous blow at such a manufacturer as McCormick & Co. is quite obvious also.

There are some other reasons which occur to us, simply as citizens, that we would like to place before you gentlemen, and that is that the manufacturers of flavoring extracts are but one of the thousands of manufacturers who are affected in identically the same way by any increase in the cost of alcohol. For instance, the manufacturers of points and shellacs, who will be represented here, and celluloids and of cellulose-cotton products; even gunpowder and dyes are affected, because, of course, they use alcohol in tremendously large quantities. All of these industries in their foreign competition and in the foreign competition here in this country are hit by any increase in the price of alcohol.

An increase in the price of alcohol, if it was really going to be an advantage to the American farmer and mean money in the American farmer's pocket, might possibly be considered as desirable, no matter what damage it did to industry. That is a pretty broad statement, and I perhaps have no right to make it, except that I feel the American farmer can not possibly be benefited by any increase in the price of molasses because an increase in the price of blackstrap molasses will not turn corn into the place that blackstrap molasses vacated. It has been proven by actual demonstration that it is cheaper to make alcohol synthetically from cracked oil and gases or from black furnace gases than it is to manufacture it from corn.

The only reason why this synthetic method of producing alcohol is not used at this time is because blackstrap is cheaper. It lies somewhere in between the cost of blackstrap and corn as a raw material.

There is one other very serious disadvantage, it seems to me, in throwing blackstrap out as the raw material from which alcohol is produced. After a tremendous amount of investigation and research the chemists of the various alcohol companies and the University of Maryland have discovered a method of producing potash, a residue of the blackstrap distillation, and that is practically the only domestic source of potash that we have here, or one of the few, and it is the source of what is called the vegetable potash. This, it has been found, is more successful and beneficial to a great many plants than the mineral potash we have been previously using.

Those are the general reasons why we feel that you gentlemen should consider with very great diligence whether or not you are going to permit perhaps a slight benefit to the farmer, but bringing about an entire revolution of an essential industry that will act ultimately to the detriment of the farmer and will act to the very great detriment of hundreds of now profitable and substantial enterprises.

Senator SMOOT. You are opposed to the amendments offered to paragraph 502 by the House?

Mr. FRIESE. No, sir. We are in favor of the amendments that were offered by the Ways and Means Committee and adopted by the House. We are opposed to any increase and to the amendment that has subsequently been offered in the Senate. We have already filed this brief and I will leave some additional copies here.

Senator CONNALLY. You want the bill left just as the House fixed it?

Mr. FRIESE. Yes, sir.

Senator SHORTRIDGE. Alcohol is made from blackstrap?

Mr. FRIESE. Yes, sir.

Senator SHORTRIDGE. Also made from corn?

Mr. FRIESE. Industrial alcohol for some purposes.

Senator SHORTRIDGE. I am speaking of industrial.

Mr. FRIESE. Yes, sir.

Senator SHORTRIDGE. You think if the price of blackstrap was advanced we would not turn to the making of industrial alcohol from corn, but that there would develop the synthetic method?

Mr. FRIESE. It would perhaps take a year or 18 months to develop it, but I am advised by those in the alcohol industry who seem to know that that would be the immediate development.

Senator SHORTRIDGE. What do you regard as raw material?

Mr. FRIESE. For the manufacture of alcohol?

Senator SHORTRIDGE. Yes, sir.

Mr. FRIESE. For the moment, blackstrap is the principal raw material.

(Mr. Friese submitted the following brief:)

BRIEF OF MCCORMICK & CO. (INC.), BALTIMORE, MD.

To the honorable COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

GENTLEMEN: McCormick & Co. (Inc.) has a history dating back to 1889. It is now one of the leading producers of flavoring extracts, spices, insecticides, drugs, etc., with a distributive field that embraces not only the United States but foreign countries. This firm uses large quantities of alcohol, and is therefore keenly interested in any suggestion that will increase the cost of that essential raw material.

As originally introduced, H. R. 2667, known as the proposed tariff act of 1929, provided, in paragraph 502, for a substantial increase in duty on blackstrap (nonedible) molasses when used for distilling purposes, while leaving the present duty unchanged when the same product is used for other commercial purposes. After hearing lengthy testimony and considering voluminous briefs, the Committee on Ways and Means itself proposed an amendment eliminating such unwarranted discriminatory duty on that commodity. The said tariff bill, as so amended, was passed by the House of Representatives and is now before your honorable committee for consideration.

We respectfully submit that the action of the House of Representatives in the above behalf was justified and should be confirmed by your honorable committee. In other words, the language of the House bill referring to blackstrap (nonedible) molasses should remain exactly as it is in that measure.

Blackstrap molasses is used almost in its entirety for the manufacture of stock feed and for the production of industrial alcohol. Since the proponents of the higher duty did not wish to burden the farmer, the differential rate referred to above was proposed. Molasses for stock feed was to enter at the present rate of one-sixth cent per gallon, while a very high duty—8 cents, even 10 cents—was to be paid by the alcohol consumer.

Aside from the unfairness of this proposal, it would strike a heavy blow at the chemical manufacturing and allied interests. Such a differentiation would be difficult of administration and impose onerous details upon the stock-feed manufacturer. For instance: Low-duty blackstrap would have to be stored in bond, could be released only on Government certificates, and used only under costly restrictions to prevent its diversion to other purposes. This would make the handling of blackstrap most expensive; and since it is a bulky, cheap product, the weight and handling of which represent the principal item of its cost—for, indeed, it originates as a waste product of sugar refineries—the practical working out of such a plan would be exceedingly difficult.

It must then be considered, what, after all, is the purpose, and what is the probable effect of placing a prohibitive duty upon blackstrap molasses?

The avowed purpose of the proponents of the duty is to increase the price of and the market for corn. In order to do this they admit that the duty on blackstrap molasses must be increased from the present figure of one-sixth cent per gallon to 8, perhaps to 10 cents per gallon. Since 2.7 gallons of molasses are required to produce 1 gallon of alcohol, this proposal will obviously increase the cost of the finished product, after allowing for overhead, by 24 to 30 cents per gallon.

The laying of the proposed duty upon blackstrap, however, will not serve its avowed purpose of forcing the market for corn, for while it would make the use of blackstrap for producing alcohol unprofitable, there is still another method of producing alcohol less expensive than distilling it from corn mash. Synthetic chemistry has evolved a method, which is actually used commercially at this time, of producing alcohol from either natural or blast-furnace gas, or oil cracking.

Quoting from a statement issued by the Commissioner of Prohibition, we see that:

"The Carbon & Carbide Chemicals Corporation, which is a subsidiary of the Union Carbon Co., of New York, has operated an experimental plant on the synthetic production of ethyl alcohol from ethylene gas at South Charleston, W. Va. They are preparing to enlarge the operation greatly. There is no question about the technical success of the process. This same process was employed in Switzerland during the World War and is based on sound chemical principles. The supply of ethylene gas is only limited by the supply of petroleum, natural gas, and soft coal. The last 10 years has seen a great development in synthetic production of the alcohols and even gasoline by new developments of high-pressure apparatus and bringing about reaction by means of catalysts. None of these processes employ grain or other carbohydrates, and future production will undoubtedly run to the synthetic processes."

Synthetic alcohol is made extensively, commercially, in England, France, and Germany, and in Germany was made very extensively even during the war.

Synthetic alcohol is not much used in this country at this time, for the reason that the process of distilling fermented blackstrap is much cheaper. Synthetic alcohol, however, though more expensive than alcohol produced from blackstrap would be less expensive than alcohol produced from corn, and the placing of a prohibitive duty upon blackstrap would operate merely to give impetus to the development of the manufacture of alcohol by synthesis.

It is obvious, therefore, that the exclusion of blackstrap would not be effective to increase the market for corn, for corn would not be used as a substitute in any event. The result, however, of placing this duty, while not in any way beneficial to the corn grower, would be disastrous in the extreme to many large and essential industries. An increase in the cost of alcohol would place a terrible burden upon American manufacturers who use alcohol in the course of their processes, especially such manufacturers as enter into competition with European concerns. Manufacturers of drugs and chemicals, flavoring extracts, paints, varnishes, oils, shellacs, lacquers, celluloid, nitrate of cotton, nitrates, and explosives would thus be placed at a great and additional handicap, and the cost of their products to the consuming public would be sharply and immediately increased. The entire American public—the farmers as much as anyone else and perhaps even more—would suffer, and American industries and American workmen would be hampered, and American products would be greatly weakened on the world market, competing, as they do, with the products of the monopolies of Germany and France subsidized and aided by their Governments.

In addition, one of the principal domestic sources of potash appears as a by-product of the distillation of molasses. After years of experimental research, with the assistance of the laboratories and chemists of the University of Maryland, the largest alcohol distillery on the coast—which happens to be located in Baltimore—has at last succeeded in producing this potash commercially, and in actual field tests it has been proven that, for many crops, this so-called vegetable potash, in certain blends with other fertilizers, is more productive than potash produced from any other source.

The question will be placed squarely before your honorable committee—whether you will yield to the clamor of those who pretend to represent the best interests of the farmer, whose proposal for an increase in duty upon a noncompetitive raw material essential to American industries, is based upon misinformation or ignorance of the facts and economics of the matter, and of the extensive and useless injury which the acceptance of their proposal would cause the American public, or whether you will take this issue out of the realm of politics and demagogy and will affirm the action of the House of Representatives in refusing to strike this needless blow at American industry, and in leaving the present tariff on blackstrap molasses unaltered.

Respectfully submitted.

McCormick & Co. (Inc.),
By Philip C. Friese,
General Counsel.

Baltimore, June 14, 1929.

STATEMENT OF E. C. BROKMEYER, WASHINGTON, D. C., REPRESENTING THE NATIONAL ASSOCIATION OF RETAIL DRUGGISTS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BROKMEYER. I am general counsel for the National Association of Retail Druggists.

This statement is prepared by the executive officers and counsel, addressed to the chairman of this subcommittee.

The administrative officers and legal and legislative representatives of the National Association of Retail Druggists, whose names are appended hereto, speak officially for 50,000 retail druggists in urging your honorable committee to withhold its approval of the Broussard amendment or any increase in the duty on nonedible blackstrap molasses.

I want to say I am addressing myself to paragraph 502 of the House bill, H. R. 2667. That is the blackstrap molasses provision.

In presenting this matter for your kind consideration it is deemed unnecessary to burden you further with details concering the extensive use of this raw material in the production of industrial alcohol, as that phase of the subject is fully and accurately covered in the comprehensive brief filed with the Ways and Means Committee of the House, by Mr. H. S. Chatfield, of the National Paint, Oil, and Varnish Association.

Suffice it, then, to say that we heartily and fully indorse the statements so clearly set forth in the Chatfield brief and join with the author in protesting any increase whatever in the present tariff on this essential raw material for medicinal and industrial alcohol.

Assuming an interest on your part in learning the nature and extent of retail druggists' interest in a matter of this kind, your attention is invited to the fact that upwards of 58,000 retail drug stores are now in operation in this country and with very rare exceptions industrial alcohol is employed in these establishments as a solvent and preservative in the production of hundreds of the standardized official preparations for medical use.

In this connection it is of interest to note that the alcoholic strength of many of these preparations is exceedingly high, in some instances running as high as 90 per cent.

It, therefore, follows quite logically that an increase of approximately 15 cents per gallon, which would naturally follow the adoption of the Broussard amendment providing for a rate of 4 cents per gallon on the chief raw material for the production of alcohol, would necessarily come directly from the pockets of this vast number of retail dealers.

The advance in the cost of alcohol to all users would be much greater than 15 cents per gallon if change in process of manufacture and character and location of plants were necessitated by the new tariff law.

Another fact to be borne in mind is that these retailers, without exception, purchase from pharmaceutical manufacturing houses innumeral medical preparations of high alcoholic content and here again the retailer would be called upon to bear the burden of any additional tax that might be imposed on nonedible blackstrap molasses.

The assumption that any increase in the duty on nonedible blackstrap molasses would redound to the benefit of the farmer is erroneous. Corn would not replace molasses as the raw material for the manufacture of alcohol, as supposed, because alcohol may be made with chemicals and gases cheaper than with corn if blackstrap molasses is displaced by an increase in the duty.

The farmer not only would not benefit by the use of corn for the manufacture of alcohol, but he would be compelled to pay a higher price for medicine and no less than 5,000 different articles of commerce in the manufacture of which alcohol is used.

In view of these incontestable facts it is quite apparent that the retail drug trade of the Nation has a direct and vital interest in any proposal for an increase of the duty on nonedible blackstrap molasses and in their name and on their behalf we respectfully urge your honorable committee not to make any change in the rate on nonedible blackstrap molasses fixed in the bill as passed by the House.

Mr. Chairman, for the further information of the committee, it might be said that the last official report of the Treasury Department for the fiscal year ending June 30, 1928, showed 4,488,317 proof gallons of alcohol was used in compounding and manufacturing for internal medicinal purposes, 2,996,477 proof gallons in manufacturing food products and flavoring extracts, 180,142 wine gallons by physicians, 6,267 wine gallons for hospitals, and 3,371 wine gallons for first aid. A duty of 4 cents a gallon on blackstrap molasses would entail an additional cost of $509,826 a year to users of alcohol for these purposes, and $6,750,000 a year for 45,000,000 wine gallons of specially denatured alcohol used in making toilet articles, paints, oils, varnishes, and thousands of other necessaries and uses of life.

Yesterday we filed a brief for the National Beauty Parlor and Barber Supply Association.

Senator SHORTRIDGE. You speak of blackstrap as raw material?

Mr. BROKMEYER. Yes, sir; as material for the manufacture of alcohol.

Senator SHORTRIDGE. What do you regard as raw material?

Mr. BROKMEYER. Something basic.

Senator SHORTRIDGE. A tree growing in the forest is raw material, is it?

Mr. BROKMEYER. It would depend upon the purpose for which it is used.

Senator SHORTRIDGE. The moment that the hand of man is applied, or his brain, in converting the natural article into something it ceases to be a raw material, does it?

Mr. BROKMEYER. As I said before, it occurs to me it would depend upon the purpose for which it is used.

Senator SHORTRIDGE. Every manufacturer treats the article he uses to make the finished product as raw material?

Mr. BROKMEYER. I think that is right.

Senator SHORTRIDGE. But to the man who makes one of these ingredients or elements it is not raw material?

Mr. BROKMEYER. No, sir.

Senator SHORTRIDGE. To him it is a manufactured article?

Mr. BROKMEYER. That is true. But for the purposes of my argument and for the clients I represent it is raw material.

Senator HARRISON. What is the National Beauty and Barber Supply Association?

Mr. BROKMEYER. That association is an organization of 400 or 500 manufacturers and dealers that furnish supplies to beauty parlors and barber shops, including the preparations and equipment, the furniture, and all that sort of thing.

Senator WATSON. Have you anything further?

Mr. BROKMEYER. That is all, thank you.

STATEMENT OF W. L. CROUNSE, WASHINGTON, D. C., REPRESENTING NATIONAL WHOLESALE DRUGGISTS' ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CROUNSE. I am Washington representative of the National Wholesale Druggists' Association for some 20 years, and also for the American Manufacturers of Toilet Articles.

I desire to leave with the committee a statement concerning the proposed Broussard amendment with reference to the duty on blackstrap molasses. I will have only a word or two to say with regard to that from the wholesale druggists' standpoint. I do not need to supplement what has already been said with respect to the absolutely essential character of alcohol as a raw material in the drug business.

However, in addition to that, we have a special interest. At the present time, about 100,000,000 gallons of alcohol are produced in the United States. One-half of that is denatured for the production of a so-called antifreeze agent that is used in automobile radiators in the winter time. We distribute that very largely, or a large percentage of it.

If this amendment should be adopted the distillery cost of alcohol, predicated upon the consumption of 2.7 gallons of molasses to a gallon of alcohol, will be raised to the producers of denatured alcohol anywhere from 11 cents to 15 cents a gallon. That will put alcohol off of the map as an antifreeze mixture, because we are now competing with various chemical preparations which, to a certain extent, serve the purpose, although the Bureau of Standards is on record as stating that from a dozen different standpoints alcohol is the ideal mixture for that purpose.

In other words, there will be a wiping out of the demand of 45,000,000 gallons, nearly one-half of the present production of alcohol, if that amendment goes through.

There is another phase of the case that it seems to me Senator Broussard has overlooked. We now consume about 300,000,000 gallons of a waste product, namely, molasses, produced in Cuba, in the manufacture of alcohol. A few million gallons of molasses are produced by the sugar planters of Louisiana. And that is largely consumed in the manufacture of cattle foods.

If alcohol is no longer to be made of molasses, there will be a flood of it as cheap as dirt that will come into this country and swamp the Louisiana manufacturers of molasses as a by-product of the sugar production, and Senator Broussard's constituents, instead of benefiting by this proposition, will lose their market for their molasses for the manufacture of cattle foods.

With respect to the toilet-goods industry, alcohol is the universal solvent. Senator Smoot, who has been here many years, knows that alcohol is the universal solvent from the scientific standpoint. There is no substitute for it anywhere in the world.

Millions of dollars have been spent in research trying to find a nonintoxicating substitute for alcohol.

In the toilet-goods industry it is used in the manufacture of perfumes, toilet waters, hair tonics, and face lotions, and a thousand and one adjuncts of the toilet and nursery and hospital.

If the product is to be increased in cost 10 cents, 15 cents, or 20 cents a gallon, it will dislocate the cost sheets, the distribution costs, and selling costs of every single manufacturer in this industry in the United States.

And to-day, according to the census figures, our output ranges about $200,000,000 per annum.

So, gentlemen, it seems to me we have every practical reason for opposing the Broussard amendment.

I desire to submit this memorandum in support of my general statement.

Senator SMOOT. Very well.

(The brief referred to is as follows:)

BRIEF OF THE NATIONAL WHOLESALE DRUGGISTS' ASSOCIATION

To the honorable COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

Representing the National Wholesale Druggists' Association, an organization including in its membership practically all the drug jobbers in the country, and the American Manufacturers of Toilet Articles, a comprehensive trade association including the leading units in the toilet-goods trade, both of which organizations are large consumers of industrial alcohol, I wish to enter a vigorous protest against the adoption of the so-called Broussard amendment imposing a duty of 4 cents per gallon on blackstrap molasses intended for the distillation of alcohol.

In view of the fact that the great bulk of industrial alcohol is now derived from blackstrap molasses, at the rate of about 1 gallon of alcohol for each 2.7 gallons of molasses, it is evident that should the Broussard amendment be adopted the alcohol-using trades would suffer a very severe hardship. Such a duty on molasses would means an increase in the distillery cost of alcohol of 10 or 11 cents per gallon, which would mean an increase of 15 to 16 cents per gallon in the price paid by the consuming industries. This increase would come at a time when, owing to higher prices for alcohol, the consuming trades have already been called upon to stand an advance approximating 10 cents per gallon in the price of industrial spirits.

It would be impossible to overestimate the importance to the industries of the country of an adequate supply of industrial spirits at a reasonable cost. In this connection I quote from an address delivered on February 20, 1929, by Prohibition Commissioner Doran before the department of economics, sociology, and government of Yale University, in which, referring to the manifold methods of utilization of alcohol for industrial purposes, he said:

"Industrial alcohol has assumed an importance in the scientific and industrial progress of the United States that was hardly conceived of when Congress passed the first tax-free denatured alcohol act, June 7, 1906. In the first year about 1,000,000 gallons of industrial alcohol were used in the arts and industries. Last year over 90,000,000 gallons were manufactured and distributed to thousands of individual manufacturers engaged in thousands of different manufacturing activities. Without a large supply of industrial alcohol at a moderate cost a great many of our essential industries would hardly exist, let alone prosper. Since the war, the United States has had a wonderful development along chemical manufacturing lines, and to-day our industries consume more industrial alcohol than do the industries of any other country.

"Industrial alcohol is a necessary solvent in the preparation of hundreds of drugs and medicinnal preparations. It is the solvent used in the preparation of flavoring extracts, both household and manufacturing extracts. It is employed as a solvent, as well as a component part, in the manufacture of many synthetic chemical compounds used medicinally and in the arts and industries. It is employed in the manufacture and purification of many of the so-called 'coal-tar' medicinal compounds. It is a necessary solvent in the manufacture of dyes. It is a necessary material for the manufacture of ethyl ether, both technical and anesthetic grade. It is a necessary solvent for all manners and kinds of varnishes, shellacs, paints, lacquers, and miscellaneous protective coverings. Industrial alcohol, as such, and ethyl acetate, which is manufactured from alcohol, are widely used in the manufacture of laquers which employ nitrated cotton as a base. The entire automobile industry employs millions of gallons of these cotton lacquers annually. It is used as a cleaning fluid, as a sterilizing agent in hospitals, and is employed widely as an antifreezing agent in automobile radiators. One of the principal grades of artificial silk requires large quantities of alcohol and ether made from alcohol.

"These few above-mentioned necessary uses of alcohol merely illustrate its wide employment in all of our industrial operations. Its manufacture is regarded by the War Department as a key industry to our national defense."

While Doctor Doran cited many of the most important uses of alcohol, his statement is far from comprehensive. In reference to the use of alcohol as an antifreezing agent in automobile radiators we are reminded that approximately one-half the output of the alcohol distilleries of the country is utilized for this purpose and is employed in the radiators of approximately 23,000,000 cars which serve practically the entire population of the country. A large amount of alcohol is used in the production of artificial leather which has largely displaced natural leather in the upholstering of automobiles and furniture. Alcohol is used in rapidly increasing quantities in the manufacture of radio equipment. A use of alcohol now increasing by leaps and bounds is in the manufacture of films for photographs, including the entire output of moving pictures. Alcohol is an essential material in the mixture used in the coating of aeroplane wings. It is the most essential material in the manufacture of celluloid, pyroxilin, and plastic products. It is largely consumed in the manufacture of high-grade inks for engraving, lithographing, etc. A very large gallonage is annually used in the manufacture of smokeless powder and for this purpose it is one of the most essential materials for the national defense and in addition it is largely used in other departments of chemical warfare, including the manufacture of gasses. The toilet goods industry of the United States with its output valued a more than $200,000,000 is based on alcohol as an absolutely essential material used in the production of perfumery, toilet waters, hair and skin lotions, tooth pastes, shaving creams, liquid and transparent soaps, and various other adjuvants for the health of the people. The drug industry, including manufacturers, wholesalers and retailers, in purveying to the public, to the physicians, and to the hospitals, consumes very large quantities of alcohol, in accordance with standards fixed by the Federal Government, there being absolutely no substitute for this material in the manufacture of these essential products. Finally, throughout the entire field of the production of chemicals, alcohol is universally recognized as the most important and widely used raw material without which no laboratory, no matter how large or small, can successfully be operated.

Specifically the drug and toilet goods industries have for their foundation industrial alcohol, both pure and denatured. A vast amount of research has been devoted to reducing the amount of alcohol present in the products of these important branches of industry, but the irreducible minimum has been reached, and any increase in the cost of this essential material will be nothing less than a calamity, both to manufacturer and consumer.

The attempt to raise the duty on blackstrap molasses while the pending bill was before the House of Representatives was abandoned after the most exhaustive investigation, and in the final consideration of this item some of those who had been the most enthusiastic advocates of a high duty, believing it might result in the substitution of corn for molasses as a source of alcohol and thus aid the farmers of the country, became so convinced of the folly of the project that they both voted and worked to retain the present moderate tax. No one at all acquainted with the development of the chemical industry in this country can believe for a moment that corn can ever be used to any great extent in the manufacture of alcohol. It would be nothing short of an economic crime to utilize a valuable food product for such purposes when there is an unlimited supply of an absolutely waste by-product available for the purpose.

We are confident that if you will give the same painstaking attention to this matter that has marked the work of the subcommittee of the Finance Committee up to the present time the proposition to raise the duty on blackstrap molasses for the distillation of alcohol will be summarily rejected.

Respectfully submitted.

W. L. CROUNSE
(For the National Wholesale Druggists' Association and American Manufacturers of Toilet Articles).

BRIEF OF THE NATIONAL BEAUTY AND BARBERS SUPPLY DEALERS ASSOCIATION

Hon. REED SMOOT,
Chairman Subcommittee, Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: The National Beauty and Barbers Supply Dealers Association, with headquarters at 11 West Forty-second Street, New York City, representing 85 per cent of the manufacture and distribution of supplies for beauty parlors and barber shops, including equipment and toilet preparations, respectfully urges you and your distinguished colleagues to reject the Broussard amendment to the tariff bill passed by the House, increasing the duty on nonedible blackstrap molasses from one-sixth of 1 cent per gallon to 4 cents, or any other proposal to increase this duty, because blackstrap molasses is the main source of industrial alcohol used in the manufacture of toilet waters, hair tonics, and other toilet articles.

The members of this association formerly used ethyl alcohol for manufacturing purposes but changed to specially denatured alcohol to discourage diversion to unlawful purposes and to obtain cheaper raw material, as specially denatured alcohol is tax free. As ethyl alcohol is the basic material for the manufacture of specially denatured alcohol, any increase in the duty on nonedible blackstrap molasses necessarily would advance the cost of both ethyl and specially denatured alcohol. The Broussard amendment would increase the cost of ethyl alcohol not less than 15 cents per gallon and much more if changes in the process of manufacturing alcohol and in the character and location of distilleries were necessitated.

Corn would not replace blackstrap molasses in the manufacture of alcohol if the duty on blackstrap molasses were increased, and the farmer would not benefit thereby, as supposed, because chemicals and gases would be used in the manufacture of synthetic alcohol, and nobody would benefit except such distillers. The farmer and all other consumers, directly or indirectly, would have to pay the additional cost of alcohol.

Trusting that this appeal on behalf of the manufacturers of and dealers in toilet preparations and the men and women of the country who so largely use them will receive careful and favorable consideration at the hands of your honorable committee, we remain,

Respectfully yours,

W. L. SCOTT, *President.*
JOSEPH BYRNE, *Secretary.*
E. C. BROKMEYER, *General Counsel.*

MAPLE SUGAR AND SIRUP

[Par. 503]

STATEMENT OF GEORGE C. CARY, REPRESENTING THE CARY MAPLE SUGAR CO., ST. JOHNSBURY, VT.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CARY. I simply wanted to talk a little about maple sugar. My argument is there should be a duty at least 9 cents on sugar and

6 cents on sirup coming from Canada. I base that on the fact that the Canadian Government is putting up bonuses for the producers up there. The production in Canada has greatly increased for the last two or three years. I will say that this year the production in the State of Ohio was not more than 25 per cent of what it was last year. The New York State production fell off about 50 per cent last year. Vermont is about the same as it was last year. Canada is up to about twelve or fifteen million pounds. There has been this last month between four and five million pounds of sugar shipped into the United States from Canada. The Government has made an appropriation of about 4 cents a pound to the farmers up there. They have built the buildings for manufacturing the sugar. They are selling sugar to-day on the American side at at least 1½ cents less than the actual cost of the su[illegible]erican side, based on the prices already paid thi[illegible]

My argument has s[illegible] be increased to 9 cents rather than [illegible]he reason that the government is [illegible]e large bo[illegible]s. [illegible] of clippings and papers in r[illegible]t. I wi[illegible] glad [illegible] any other questions that [illegible]ish[illegible]

Senator Sн[illegible]unty o[illegible]gar produced in Can[illegible]

Mr. Cary. [illegible]o not [illegible] appropriations to [illegible]eratives [illegible] the p[illegible]e handle as large [illegible]n of the[illegible] we do [illegible]ermont crop. They [illegible] it is a[illegible]priation of the Agric[illegible]ent [illegible] money and build the[illegible]at away below the pric[illegible] productio[illegible]e A[illegible]

May I insert [illegible]pings in[illegible]record?

Senator Smoo[illegible]

(The clippings [illegible]lows:)

[Transl[illegible]]

Maple sugar, on account of [illegible] its scarcity, must be considered as an article of high luxury. [illegible]maintain this, it is necessary to be assured of its purity, pack it in attractive packages, and sell it in a cooperative way. The factory at Plessisville received this year over 3,000,000 pounds of sugar. The product is purified there, packed attractively, and sold on the best market. As this factory is operating at full capacity, immediate consideration is to be given to the matter of enlarging this factory or build new ones in other sections of the Province where this product is made in quantity.

[Translation from L'Eclaireur, Beauceville, Canada]

The farmers of Beauce realized a sum of over a million dollars this year through the maple industry. The increase in the selling price alone from 15 to 18 cents per pound represents $150,000 in round figures. This wonderful result is due to the cooperative organization of the department of agriculture of Quebec.

An intensive educating campaign, persistent efforts at cooperative organization pursued for many years, have succeeded in grouping the best sugar makers of Beauce. The product was ameliorated 80 per cent, and the price, notwithstanding the increased production, has come up from 9 to 18 cents, or an increase of 100 per cent.

The superior quality of the product has become known and large American firms come here to buy all the sugar of superior quality that the factory of the cooperative at Plessisville can manufacture.

Where would the maple industry be to-day if the Government had not built this cooperative organization that is bringing such good success? The expense of starting this organization alone would have been an obstacle very hard to overcome. But the department of agriculture overcame it to a large extent. It is now contributing to it with additional financial assistance, by the relations that it has with the American buyers, and the close watch kept on it, so that it ought to prosper.

[Montreal Gazette, July 3, 1920]

GOVERNMENT TO ASSIST—MAPLE-SUGAR INDUSTRY OF PROVINCE TO BE ENCOURAGED

QUEBEC, July 2.—As an outcome of the conference at Mont Laurier last week, attended by Hon. J. L. Perron, Minister of Agriculture, the Government has decided, through the agricultural department, to offer substantial encouragement to those in the northern districts engaged in the maple-sugar industry.

The maple sugar cooperative societies, the Department of Agriculture will advance, for the purchase and improvement of equipment, any required sum up to $500 free of all interest charges for a term of five years. It is understood here that many of these societies will take advantage of the Government's offer. It was hoped that with the use of aggressive publicity, the strict enforcement of regulations governing maple products, etc., that the industry would be a prosperous one, profitable to the farmers of Mont Laurier region.

SUGAR CANE

[Par. 504]

STATEMENT OF HON. FELIX CORDOVA DAVILA, RESIDENT COMMISSIONER FROM PORTO RICO

[Including sugar, par. 501]

(The witness was sworn by Senator Smoot.)

Mr. DAVILA. Mr. Chairman, I am afraid that my appearance will be rather embarassing, after the apparent tendency of some members of the committee against the importation of canes from Santo Domingo.

Senator SMOOT. You mean now that it was embarrassing to the committee.

Mr. DAVILA. No; embarrassing to me. I want to emphasize this. I have as great an interest as anybody in the United States in the protection of the sugar industry. It is well worth while, and we will be in favor of anything that will redound to the benefit of these interests; but I have to see this matter from the point of view of the difficult situation that Porto Rico is facing to-day. I am not opposed to a reasonable limitation on the importation of cane from Santo Domingo, but I do oppose a duty that will prevent the importation of these canes. I will support a duty as high as the company can afford to pay.

Senator WATSON. That is, you mean coming from Santo Domingo into Porto Rico?

Mr. DAVILA. Yes, sir. I suggest, as a compromise, a reasonable duty for the first 200,000 tons. This duty may fluctuate from $1 to $2 per short ton, and $3 per ton on importations in excess of 200,000 tons in any year.

Senator SMOOT. Two hundred thousand tons would just about cover what they take in there.

Mr. DAVILA. Just about. In 1928 there was imported 232,000 tons. In former years the importation was a little less.

It is unquestionable that 20,000 or 25,000 tons of sugar entering into the United States have no effect on the market price of sugar in the continental United States or in Porto Rico.

Senator SMOOT. Do you not think that Porto Rico is pretty well taken care of when we allow about 700,000 tons to come in free, without going to some other country and bringing in sugar here free in an indirect way? Now, you are speaking of the moral side of it. Think of that.

Mr. DAVILA. I am thinking of the moral side. We have to remember that it is not only sugar we have in Porto Rico, but we have coffee, which is not protected. The pineapple industry is in a very serious condition.

Senator SMOOT. It is coming into this country free of duty.

Mr. DAVILA. Yes, sir; but we can not compete with the foreign coffee entered free of duty here, and the protection given pineapples is not sufficient to overcome competition.

The tobacco industry in Porto Rico is also in a very serious condition.

We had a hurricane in Porto Rico last year, in September. It was a terrible hurricane. We have not yet been able to repair the damage wrought by that hurricane, and it will be some years before we can do so.

To stop the importation of this cane will mean a considerable reduction in the revenues of Porto Rico; and, besides, we will lose $136,000 that this company is paying in wages to our laborers.

Senator WATSON. Somebody testified here that the sugar industry was not perceptibly injured in Porto Rico.

Mr. DAVILA. I beg your pardon, sir?

Senator WATSON. I am talking about this storm and the damage from it.

Mr. DAVILA. Oh, yes.

Senator WATSON. Somebody said that that did not affect the sugar industry, either the cane production or the refineries or anything else in Porto Rico.

Mr. DAVILA. It did affect the sugar industry. A large part of the crop was gone.

Senator SMOOT. How much?

Mr. DAVILA. About one-fourth. Somebody said one-half, but it was not that much.

Senator HARRISON. The figures show about 100,000 tons less this year.

Mr. DAVILA. Well, that amounts to something in a country like ours. Going back to the discontinuance of the importation of canes, I repeat that a reduction of $300,000 in our revenues is a great loss for Porto Rico, especially so under the present circumstances.

Senator HARRISON. How do you figure $300,000?

Mr. DAVILA. $232,000 on the 232,000 tons of canes imported and around $90,000 in duties on sugar bags and production and sundry taxes.

Senator SMOOT. Do you make that amount on the sugar sent into there——

Mr. DAVILA. On the canes coming from San Domingo into Porto Rico, which last year amounted to 200,000 tons.

Senator SMOOT. Would it not be just as fair, as far as that is concerned, if they made $435,000 by shipping cane from San Domingo into Porto Rico then shipping the sugar in here free? Their own statement shows they made $435,000.

Mr. DAVILA. I am not interested in the company. I do not care about the profit of the company.

Senator SHORTRIDGE. Sugar cane is shipped from San Domingo into Porto Rico?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. Now, do you think any tariff should be put on that?

Mr. DAVILA. There is a tariff under the present law of $1.

Senator SHORTRIDGE. It is $1 a ton, is it not?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. $1 a ton. The bill proposes $3 a ton?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. How much do you think it should be? What should be the rate?

Mr. DAVILA. It may be $1 or more, provided it does not prevent importation.

Senator SMOOT. Do you not think that sugar cane will come in there at $3, or a greater part of it will come into Porto Rico at $3 a ton?

Mr. DAVILA. I am afraid it will not.

Senator SMOOT. The very man that manufactures the sugar from that cane is interested in producing the cane in San Domingo. As long as he raises that cane in San Domingo he is going to bring it into Porto Rico, and instead of Porto Rico getting $1 they will get $3 a ton.

Mr. DAVILA. If that is the case, I would not be here in favor of some reduction in the duty adopted by the House.

Senator SMOOT. Did you not hear the man from Porto Rico that gave testimony this morning state that he did make $435,000 and that his company was raising cane in San Domingo and shipping it to his factory in Porto Rico? If it goes to that factory, why do you complain that Porto Rico should get $3 instead of $1?

Mr. DAVILA. If it really favors Porto Rico, it will be very pleasing to me. It would be absurd to oppose the $3 duty if there are possibilities of collecting this revenue. But it would be silly to support a duty which can not be paid. The company is sending to Porto Rico a fourth of the sugar cane produced in Santo Domingo. They say that if the proposed increase is approved they will enlarge the capacity of their factory in Santo Domingo and grind the cane there. Was it not the purpose of the Ways and Means Committee to stop the importation of canes from Santo Domingo by increasing the duty to $3 per ton? So I was assured by reliable sources.

Senator SHORTRIDGE. That is not the reason.

Senator SMOOT. It is to stop that gain here of $435,000 that they make in this underhanded way.

Senator SHORTRIDGE. And to help Porto Rico.

Senator SMOOT. That is what it is for. That cane will go into Porto Rico.

Mr. DAVILA. Are you sure of that?

Senator SMOOT. Their plant is there. They have to have this cane to run it. Are they going to let the plant remain idle there?

Mr. DAVILA. They have two factories in San Domingo.

Senator SMOOT. That is just a little factory.

Mr. DAVILA. One of them is not so little. It is almost equal to the factory they have in Porto Rico.

Senator SHORTRIDGE. You fear if this rate is raised from $1 to $3 that this company instead of shipping the cane to Porto Rico will grind it in its factory or mills in San Domingo?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. And on account of that you will lose revenue?

Mr. DAVILA. Yes, sir.

Senator SHORTRIDGE. That is your position?

Mr. DAVILA. That is my position. I can not have any other position. I would not adopt any other position were I sure this cane would come to Porto Rico, because instead of $200,000 it would mean $600,000 for my island and for my people.

Senator SMOOT. If they ship sugar from San Domingo, and they have to pay the rate of duty here that is provided, they will never keep that cane there.

Senator SHORTRIDGE. I hope you are right.

Mr. DAVILA. In view of the discussion developed here, I will give further consideration to this matter if the committee allows me to file an additional brief. If I come to the conclusion that this company in spite of the $3 duty can continue the importation of canes into Porto Rico, I will support the increase adopted by the House. But otherwise, I will insist in a duty which will not prevent the importation of canes.

Senator WATSON. Do you know whether or not that corporation would make more money by paying $3 a ton on cane from San Domingo into Porto Rico, and then the free refined sugar into the United States or by refining it in San Domingo and shipping it into the United States and paying the full sugar duty?

Mr. DAVILA. I will study the matter from that point of view.

Senator SHORTRIDGE. They will ship the cane to Porto Rico. I think you will find, if you figure it out, that they will ship the cane to Porto Rico so as to escape the duty on the refined sugar.

(Mr. Davila submitted the following:)

I desire to say a few words in connection with the proposed increase in the duty on sugar.

In our brief before the Ways and Means Committee of the House we recommended a duty on raw sugar entered into the United States from Cuba of 2.40 cents per pound, so that full-duty sugar shall pay 3 cents per pound. We ratify our previous statement before the House committee and hope that this committee, and finally the Senate, will approve this increase which has already received the sanction of the House.

Porto Rico is facing one of the most difficult crises in its history, and the rehabilitation of the island is dependent on the protection to this and other industries. Without this increase on the duty on sugar our revenues will be substantially reduced. According to the figures of the insular treasury, the total amount paid as income tax by the sugar-producing companies for 1927 amounted to $771,000; for 1928, to $816,000, $200,000 of which is still pending of collection.

My information is that for the year 1929 there will be no substantial income taxes paid by the sugar companies in Porto Rico because of the low price of sugar prevailing during the year and the consequent conduct of operations at a loss by many of the factories. This means a very large loss of income to Porto Rico, which will continue each year hereafter unless the United States duty on sugar is raised substantially.

From a letter which I have recently received from a friend who is fully informed about sugar conditions in the island, I wish to quote the following:

"In the figures that I have so far, for the current crop, it appears that the cost of producing sugar in Porto Rico, including charges for depreciation, will be approximately 4 cents per pound, while Cuba (according to the best information obtainable) is producing sugar this year at a cost, including depreciation, of not over 1.70 cents per pound, so that the proposed duty of 2.40 cents per pound against Cubá is none too much to allow Porto Rico producers to operate without loss.

"It seems to me that on this account it is proper for you, as a Representative in Congress of Porto Rico, to ask the Finance Committee of the Senate to approve the rate of duty contained in the bill passed by the House of Representatives in order that the insular treasury may not longer suffer this loss of revenue."

HOUSE OF REPRESENTATIVES,
Washington, D. C., July 3, 1929.

Hon. REED SMOOT,
Chairman Finance Committee, United States Senate,
Washington, D. C.

MY DEAR SENATOR SMOOT: At the end of my remarks before the subcommittee handling the sugar schedule I promised to give further consideration to the matter of the proposed duty of $3 a ton on importations of cane and advised the committee of my intention of filing an additional brief containing more information and expressing my final views.

At the time of my appearance there was only one question to be decided, to wit, whether the proposed duty prevents the importation of canes.

I desire to inform the committee that I have received several cablegrams from farmers' associations of Porto Rico, supporting the duty of $3 per ton.

These cablegrams read as follows:

SAN JUAN, P. R., *June 29, 1929*

Hon. FELIX CORDOVA DAVILA,
House of Representatives, Washington, D. C.:

Farmers of southern coast favor duty of $3 on canes.

PESQUERA.

AGUADILLA, P. R., *July 1, 1929.*

Hon. FELIX CORDOVA DAVILA,
House of Representatives, Washington, D. C.:

Farmers' Association of Aguadilla favors $3 duty imported sugar cane.

MENDEZ.

MOCA, P. R., *July 1, 1929.*

Hon. FELIX CORDOVA DAVILA,
House of Representatives, Washington, D. C.:

Farmers' Association of Moca favors $3 duty imported cane.

CHARNECO.

In reply, I sent Mr. Pesquera, president of the Farmers' Association of Porto Rico, the following cablegram:

"I favored duty on canes as high as factory can afford to pay under impression I was working in interest of Porto Rico, but in view of your cablegram I assume farmers consider $3 duty beneficial to their interests and the island's and I will submit your recommendation to Senate committee."

I also submit the inclosed letter addressed to me by Mr. Frank A. Dillingham, president of the South Porto Rico Sugar Co., giving costs, etc., in connection with canes imported into Porto Rico from Santo Domingo.

Very truly yours,

FELIX CORDOVA DAVILA.

JERSEY CITY, N. J., *July 1, 1929.*

Hon. FELIX CORDOVA DAVILA,
Delegate from Porto Rico, House of Representatives,
Washington, D. C.

DEAR MR. DAVILA: In view of the discussion at the hearing of the subcommittee of the Finance Committee of the Senate (H. R. 2667, Schedule 5, pars. 501, 504) on June 26, it seems proper to confirm the statements made to you to the effect that the proposed increase of duty to $3 per short ton on sugar canes imported into Porto Rico from Santo Domingo will constitute an absolute embargo on the importation of said canes and that, if said increase in duty becomes law, such importation will immediately be discontinued by this company. The reasons for this are as follows:

First. Our experiences during the past 10 years has shown conclusively that the profit made by importing canes into Porto Rico and there manufacturing them into raw sugar to be shipped to the United States, in excess of the profit made by grinding the same canes at one of our factories in Santo Domingo for sale to Canada or Europe, is not on the average more than 50 cents per ton of cane, after paying ocean transportation and other costs on the canes imported and the present duty of $1 per ton. It is true that this profit varies from year to year, depending upon the price of sugar and the quality of the cane; but the average result has been that whether we make $1 or more, or less, per ton of cane imported into Porto Rico, we make only 50 cents per ton less from the same cane ground in Santo Domingo.

Our two factories at La Romana and Macoris, Santo Domingo, have a combined capacity of 1,500,000 tons of cane per year, 50 per cent more than our factory at Guanica, P. R.; our average grinding at the factories in Santo Domingo (1927–1929) has been approximately 1,260,000 tons and the addition of the 230,000 tons or so heretofore exported to Porto Rico will not unduly lengthen their grinding season nor affect their manufacturing results or costs. The cost of handling this cane to the factory at La Romana will actually be less than the cost of delivering it alongside steamer for export.

It is clear that we can not afford to pay an extra duty of $2 per ton of cane in order to make a probable profit of not over 50 cents per ton.

Second. Our records show that the landed, duty-paid cost of these imported canes delivered at our factory at Guanica is on the average nearly as great as the delivered cost of canes purchased from independent planters in Porto Rico; the exact figures for the last four years (1926–1929) are as follows:

	Porto Rican canes	Santo Domingo canes
	Per ton	*Per ton*
1926	$6.06	$6.14
1927	7.09	6.21
1928	6.60	6.17
1929	5.70	6.17
Average	6.35	6.17

Average difference in favor of Santo Domingo cane, 19 cents per ton.

The average quality (sucrose content) of the imported canes is slightly better than that of Porto Rican canes; on the other hand, during the period of transport the imported canes lose in quality as well as in weight; it is fair to add to said difference in favor of Santo Domingo canes of 19 cents per ton, 3 per cent of the average cost of Porto Rican canes, or 19 cents per ton, making a total average cost for Porto Rican canes of 38 cents per ton over that of Santo Domingo canes—all delivered at the Guanica factory and with due allowance for difference in quality.

There will be, therefore, a net saving of $1.62 per ton effected by buying additional canes in Porto Rico, rather than continuing importations from Santo Domingo at the proposed additional duty of $2 per ton.

Due to the growing of canes of better varieties by the planters in Porto Rico during recent years the quantity of canes available for the Guanica factory has increased each year since 1926 and is still increasing. Moreover, as you know, the opening of the Isabella irrigation district has recently made available for cane about 8,000 acres of new lands, from which a total crop of 250,000 tons of cane may be expected each year; we have already made contracts for substantial quantities of cane from this district and have offers from other planters now under consideration It can easily be seen that we can not afford to pay $8.17 per ton for Santo Domingo canes (because of the additional duty of $2 per ton) when equally good Porto Rican canes can be bought at the comparative price of $6.55 per ton.

Third. The above-mentioned lower cost of 38 cents per ton for imported canes results in a lower cost of sugar made therefrom, amounting to 0.162 cents per pound; in all other respects the cost of making and shipping sugar is the same for Santo Domingo cane as for canes purchased in Porto Rico, so that when the cost of making sugar from the latter at our Guanica factory is 3.90 cents per pound, for example, the cost of making sugar from imported canes is 3.738 cents per pound. The addition of $2 per ton to the duty on imported canes would increase the cost of the resulting sugar by 0.85 cents per pound, making a total cost of 4.588 cents per pound (as compared with 3.90 cents for sugar made from canes purchased in Porto Rico), a figure that of itself shows the absolute impossibility, economically, of importing canes at a $3 rate of duty.

You are, therefore, entirely correct in your position that if this increased duty is imposed the importation of canes will stop and the insular treasury will lose its accustomed annual revenue of $225,000 more or less from the duty heretofore paid on imported canes, as well as the other imposts and taxes resulting from such importation, and averaging over $90,000 each year. The laborers of Porto Rico will also lose the (average of) $136,338 wages paid in connection with handling and manufacturing these imported canes each year.

At said hearing of the Senate subcommittee the chairman characterized our importation of canes and the sale of sugar therefrom in the United States as "underhand"—a remark that we consider absolutely uncalled for and unjust; to an unprejudiced mind there seems no difference, morally, between importing Santo Domingo canes into Porto Rico at a duty of $1 per ton (fixed by Congress in the tariff act of 1922, par. 503) and selling the resulting 235 pounds of raw sugar in the United States without the payment of further duty, and importing Canadian beets into Michigan at a duty of 80 cents per ton (fixed by the same act, par. 764) and selling the resulting 260 pounds of refined sugar in the United States, also without the payment of additional duty, a business that has been carried on profitably in Michigan for many years.

Further details as to our business of importing canes from Santo Domingo will be found in the brief filed on our behalf with the Committee on Ways and Means of the House of Representatives on January 22, 1929, printed at page 2467 of the hearings on H. R. 2667.

Yours very truly,

SOUTH PORTO RICO SUGAR CO.,
By FRANK A. DILLINGHAM, *President.*

SLIDING SCALE

WEDNESDAY, AUGUST 7, 1929

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

The committee met at 10 o'clock a. m., in room 312, Senate Office Building, Senator Reed Smoot presiding.

The CHAIRMAN. The committee will come to order.

STATEMENT OF FRANK A. DILLINGHAM, MILLBURN, N. J., REPRESENTING THE DOMESTIC SUGAR PRODUCERS' ASSOCIATION AND THE ASSOCIATION OF SUGAR PRODUCERS OF PORTO RICO.

(The witness was duly sworn by the chairman of the committee.)

Mr. DILLINGHAM. Mr. Chairman and gentlemen of the committee, the objections of the domestic industries, for whom I am speaking this morning, to a sliding scale of duties on raw sugar fall naturally into two classes, the first being objections to any sliding scale, objections which we consider fundamental; and the second objection is to the specific scale that has been proposed for consideration here.

The CHAIRMAN. What you want is the House bill?

Mr. DILLINGHAM. We like the House bill, Senator Smoot, yes.

The CHAIRMAN. All right, go ahead with your statement.

Mr. DILLINGHAM. Our objections to the sliding scale as such are, first, its tendency or savor of price fixing, which we consider un-American and harmful to any industry. To our minds the successful conduct of business depends upon having an incentive to get, perhaps, abnormal profits from time to time through the expenditure of energy and perhaps of intelligence in the conduct of the business, whereas if prices are fixed there can be nothing of that sort, there can be no incentive to improve in the matter of agricultural methods or incentive to improve in the matter of manufacturing operations.

The CHAIRMAN. Why do you say that this is price fixing?

Mr. DILLINGHAM. It has that tendency, Senator Smoot. Your scale may not be as bad in that way as others, but——

The CHAIRMAN (interposing). That is what we are talking to now, the scale here proposed.

Mr. DILLINGHAM. I will go through the general objections that we have in short order and then will get down to a discussion of the specific scale under consideration.

The CHAIRMAN. All right.

Senator EDGE. In order that we may get your viewpoint in advance, and then you may enlarge upon that viewpoint later, let me ask you this question: I take it from your remarks you would likewise be against any form of bounty being paid, say as a dole, to producers?

Mr. DILLINGHAM. I do not think it would be an advantage to the industry that received it.

Senator WATSON. But you distinguish between a sliding scale and a bounty, do you not?

Mr. DILLINGHAM. Yes, I think there is a great difference. In the case of a bounty one can still endeavor to make a profit, but in the case of a sliding scale—at least one going as far as some that have been proposed, though I do not refer now to this particular one, there would be no incentive to an intelligent conduct of the business—at least not beyond the point of not losing what one put in it.

Senator EDGE. You spoke of a sliding scale as having a tendency toward price-fixing, which you consider un-American. Do you think that a bounty, or a dole of that character, would generate more enterprise or energy to develop the business, if the Government paid a bounty, for instance?

Mr. DILLINGHAM. I do not.

The CHAIRMAN. You may go ahead.

Mr. DILLINGHAM. Another objection is the chance that a sliding scale of this sort seems to us to offer for manipulation of prices. That is perhaps of more harm in some industries than in others, but, as I shall point out later, I think it is a very material disadvantage in our case.

The CHAIRMAN. I should like to have you differentiate between the sliding scale that I have offered and the kind of sliding scale that you have reference to.

Mr. DILLINGHAM. With respect to the matter of manipulation of prices, it seems to me, with all due respect, that in view of the relations between the refineries who make two-thirds of the refined sugar produced in this country, if not four-fifths, and the large producers of raw sugar in Cuba, which are owned by some refiners to a very considerable extent, that in our industry under your scale the chance for manipulation is much greater than it might be under some other scale.

The CHAIRMAN. It is any greater than it is to-day?

Mr. DILLINGHAM. Oh, I think so.

The CHAIRMAN. They have the same identical ownership, they control the refineries in just exactly the same way, and they control the great percentage of the production in Cuba, and if they could manipulate the price in the one case they could in the other.

Mr. DILLINGHAM. Senator Smoot, I will take that up later in more detail if you wish, but I should like to postpone a discussion of that matter for the present.

The CHAIRMAN. Very well. Pardon me for interrupting you. It will be all right if you intend to reach it later on.

Mr. DILLINGHAM. Yes, Senator Smoot; I will reach that point and will discuss it later on. Our third objection is the uncertainty that any sliding scale will cause in industry. I think it is a commonly recognized maxim in business that stability is essential, and in the matter of the conduct of a business being successful—and in this case both as to raw sugar producers and refiners—such price-fixing changes are bound to be harmful. In other words, a tariff schedule that makes necessary changes in the duty, and consequently the cost of the raw material from one party to another, can not help but embarrass the manufacturer and impede trade. The relations are so close between the different branches of this industry, for instance, between the raw producers and the refiners, between any of the cane-sugar refiners and the producers, in the relations of the manufacturer, in reference to any competitive sale of their products, that anything that hampers one of them will hurt all of them, and will hurt the proucers of raw sugar in the insular possessions also.

Nothing can be more harmful than uncertainty, and this is even more so when one considers that it goes all through the dealings one with another that are necessary in the business. And this harmful effect is exaggerated when one has to take into consideration the future period to be determined by the average of prices obtaining in the past or in the current period.

This again is aggravated when the duty on the raw material is determined by the selling price of the finished product of which it forms a part.

Senator SHORTRIDGE. Mr. Dillingham, will you say that again?

Mr. DILLINGHAM. I will say this uncertainty caused by a sliding scale is further aggravated when the duty on the raw material used in the industry is determined by the selling price of the finished or manufactured product into which that raw material enters. There is, of course, more in some industries than in others—the direct relation between the cost of the raw material and the cost of the finished product. In one case the raw material may be two-thirds or three-fourths of the cost of the finished product, while in another case it may be only one-third, but the harmful effect of price-fixing in any event enters into the selling price of the finished product.

To say that that selling price shall determine the duty on the raw material simply adds to the confusion and uncertainty that is bound to result.

That brings us directly to the first important objection to the scale proposed by the chairman of this committee, which we now have for discussion.

Senator WALSH. Mr. Chairman, is there more than one scale proposed?

The CHAIRMAN. The only one that has been put in shape, that has been received by the chairman, was the one I proposed here.

Senator WALSH. I suggest that that be made a part of the record inasmuch as the witness is to refer to it.

The CHAIRMAN. Without objection it will be put in at this point. I will say that there have been other scales spoken of in the testimony. I believe that Mr. Spreckels had a scale, but I think this is the only one that has appeared in testimony.

Senator KING. There was one scale offered in the House but I believe it received scant consideration.

The CHAIRMAN. Yes, one offered by Representative Gardner.

(The proposed sliding scale is as follows:)

PROPOSAL FOR A SLIDING SCALE OF IMPORT DUTIES ON SUGAR

When net refined price (New York basis) is $6 per hundredweight the duty on 96° centrifugal raw sugar shall be $2.20. As net cash price of refined (averaged and weighted according to actual sales for the preceding three months) decreases or increases, the duty (named each week effective on 96° raws imported in the following week) shall fluctuate inversely to and in the same amount as the change in the refined price basis for the preceding week.

In no case shall the duty be lower than 1 cent nor higher than 3 cents per pound.

Cuba shall receive 20 per cent preferential from the rates quoted below.

Net cash refined price per hundredweight (average 3 months, New York basis)	Full duty	Net cash refined price per hundredweight (average 3 months, New York basis)	Full duty	Net cash refined price per hundredweight (average 3 months, New York basis)	Full duty
$7.50	$1.00	6.50	1.70	5.50	2.70
7.40	1.00	6.40	1.80	5.40	2.80
7.30	1.00	6.30	1.90	5.30	2.90
7.20	1.00	6.20	2.00	5.20	3.00
7.10	1.10	6.10	2.10	5.10	3.00
7.00	1.20	6.00	2.20	5.00	3.00
6.90	1.30	5.90	2.30	4.90	3.00
6.80	1.40	5.80	2.40	4.80	3.00
6.70	1.50	5.70	2.50	4.70	3.00
6.60	1.60	5.60	2.60	4.60	3.00
				4.50	3.00

SCHEDULE 5.—SUGAR, MOLASSES, AND MANUFACTURES OF

PAR. 501. Sugar testing by the polariscope 96 sugar degrees, K cents per pound, where K equals 8.2 cents minus the New York net cash price per pound of hard refined sugar, based on a 90-day weighted average determined weekly, for all net cash prices between 5.2 cents per pound and 7.2 cents per pound, inclusive; provided that for all net cash prices of hard refined below 5.2 cents per pound K shall equal 3 cents, and for all net cash prices of hard refined above 7.2 cents per pound K shall equal 1 cent. Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above 75 sugar degrees, and all mixtures containing sugar and water, testing by the polariscope above 50 sugar degrees and not above 75 sugar degrees (K—(0.04×21) cents per pound, and for each additional sugar degree shown by the polariscopic test, but not above 98 sugar degrees, four-hundredths of 1 cent per pound additional and fractions of a degree in proportion; testing by the polariscope 98 sugar degrees (K÷0.0008) cents per pound, and for each additional sugar degree shown by the polariscopic test, twenty-five one-hundredths of 1 cent per pound additional and fractions of a degree in proportion.

Detailed calculation and explanation of tentative sliding scale of import duties on sugar

[Dollars per 100 pounds]

Rate of gradation							
−0.10	0	−0.10	+0.08	−0.18	+0.10	−0.20	+0.02
A	B	C	D	E	F	G	H
Net cash refined (average 3 months) New York basis	Estimated average, refiners margin	Duty paid, price of raw sugar (96°) at New York	Cuban duty 96° raws (20 per cent preference)	Price of Cuban raws, C. I. F. New York	Full duty (Cuban preference 20 per cent)	Price at which full duty raws would have to compete	Value of Cuban preference
7.20	1.30	5.90	[1]0.80	5.10	[1]1.00	4.90	0.20
7.10	1.30	5.80	.88	4.92	1.10	4.70	.22
7.00	1.30	5.70	.96	4.74	1.20	4.50	.24
6.90	1.30	5.60	1.04	4.56	1.30	4.30	.26
6.80	1.30	5.50	1.12	4.38	1.40	4.10	.28
6.70	1.30	5.40	1.20	4.20	1.50	3.90	.30
6.60	1.30	5.30	1.28	4.02	1.60	3.70	.32
6.50	1.30	5.20	1.36	3.84	1.70	3.50	.34
6.40	1.30	5.10	1.44	3.66	1.80	3.30	.36
6.30	1.30	5.00	1.52	3.48	1.90	3.10	.38
6.20	1.30	4.90	1.60	3.30	2.00	2.90	.40
6.10	1.30	4.80	1.68	3.12	2.10	2.70	.42
6.00	1.30	4.70	1.76	2.94	2.20	2.50	.44
5.90	1.30	4.60	1.84	2.76	2.30	2.30	.46
5.80	1.30	4.50	1.92	2.58	2.40	2.10	.48
5.70	1.30	4.40	2.00	2.40	2.50	1.90	.50
5.60	1.30	4.30	2.08	2.22	2.60	1.70	.52
5.50	1.30	4.20	2.16	2.04	2.70	1.50	.54
5.40	1.30	4.10	2.24	1.86	2.80	1.30	.56
5.30	1.30	4.00	2.32	1.68	2.90	1.10	.58
5.20	1.30	3.90	[2]2.40	1.50	[2]3.00	.90	.60

[1] Minimum duty. [2] Maximum duty.

A. When net cash wholesale price of refined at New York, weighted according to actual sales as shown by refiners' invoices, shall have averaged $6 per hundredweight during any three months, the duty of 96° sugar shall be $2.20 (Cuban sugar $1.76) for the following week. When average net cash price of refined sugar exceeds or falls below $6 per hundredweight for any 3-month period, the duty during the week following such trimonthly period shall be fluctuated from the base of $2.20 (Cuban sugar $1.76) in the same amount as and inversely to the difference in the price. Provided that in no case shall the duty be less than $1 nor more than $3 per hundredweight on 96° centrifugal sugar. Prices shown are net, exclusive of 2 per cent cash discount usual in the trade.

B. Refiners margin has varied materially under different levels of duty and market conditions. In general it may be calculated on the basis of $1 refiners' profit and cost, exclusive of value of 7½-pound refining loss (variable in value according to the price of sugar). In this scale the approximate 1928 average is assumed as constant for the purpose of calculating detailed effects of applying the scale. In practice the exact refiner's margin will be the result of relative bargaining strength between the refiners and the raw sugar producers and other trade influences.

C. Derived by subtracting B from A, or by adding D and E. This column indicates relative prices of raw sugars sold to refiners in the United States by producers in Louisiana, Hawaii, Porto Rico, and the Philippine Islands.

D. The duty effective against Cuban raw sugar at the present depressed price level for refined sugar ($5.25 per hundredweight) is 64 cents per hundredweight more than the present rate of $1.76. Prospect of such duty increase would advance market for refined to about $5.75, when under this sliding scale the effective duty against Cuban 96° sugar would be about $1.95. As prices rise the duty decreases, and the value of Cuba's preference against full-duty sugars diminishes (see column H), thus protecting consumer against runaway markets.

In the interest of customs revenue, duties never go below 80 cents for Cuban and $1 for other foreign sugars.

E. An approximate residual figure (wholesale price less refiners margin less Cuban duty). Exact share of Cuban producers and American refiners depends on bargaining power of the two elements.

F. Leaving Cuban preference at 20 per cent below other foreign sugars which might be imported into the United States really results on this sliding scale in increasing the value of her preference from 44 cents per hundredweight under the existing flat duty of $1.76 to 60 cents at depressed price levels, which is when it is most necessary to Cuba. This arrangement brings Cuba more effectively within the protection of the United States tariff. This protection for Cuba is reduced automatically but gradually as prices rise, in order to protect the American consumer.

G. Derived by subtracting F (full-duty rate) from C (price of duty-paid raws at New York). This column indicates the points at which full-duty sugars might be imported when necessary to apply a "brake" to rising prices.

H. Changes in value of Cuban preference, explained under F, eliminate other foreign sugar entirely from market under normal or low prices and bring them in as a check when prices become too high.

Comparison of paragraph 501, act of 1922, with proposed paragraph 501, act of 1929

FULL DUTY SUGAR

[Dollars per pound]

Degrees sugar	Fordney-McCumber Act, 1922	Hawley-Smoot Act, 1929			
		Passed by House	Smoot proposal, basis 96° sugar		
	Increment 0.00046	Increment 0.000625	Increment 0.0004		
			Hard refined Price.... $0.072 Duty(K) .01	$0.06 .022	$0.052 .03
75	0.0124	0.015625	0.0016	0.0136	0.0216
76	.01286	.016250	.0020	.0140	.0220
77	.01332	.016875	.0024	.0144	.0224
78	.01378	.017500	.0028	.0148	.0228
79	.01424	.018125	.0032	.0152	.0232
80	.01470	.018750	.0036	.0156	.0236
81	.01516	.019375	.0040	.0160	.0240
82	.01562	.020000	.0044	.0164	.0244
83	.01608	.020625	.0048	.0168	.0248
84	.01654	.021250	.0052	.0172	.0252
85	.01700	.021875	.0056	.0176	.0256
86	.01746	.022500	.0060	.0180	.0260
87	.01792	.023125	.0064	.0184	.0264
88	.01838	.023750	.0068	.0188	.0268
89	.01884	.024375	.0072	.0192	.0272
90	.01930	.025000	.0076	.0196	.0276
91	.01976	.025625	.0080	.0200	.0280
92	.02022	.026250	.0084	.0204	.0284
93	.02068	.026875	.0088	.0208	.0288
94	.02114	.027500	.0092	.0212	.0292
		Increment 0.00125			
95	.02160	0.028750	.0096	.0216	.0296
96	.02206	.030000	.0100	.0220	.0300
97	.02252	.031250	.0104	.0224	.0304
98	.02298	.032500	.0108	.0228	.0308
			Increment 0.0025		
99	.02344	.033750	0.0133	0.0253	0.0333
100	.02390	.035000	.0158	.0278	.0358

Comparison of paragraph 501, act of 1922, with proposed paragraph 501, act of 1929—Continued

CUBAN SUGAR

[Dollars per pound]

Degrees sugar	Fordney-McCumber Act, 1922	Hawley-Smoot Act, 1929: Passed by House	Hawley-Smoot Act, 1929: Smoot proposal, basis 96° sugar		
			Increment 0.00032		
	Increment 0.000368	Increment 0.0005	Hard refined Price.....$0.072 Duty (K) .008	$0.06 .0176	$0.062 .024
75	0.0092	0.0125	0.00128	0.01088	0.01728
76	.010288	.0130	.00160	.01120	.01760
77	.010656	.0135	.00192	.01152	.01792
78	.011024	.0140	.00224	.01184	.01824
79	.011392	.0145	.00256	.01216	.01856
80	.011760	.0150	.00288	.01248	.01888
81	.012128	.0155	.00320	.01280	.01920
82	.012496	.0160	.00352	.01312	.01952
83	.012864	.0165	.00384	.01344	.01984
84	.013232	.0170	.00416	.01376	.02016
85	.013600	.0175	.00448	.01408	.02048
86	.013968	.0180	.00480	.01440	.02080
87	.014336	.0185	.00512	.01472	.02112
88	.014704	.0190	.00544	.01504	.02144
89	.015072	.0195	.00576	.01536	.02176
90	.015440	.0200	.00608	.01568	.02208
91	.015808	.0205	.00640	.01600	.02240
92	.016176	.0210	.00672	.01632	.02272
93	.016544	.0215	.00704	.01664	.02304
94	.016912	.0220	.00736	.01696	.02336
		Increment 0.001			
95	.017280	0.0230	.00768	.01728	.02368
96	.017648	.0240	.00800	.01760	.02400
97	.018016	.0250	.00832	.01792	.02382
98	.018384	.0260	.00864	.01824	.02467
			Increment 0.002		
99	.018752	.0270	0.01064	0.02024	0.02664
100	.019120	.0280	.01264	.02224	.02864

Sliding scale of duties on Cuban sugar (full-duty rates 25 per cent additional) as proposed for Smoot-Hawley Act, 1929

[Dollars per 100 pounds]

New York net cash price	Increment 0.032																								Increment 0.200	
	75°	76°	77°	78°	79°	80°	81°	82°	83°	84°	85°	86°	87°	88°	89°	90°	91°	92°	93°	94°	95°	96°	97°	98°	99°	100°
$7.20[1]	0.128	0.16	0.192	0.224	0.256	0.288	0.320	0.352	0.384	0.416	0.448	0.480	0.512	0.544	0.576	0.608	0.64	0.672	0.701	0.736	0.768	0.80	0.832	0.864	1.064	1.264
7.10	.208	.24	.272	.304	.336	.368	.400	.432	.464	.496	.528	.560	.592	.624	.656	.688	.72	.752	.784	.816	.848	.88	.912	.944	1.144	1.344
7.00	.288	.32	.352	.384	.416	.448	.480	.512	.544	.576	.608	.640	.672	.704	.736	.768	.80	.832	.864	.896	.928	.96	.992	1.024	1.224	1.424
6.90	.368	.40	.432	.464	.496	.528	.560	.592	.624	.656	.688	.720	.752	.784	.816	.848	.88	.912	.944	.976	1.008	1.04	1.072	1.104	1.304	1.504
6.80	.448	.48	.512	.544	.576	.608	.640	.672	.704	.736	.768	.800	.832	.864	.896	.928	.96	.992	1.024	1.056	1.088	1.12	1.152	1.184	1.384	1.584
6.70	.528	.56	.592	.624	.656	.688	.720	.752	.784	.816	.848	.880	.912	.944	.976	1.008	1.04	1.072	1.104	1.136	1.168	1.20	1.232	1.264	1.464	1.664
6.60	.608	.64	.672	.704	.736	.768	.800	.832	.864	.896	.928	.960	.992	1.024	1.056	1.088	1.12	1.152	1.184	1.216	1.248	1.28	1.312	1.344	1.544	1.744
6.50	.688	.72	.752	.774	.816	.848	.880	.912	.944	.976	1.008	1.040	1.072	1.104	1.136	1.168	1.20	1.232	1.264	1.296	1.328	1.36	1.392	1.424	1.624	1.824
6.40	.768	.80	.832	.854	.896	.928	.960	.992	1.024	1.056	1.088	1.120	1.152	1.184	1.216	1.248	1.28	1.312	1.344	1.376	1.408	1.44	1.472	1.504	1.704	1.904
6.30	.848	.88	.912	.934	.976	1.008	1.040	1.072	1.104	1.136	1.168	1.200	1.232	1.264	1.296	1.328	1.36	1.392	1.424	1.456	1.488	1.52	1.552	1.584	1.784	1.984
6.20	.928	.96	.992	1.014	1.056	1.088	1.120	1.152	1.184	1.216	1.248	1.280	1.312	1.344	1.328	1.408	1.44	1.472	1.504	1.536	1.568	1.60	1.632	1.664	1.864	2.064
6.10	1.008	1.04	1.072	1.094	1.136	1.168	1.200	1.232	1.264	1.296	1.328	1.366	1.392	1.424	1.456	1.488	1.52	1.552	1.584	1.616	1.648	1.68	1.712	1.744	1.944	2.144
6.00	1.088	1.12	1.152	1.184	1.216	1.248	1.280	1.312	1.344	1.376	1.408	1.440	1.472	1.504	1.536	1.568	1.60	1.632	1.664	1.696	1.748	1.76	1.792	1.824	2.024	2.224
5.90	1.168	1.20	1.232	1.264	1.296	1.328	1.360	1.392	1.424	1.456	1.488	1.520	1.552	1.584	1.616	1.648	1.68	1.712	1.744	1.776	1.808	1.84	1.872	1.904	2.104	2.304
5.80	1.248	1.28	1.312	1.344	1.376	1.408	1.440	1.472	1.504	1.536	1.568	1.600	1.632	1.664	1.696	1.728	1.76	1.792	1.824	1.856	1.888	1.92	1.952	1.984	2.184	2.384
5.70	1.328	1.36	1.392	1.424	1.456	1.488	1.520	1.552	1.584	1.616	1.648	1.680	1.712	1.744	1.776	1.808	1.84	1.872	1.904	1.936	1.968	2.00	2.032	2.064	2.264	2.464
5.60	1.408	1.44	1.472	1.504	1.536	1.568	1.600	1.632	1.664	1.696	1.728	1.760	1.792	1.824	1.856	1.888	1.92	1.952	1.984	2.016	2.048	2.08	2.112	2.144	2.344	2.544
5.50	1.488	1.52	1.552	1.584	1.616	1.648	1.680	1.712	1.744	1.776	1.808	1.840	1.872	1.904	1.936	1.908	2.00	2.032	2.064	2.096	1.128	2.16	2.192	2.224	2.424	2.624
5.40	1.568	1.60	1.632	1.664	1.696	1.728	1.760	1.792	1.824	1.856	1.888	1.920	1.952	1.984	2.016	2.048	2.08	2.112	2.144	2.176	2.208	2.24	2.272	2.304	2.504	2.704
5.30	1.648	1.68	1.712	1.744	1.776	1.808	1.840	1.872	1.904	1.936	1.968	2.000	2.032	2.004	2.096	2.128	2.16	2.192	2.224	2.256	2.288	2.32	2.352	2.384	2.584	2.784
5.20[2]	1.728	1.76	1.792	1.824	1.856	1.888	1.920	1.952	1.984	2.016	2.048	2.080	2.112	2.144	2.176	2.208	2.24	2.272	2.304	2.336	2.368	2.40	2.432	2.467	2.664	2.864

[1] Minimum rates of duty apply at all prices higher than $7.20.

[2] Maximum rates of duty apply at all prices lower than $5.20.

Mr. DILLINGHAM. Probably no manufacturing business can be carried on in a large way on a strictly present purchase and delivery basis, and this is especially true of the dealings between raw sugar producers and their only customers, the refiners of cane sugar. The question of futurity of delivery and the time of manufacture must enter into most manufacturing businesses.

Raw sugar is almost universally sold by the West Indian raw sugar producers to the refiner in steamer cargo lots of from 4,000 to 8,000 tons. The raw sugar produced in this country and refined in this country is affected by this duty almost entirely by that produced in Cuba. In addition to that there is raw sugar brought in without payment of duty to the refineries in the East of the United States from Porto Rico or the Philippines.

The CHAIRMAN. Do you produce all of the sugar that you are interested in in Porto Rico? Are you interested in Cuba or entirely in Porto Rico?

Mr. DILLINGHAM. Substantially I would say that it is almost entirely in Porto Rico.

The CHAIRMAN. Have you any in Cuba?

Mr. DILLINGHAM. I have a few shares of stock in several Cuban companies, purchased as an investment; and I am a director of a Cuban company, but have no substantial interest in it.

Raw sugar is almost universally sold by the West Indian raw-sugar producers to the refiner in steamer cargo lots of from 4,000 to 8,000 tons. Before making a sale the producer must have his steamer in hand. Thereafter he must await its arrival at his port of shipment, loaded and dispatched to the United States, an Atlantic or a Gulf port, where his purchaser's refinery is located.

Ordinarily about three weeks must elapse between the day on which the sale contract is made and the day on which the cargo arrives and is entered for payment of duties; and it is only on the latter day that the duty can be determined under such a sliding scale arrangement. How can the producer and refiner trade freely when neither can know until three weeks later what the duty will be, and, consequently, what price the latter will pay and the former will receive?

It has been suggested that between the two the duty paid price may be agreed upon, the producer gambling on the duty to be fixed later, or that a cost-and-freight price may be fixed and the refiner do the gambling. Suffice it to say that business in large volume between serious men can not be conducted on a gambling basis. Neither can the producer ship his sugar unsold in reliance upon finding a customer on the day of arrival; there may be no refiner then able to take delivery of a cargo even at the sacrifice price which a producer in that position must surely accept, nor can the producer put his cargo in store on arrival until he can find a customer, as the cost of this is prohibitive—and, in the second place, there are not adequate storage facilities in any port.

It is clear to us that this means that free trading in raw sugar will be at an end. I personally can not see on what basis our producers, or Cuban producers particularly, can deal with refiners when neither can tell what the price is going to be or what part of that price is duty until three weeks after the arrangement is made, the steamer chartered, and delivery for loading at the producer's port. And this does not affect only the raw sugar producer and refiner; any such limitation and hindrance of free dealings between the largest dealers in the commodity, the largest manufacturers of the commodity, is bound to have its effect all over the United States and will affect conditions in Louisiana and in the beet-sugar States, as we see it, just the same as affecting conditions on the Atlantic coast, where sugar is primarily refined.

The CHAIRMAN. You do not think that this would lessen the gambling that is going on on the sugar exchange to-day, do you?

Mr. DILLINGHAM. Again, Mr. Chairman, with all due respect, I will say that I do not consider the gambling, so far as there may be any, and probably there is, for there is on most exchanges, is any detriment to the industry. On the other hand, I think the fact that there are in New York dealers and operators in raw sugar who deal on the exchange and who are ready at any time, from day to day, to buy sugar for future delivery and to sell it for future delivery, is a great protection to producers. I know that that has been so, judging by our own experience, and I believe it to be a benefit not only to producers but also to refiners, so far as they avail themselves of it.

The CHAIRMAN. Then, I take it that gambling in one way is all right but that gambling in another way is not.

Mr. DILLINGHAM. Senator Smoot, if in the Tropics we put 15,000 or 20,000 acres into cane in the spring of the year, to be cut in the spring of 1931, we are gambling that there will be a price for sugar to pay the cost of planting that cane.

The CHAIRMAN. There is no more gambling in this proposition than the contract that you make on the day of loading the sugar and the delivery. That is all there is to it.

Mr. DILLINGHAM. There is if one of the parties has to wait three weeks to find out what the price is.

The CHAIRMAN. Very well; that is your viewpoint. Go ahead.

Mr. DILLINGHAM. In the second place, the scale proposed does not give the domestic industry the needed protection. This will be apparent from a comparison of the stated duty-paid prices of Cuban sugar with the requirements of the industry testified to by the domestic producers at the hearings before your subcommittee on June 26, 27, and 28, and at the hearings before the Committee on Ways and Means of the House of Representatives last January. Those who will follow me are better able to give you such further evidence as may be needed, so I shall not go into that matter further.

Senator SHORTRIDGE. When you speak of domestic do you include Porto Rico?

Mr. DILLINGHAM. Yes; I include Porto Rico and Hawaii.

Senator KING. And do you have in mind the beet-sugar producers in the West?

Mr. DILLINGHAM. Oh, yes. They are the most important domestic producers, both in the matter of quantity and the effect generally on the agriculture of the country.

Senator KING. However, a lessening or diminution in price might possibly serve the interests of the consuming public.

Mr. DILLINGHAM. It might temporarily, and then it might happen such as happened in 1920, that there will be a shortage of sugar and the consuming public will pay more in one year than in five years previously.

The CHAIRMAN. But with this sliding scale it could not be laid to the tariff.

Mr. DILLINGHAM. It could not be laid to it, but it could not prevent it.

The CHAIRMAN. Oh, of course it would not prevent it, but at least it could not be laid to the tariff. We would say here that if sugar went—like it did in 1920—above a certain price, the tariff would not be put upon it, and that is the whole object, to stabilize the industry.

Senator HARRISON. If it went to 30 cents a pound there would at least be a duty of 1 cent.

Mr. DILLINGHAM. That is for a saving proposition.

The CHAIRMAN. That is for revenue only.

Senator HARRISON. Mr. Dillingham, can you imagine how it should be 1 cent a pound if the price of sugar went to 30 cents a pound, to help the sugar men?

Mr. DILLINGHAM. Well, there might be no opportunity to repeal it.

Senator HARRISON. But the duties were collected then, were they not?

Mr. DILLINGHAM. Yes.

The CHAIRMAN. If you do not want to collect a revenue from sugar what will the Government collect revenue from? The Government has to have money, and where would you have it collected?

Mr. DILLINGHAM. On sugar.

The CHAIRMAN. I want it distinctly understood that the $1 Senator Harrison referred to, or rather the 80 cents is what it is because we have no $1, is for revenue purposes only. So far as I am concerned I would strike it all off, just on the same basis as this, but if we do not collect a revenue from sugar we have to put it on to something else, because we have to have the money to run the Government.

Senator KING. However, a tariff for revenue is a tariff for the benefit of the manufacturer whether on sugar or anything else. That is, it operates as a benefit to the manufacturer, assuming that the tariff is for the purpose of increasing domestic prices.

The CHAIRMAN. In this case it would be the beet grower and the cane grower.

Senator KING. Exactly.

The CHAIRMAN. This is one commodity that nobody makes much money on, the retailer or the wholesaler either.

Senator KING. Mr. Dillingham, you referred to the increase in price of sugar in 1920, and I believe it extended into 1921. Was not the cause, or the proximate cause of that tremendous rise a combination upon the part of Cuban producers and refineries in the United States?

Mr. DILLINGHAM. To the best of my recollection and knowledge, and I was then selling a considerable quantity of sugar, that was not the fact. So far as I have ever been able to judge, there was no combination between the Cuban producers—and I will have to go into that a little at length in order to explain it to you.

Senator KING. I beg pardon. I do not want to interrupt your trend of thought, because I know it would disturb you.

Senator SHORTRIDGE. I should like to have Mr. Dillingham given the opportunity to proceed with his argument.

The CHAIRMAN. You may proceed, Mr. Dillingham.

Mr. DILLINGHAM. In 1919 the crop of raw sugar in Cuba was purchased by the Food Administration through the Sugar Equalization Board, or some other subsidiary, which fixed the price. And notwithstanding the armistice that contract was carried out and all Cuban sugar made in 1919, or practically all of it, was purchased by the Government, through that agency, and delivered to refiners at a fixed price.

I think it was in October, although it may have been in September, of 1919 that a question arose as to whether the same governmental agency should purchase the crop of sugar to be made in Cuba in 1920. The opinion of domestic producers was asked in regard to the matter, and we had a meeting, or probably several meetings, in New York about that time, and we urged that that purchase be made in order to stabilize the price of the commodity during the ensuing year, foreseeing uncertainty and difficulties but by no means foreseeing any such increase in price as actually resulted.

The authorities in Washington, for reasons that undoubtedly seemed good to them, declined to make that purchase on the option which Cuba had given and which expired I think in October or early in November, 1919, and it was not availed of. And the market from that date on became a free and open one in the matter of the purchase and sale of raw sugar.

As a result of the World War the sugar crop in Europe had been cut in two, and possibly cut even lower than that. I forget the exact figures. And in 1920 it had not been brought back to any substantial extent. The crop in Cuba was more or less normal, but there was a demand on Cuba from Europe which had not existed prior to the World War, and which did not exist during the war or in 1919 except to such extent as it might be satisfied through dealings between the United States Food Administration and the British Sugar Administration, under which some Cuban sugar was allocated to Great Britain and some to Canadian refineries. There was an agreement I know that resulted in what was considered a fair distribution of Cuban sugar among the allied countries, and that continued into 1919, perhaps all through the year.

Senator SIMMONS. And continues up to the present time.

Mr. DILLINGHAM. Not as a governmental function.

Senator SIMMONS. Oh, I am not speaking about that but of the fact.

Mr. DILLINGHAM. As a matter of fact, Cuban sugar is sold largely to Canada and to Great Britain and to other countries.

Senator SIMMONS. Now?

Mr. DILLINGHAM. Yes.

Senator SIMMONS. What do you mean by largely?

Mr. DILLINGHAM. Great Britain, I think, buys for its own needs and for resale to some western continental countries more or less 1,000,000 tons of sugar a year from Cuba, and probably more.

The situation then at the beginning of 1920——

Senator SIMMONS (interposing). Does any other country besides Great Britain do that, or any other country in Europe?

Mr. DILLINGHAM. Some Cuban sugar goes to refineries in Holland.

Senator SIMMONS. Do you mean some of the sugar that is sent to Great Britain goes to Holland?

Mr. DILLINGHAM. No. It is purchased through agencies in Great Britain and resold to Holland, and also to France. Sometimes it is as purchase and sale and sometimes simply as an agency transaction.

Senator SIMMONS. Could you give us the total amount of Cuban sugar now sold to Europe, or during the last three years?

Mr. DILLINGHAM. I should say it had been in the neighborhood of 1,000,000 tons. It seems to me that it is more than that, but I can not say definitely.

Senator KING. The Cuban sugar crop this year is 5,200,000 tons, I believe.

Mr. DILLINGHAM. Approximately that.

Senator KING. And we take about 50 to 55 per cent of our own consumption of Cuba.

Mr. DILLINGHAM. Yes.

Senator KING. Do you think that approximately one-third of the Cuban sugar crop is sold to Europe?

Mr. DILLINGHAM. I think it is more than that, but I have no exact figures before me. It seems to me that this year Cuba will have for sale one million and a half or two million tons of sugar to Europe.

The CHAIRMAN. Is it not a fact that in 1921 Cuban producers of sugar made a pool?

Mr. DILLINGHAM. I do not recall that they did until along in May or June, when the price commenced to go down, after everybody had gotten through paying 25 or 30 cents for sugar. I do not know that it actually happened, but there was talk of Cuban producers forming a pool and holding back the rest of their sugar for 30 cents.

The CHAIRMAN. Cuba held 1,500,000 tons of sugar back, and it was put into a pool, and America could not get a pound of it, at the time when America was paying 30 cents a pound for sugar, while the local producer was held to 12 cents a pound, and could not sell for any more than that. That is the history of that situation.

Mr. DILLINGHAM. The history is not far from that, Mr. Chairman; but I do not recall that there was an actual pool formed which controlled any large quantity of Cuban sugar.

The CHAIRMAN. You may call it a pool, or whatever you want to call it, but that is what they did, and it was in force.

Mr. DILLINGHAM. My recollection is not that, but I may be wrong about it.

Senator SIMMONS. Suppose we concede for the sake of the argument that there was a pool in Cuba; was it effective?

Mr. DILLINGHAM. It was not effective for more than a week or two, because my recollection is that almost immediately, and possibly even before there was any definite information as to the possibility or actual, as the Senator says, formation of a pool, the price of sugar began to go down. It certainly began to go down within 30 days thereafter, and fell from 25 or 26 cents for raw sugar to 8 or 9 cents, and thereafter to 7 or 6 cents before the end of the year.

So if there was a pool it was unsuccessful because the price gradually diminished.

Senator SIMMONS. Are conditions as favorable for a new pool now as they were then?

Mr. DILLINGHAM. They are more favorable.

Senator SIMMONS. Suppose there were a pool now that could control the market on sugar, and they kept it in storage as long as they pleased and turned it loose when they pleased, what would be the effects of that action upon the sugar markets of the United States?

Mr. DILLINGHAM. Temporarily, Senator Simmons, in my opinion that would increase the price of sugar in the United States by an amount not to exceed the difference between the duty on Cuban sugar and the duty on sugar from other parts of the world. At the present time——

Senator SIMMONS (interposing). Do you mean to say when you refer to other parts of the world, that you would include Europe?

Mr. DILLINGHAM. Yes; I would include parts of Europe that have sugar for export.

Senator SIMMONS. Do they have any considerable amount of sugar for export to the balance of the world?

Mr. DILLINGHAM. Oh, millions of tons. All of that would come in in free competition with Cuban sugar if the price were raised more than the differential allowed by the reciprocity treaty with Cuba.

Senator SIMMONS. Do you mean to say that if Cuba could shut her doors absolutely to any importation of sugar into this country that we could easily get a supply of sugar from elsewhere?

Mr. DILLINGHAM. At 44 cents per hundred pounds additional; yes, sir.

Senator EDGE. Why didn't they attempt to break this supposed pool before when sugar was selling at 30 cents a pound—I mean the other portions of the world?

Mr. DILLINGHAM. Because the other parts of the world were not producing sugar owing to a continuance of war conditions.

The CHAIRMAN. In other words, to-day there is an overproduction of sugar in the world.

Mr. DILLINGHAM. Yes, everywhere.

Senator SIMMONS. Let us have the witness testify to facts, as they are very important. Mr. Dillingham, will you indicate where the surpluses are?

Mr. DILLINGHAM. Java has a surplus over its customary and expected sales in the East.

Senator SIMMONS. Of how much?

Mr. DILLINGHAM. It is hard to say at this time, but I suppose probably 1,000,000 tons and possibly more.

Senator SIMMONS. My information is that it is a very small quantity, but I should like to have your best information on the subject.

Mr. DILLINGHAM. That is my best information. I could not give you the exact figures.

Senator SIMMONS. Java could furnish 1,000,000 tons of sugar.

Mr. DILLINGHAM. To Europe, yes.

Senator SIMMONS. Java could furnish it, you say?

Mr. DILLINGHAM. To Europe, yes.

Senator SIMMONS. Could furnish it to Europe?

Mr. DILLINGHAM. A part of that would come to us.

Senator SIMMONS. Do you mean that that is necessary to supply European demands?

Mr. DILLINGHAM. A part of it is, but I do not know that all of it is.

Senator SIMMONS. Do I understand you to say that Europe is going to supply all of its own demands?

Mr. DILLINGHAM. No; not altogether.

Senator SIMMONS. That is what I want to get at now. Java you say makes a million tons of sugar that it can sell. You say that Europe does not make any more than it actually needs. Now, where is that great abundance of sugar coming from if the doors of Cuba are shut against us?

Mr. DILLINGHAM. If the Cuban doors were shut there would be no superabundance of sugar.

Senator SIMMONS. That is what I want to know. Where would we get our supply of sugar if the Cuban doors were shut against us?

Mr. DILLINGHAM. We would have to go into the world market and buy Java sugar that would otherwise naturally go to Europe, and probably pay a higher price for it.

Senator SIMMONS. And that would create a deficit in Europe.

Mr. DILLINGHAM. It would tend to put the price up in Europe.

Senator SIMMONS. Java could only furnish 1,000,000 tons of sugar.

Mr. DILLINGHAM. Well, they might probably furnish more than that if the price was high enough.

Senator SIMMONS. If I understand your testimony the only real free sugar in the world outside of Cuba is 1,000,000 tons in Java.

Mr. DILLINGHAM. No, Senator Simmons. I started out by mentioning Java.

Senator SIMMONS. Well, that was the substance of what you said.

Mr. DILLINGHAM. You asked me where this surplus sugar was, and I started out by saying there was some in Java. And then there is——

Senator SIMMONS (interposing). You said 1,000,000 tons in Java, and you said Europe needed a part of that.

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. So that would cut that 1,000,000 tons. Where would we get the balance of our sugar if we are not going to get it from Cuba?

Mr. DILLINGHAM. We could get several hundred thousand tons from South America.

Senator SIMMONS. Name the countries.

Mr DILLINGHAM. From Brazil, and Peru and the Argentine.

Senator SIMMONS. How much would Brazil furnish us?

Mr. DILLINGHAM. Oh, I can not tell you, but I would say more or less around——

Senator SIMMONS (interposing). Does South America make as much sugar as it consumes?

Mr. DILLINGHAM. More.

Senator SIMMONS. Very much more?

Mr. DILLINGHAM. I would say roughly, 300,000 tons.

Senator SIMMONS. I am investigating this question very closely and would like to know the details.

Mr. DILLINGHAM. Those figures can be procured and given to you with exactness, but I can not give them to you exactly here now.

I would say that South America could ship to this country, if it needs it, four hundred or five hundred thousand tons of sugar. Perhaps it would be less than that.

Senator SIMMONS. Four hundred thousand or five hundred thousand tons of sugar?

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. Do you know how much sugar they make in South America?

Mr. DILLINGHAM. They make 1,000,000 tons, more or less, or can make it.

Senator SIMMONS. And they could ship us half of that?

Mr. DILLINGHAM. If they got high enough a price they would be glad to do it.

Senator SIMMONS. Do you mean to say that they do not use all the sugar now that they make?

Mr. DILLINGHAM. No; I think not.

Senator SIMMONS. They use very nearly all the sugar they make, within a fraction at least. Don't they buy some sugar from Cuba?

Mr. DILLINGHAM. In South America, do you mean?

Senator SIMMONS. Yes.

Mr. DILLINGHAM. Not to my knowledge.

Senator WALSH. It is expected that the beet-sugar farmers of America will give us our sugar.

Mr. DILLINGHAM. They would help fill the gap, but that can not be called surplus, when it is within our own territory.

The CHAIRMAN. We are not liable to buy very much sugar in South America with a duty of 17 cents a pound.

Mr. DILLINGHAM. They would not market very much sugar from South America at that rate.

Senator HARRISON. The Chairman says 17 cents a pound duty. Does that apply to all South American countries or only to Brazil?

Mr. DILLINGHAM. I do not know about that.

Senator HARRISON. The Chairman asked that question, and it leaves the impression that they all have a 17-cent duty.

Mr. DILLINGHAM. I do not think all are as high as that.

Senator SIMMONS. It looks as if Brazil, if it imposed a 17-cent duty, is making all the sugar she needs.

The CHAIRMAN. And we want to make all that we need.

Mr. DILLINGHAM. Conditions for the formation of a pool to-day, gentlemen of the committee, are better than they were in 1920, but I do not mean to say that it would be successful. Such a pool requires storage and banking facilities, and they are not available. There is not to my mind the possibility that any pool could be formed in Cuba to hold back the entire crop.

Senator SIMMONS. You would not expect a pool to be formed by the Cuban people. They are poor as a rule and not able to do it. You would expect such a pool to be formed by some people outside of Cuba who largely controlled the production of sugar in Cuba, would you not?

Mr. DILLINGHAM. May I answer that in this way: The president of Cuba, acting under a law passed several years ago has recently promulgated a decree for the establishment of a single selling agency for all sugar manufactured in Cuba beginning at the end of August——

Senator SIMMONS (interposing). Is that the export agency that the newspapers have been talking about recently?

Mr. DILLINGHAM. It is a glorification of the export agency.

Senator SIMMONS. A glorification of it?

Mr. DILLINGHAM. Yes.

Senator SIMMONS. What do you mean by that?

Mr. DILLINGHAM. All this talk of sugar. Instead of taking only the sugar that was to be exported elsewhere to the United States which the export agency controls.

Senator SIMMONS. Do you think that an export agency could ever be brought to a condition where it could control the Cuban sugar market with the aid of American capital interested in sugar growing and sugar refining in Cuba?

Mr. DILLINGHAM. I am perfectly clear in my own mind that a pool could not under any circumstances do more than increase the price of Cuban sugar over the world price, at which the United States is buying it to-day, by an amount somewhat less than the differential of 44 cents between the duty on Cuban sugar and the duty on sugar from other foreign countries.

Now, please let me finish this.

Senator SIMMONS. Certainly.

Mr. DILLINGHAM. In my opinion a single selling agency, with the crop in Cuba not over 4,000,000 to 4,500,000 tons, could probably during the greater part of the year obtain, through an increase in price, a substantial part of the preference of 20 per cent which was allowed by the reciprocity treaty made 25 years ago, and which it was then expected Cuba would get. The reciprocity treaty was made in order that Cuba might have that advantage. But they have not been doing it in recent years. But I believe this selling agency, with a moderate crop, not with a 5,225,000-ton crop, during the greater part of the next 15 months might obtain a large part of that preferential duty.

The CHAIRMAN. They are obtaining it now, are they not?

Mr. DILLINGHAM. They are not obtaining it now.

The CHAIRMAN. Well, pretty close to it.

Mr. DILLINGHAM. Oh, no. They are not selling sugar at 44 cents over the world price to-day. They were selling sugar in the United States just as cheap as anywhere else.

The CHAIRMAN. There is no necessity for it, other than the scheme of survival of the fittest that the City National Bank put into operation, or undertook to put into operation.

Mr. DILLINGHAM. I have left one question unanswered. That was, as I understood the question, whether this single selling agency, or any pool that might be formed, would be formed not by the Cubans themselves but by American capital interested in the production of sugar in Cuba.

My information is, and I believe it to be the fact, that this present decree is the result wholly of the efforts of the Cubans, and has been opposed by the American capital in Cuba. So that we can not say that the increase in price that resulted from that single selling agency has been brought about by American capital interested in Cuba.

The CHAIRMAN. You are absolutely correct.

Senator SIMMONS. Mr. Dillingham, everytime you have spoken about the withdrawal of Cuban sugar, you have said the price here would be regulated by the world price. I want to ask you now the question, if the 5,000,000 tons—and I believe that is what you say they made in Cuba?

Mr. DILLINGHAM. They made it this year.

Senator SIMMONS. If the 5,000,000 tons made in Cuba is effectively withdrawn from the market by any process whatsoever, what would become of the world price of sugar? To what do you suppose it would go?

Mr. DILLINGHAM. I am unable to guess that.

Senator SIMMONS. Whatever price it went to, we would have to pay that price in America, plus the duty, would we not?

Mr. DILLINGHAM. Except for the quantity of sugar produced in the United States and its possessions, which is nearly half or a little over half of our entire supply. I think this country, as it did in 1920, if that condition should obtain in Cuba, would cut down consumption by such an amount that the price could not go as high as might be expected.

Senator SIMMONS. I am not talking about the American people cutting down their consumption. I am talking about what would be the world price of sugar if the 5,000,000 tons produced in Cuba were permanently and effectively withdrawn from the market. Where would the world price of sugar go? I would like to have your idea of where the world price of sugar would go in that case. Would it go to 7 cents? Then it would come into America, under the sliding scale, at 1 cent a pound. Would it go to 7½ cents?

Mr. DILLINGHAM. I think it would.

Senator SIMMONS. Then the withdrawal of Cuban sugar would certainly reduce it down to the 1-cent basis in the sliding scale.

Senator SHORTRIDGE. Does anybody suppose that the products of Cuba will be permanently withdrawn from the world market?

Senator SIMMONS. I do not care to argue with the Senator, but I am asking the witness for his opinion.

Senator SHORTRIDGE. I perceive that. With great respect, I suggest that the witness, Mr. Dillingham, has come here with a prepared statement.

Senator SIMMONS. If I had known that he did not want to be interrupted, I would not have interrupted him, but he was interrupted by others after I came into the room.

Senator SHORTRIDGE. With great respect, I am going to suggest to the chairman that Mr. Dillingham be permitted to elaborate his views without further interruption.

Senator SIMMONS. If it is objected to, of course, I will not interrupt.

Senator SHORTRIDGE. There is no objection to it on my part. My suggestion is only in the interest of clarifying the situation.

Senator SIMMONS. I am only trying to get the facts. Mr. Dillingham has said several times that if Cuban sugar were withdrawn from the market, the world price would regulate the price in America, plus the duty. I was trying to get from him what would be the world price, in his opinion, if the sugar produced by Cuba were withdrawn from the market or destroyed or dumped into the Atlantic Ocean.

Mr. DILLINGHAM. You are asking simply for a guess, Senator. I guess that it would go to 10 cents, perhaps 12 cents, for a few months, and then it would drop back to 6 cents, or 7 cents, or 8 cents.

Senator SIMMONS. What would cause it to drop back?

Mr. DILLINGHAM. The reduction in consumption. I think it is unquestioned that history shows that every time there has been a substantial rise in the price of sugar consumption has dropped in the following year. That has certainly been true in this country, and I think it has been true abroad.

Senator SIMMONS. How could that reduction of consumption be accomplished?

Senator HARRISON. Mr. Hoover could put them on a ration, could he not?

Mr. DILLINGHAM. Probably.

Senator SHORTRIDGE. What is the total world production of sugar?

Mr. DILLINGHAM. More or less, 5,000,000 tons. The Cuban production is more or less 20 per cent of the total.

To go back to this scale which we were discussing, from the standpoint of producers of cane sugar in Louisiana and Porto Rico, who sell their sugar—at least Porto Rico entirely and Louisiana in part—to the refineries to be made into refined sugar, at a price that is fixed almost always by the addition to the Cuban price of the duty, it is extremely important to us that the change in the duty be dependent, not upon changes in the price of raw sugar, but upon changes in the price of refined sugar. There is no necessary relation between the selling price of raw sugar in Cuba and the selling price of refined sugar by the refineries. One may go up and the other may go down. If, under the sliding scale, an increase in the duty, or a decrease in the duty, let us say, takes effect upon and increases the cost or market price of Cuban sugar, our price being the sum of those two remains, more or less, not at a constant level, but at a reasonably fluctuating level; whereas, if the duty is reduced when the selling price or refined sugar is raised, there is no possible way to say that at the same time the price of Cuban sugar will be raised, which is a factor in our price, and we are less likely to get, and have gotten no later than last year, a lower price because of a reduction in the Cuban price at a time when the refinery price was mounting from week to week. The variation last year was not large, but to my knowledge there was a variation.

We strenuously object to having the duty, upon which our price is dependent, fixed by the sales price of the refineries in New York City.

Senator REED. You think that it should be on the basis of Cuban raw sugar?

Mr. DILLINGHAM. Absolutely, from our standpoint.

Senator SIMMONS. May I ask one more question, with the consent of the chairman?

The CHAIRMAN. With the consent of the witness.

Mr. DILLINGHAM. I shall be pleased to answer it, if I can.

Senator SIMMONS. The Cuban sugar comes here at 96°, and that in New York.

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. And beet sugar, when it comes out of the field, is put into the factory, and when it comes out it is refined.

Mr. DILLINGHAM. It is.

Senator SIMMONS. It is refined sugar, just the same as the refined sugar made in the eastern refineries.

Mr. DILLINGHAM. It is at least 100°.

Senator SIMMONS. Within a small fraction?

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. The beet goes into the factory and into the process of manufacture, and when that is completed, it is refined sugar.

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. The Cuban sugar comes here at 96°, and that is raw sugar and has to be refined.

Mr. DILLINGHAM. That is correct, Senator. In that connection the interests of some of the refineries in the East, which own large factories in Cuba, and the others who are more or less closely affiliated with them, would be directly contrary to the interests of the domestic producer. They would like to see the duty lower, and if there is any possibility of securing that by increasing the selling price here, naturally, they will do it. It is human nature to take advantage of opportunities that may occur to make more money, if it can be done within the law.

My last objection is this, Senators. The sliding scale that has been proposed, and which we are now discussing, delegates to the sugar refiners of New York City, of whom there are four, the power at any time to reduce the duty on sugar and to affect the income of the United States, as well as the income of the domestic producer, by the simple expedient of marking up the selling price of the refined product. It is not necessary that they should have any illegal agreement or combination to do that. Eighteen months ago they formed a sugar institute, for the purpose of curing unethical practices which were said to exist in the trade, and probably did. That institute has formed a code of ethics and more or less successfully carried out their objects and purposes, ending what was said to be the common practice of improper allowances and favors given by one refinery or another and secret price cuttings and other things of that sort. I understand that the purposes and objects of that institute have been approved by the Department of Justice and that its functions, so far as it goes, are wholly within the law.

Another accompaniment to that, however, is that, although there is no agreement, I believe, between the refiners as to the price that any one of them will ask for refined sugar, beyond an agreement that any price advance or reduction, any change in prices, will be made openly and not secretly, nevertheless, when one of the refiners in that institute marks up the price or reduces the price openly, on notice to other refiners, it takes generally less than 24 hours, and rarely more than 36 hours, for the other refiners to fix the same price. There is no agreement, but if a refiner believes that he can get 6 cents for his sugar, and the way to get it is to ask for it, there is nothing to prevent him from doing that, when the market conditions are right, or even 7 or 7¼ cents, irrespective of what the price of raw sugar is.

Senator SHORTRIDGE. Do I understand you to say that the Department of Justice has held that that is not in violation of the antitrust laws?

Mr. DILLINGHAM. There has been no ruling on that practice, because there is nothing t· rule on, as I understand it. There is no agreement or combination. The Department of Justice has simply passed on the purposes and the articles of incorporation of the institute as being within the law.

Senator HARRISON. Did I understand you to say that agreement is all right? It is not an agreement, but is just an understanding?

Mr. DILLINGHAM. No; I do not think that it is an understanding. I do not think there is any understanding about it. I think those people, being so few in number, although their territories overlap, and they overlap the beet, and in some cases the southern and western refineries are in a position where, if they are not trying to cut each other's prices secretly, to get any price within reason that they want to ask.

Senator HARRISON. It is just possibly complete cooperation.

Mr. DILLINGHAM. Complete cooperation, without agreement or understanding of any sort whatever, to the best of my belief.

Senator KING. Do you refer to the market price?

Mr. DILLINGHAM. Not the market price, but they get in each case as high a price as can properly be asked.

Senator SHORTRIDGE. As high as the traffic will bear?

Mr. DILLINGHAM. I believe that is probably a correct statement.

Senator EDGE. He feels that he is entitled to get as much as he can?

Mr. DILLINGHAM. Yes, sir.

Senator COUZENS. Does that happen under this scale when the duty on raw sugar goes down?

Mr. DILLINGHAM. No, sir; it is not affected at all if the duty goes down.

Senator COUZENS. When these four refineries make up their minds to fix the price at 7 or 7½ cents and the duty goes down, that enables them to import their raw sugar at a much lower price than they could do it otherwise?

Mr. DILLINGHAM. I believe that it does. My point in respect to that is that, aside from the impropriety of the delegation by the Congress to the refiners of the power to fix the rate or duty, it furnishes the refiners, who are only human, and who are operating their refineries to make money for their stockholders, an opportunity for an increase in price of, let us say 1¼ cents, if market conditions will allow it. Sometimes they will not, but if they will, I think that that is the fact. But the price of raw remains the same. They not only make that extra $1.20 per hundred, but they also make 96 cents additional per hundred pounds by the resulting reduction in duty from 1.76 to 0.08 per pound. In other words, that 96 cents per hundred pounds goes into the pockets of the refiner, and not into the Treasury of the United States.

The CHAIRMAN. Did you at any time in the history of refining ever know of such a thing happening?

Mr. DILLINGHAM. I do not know, but I did some twenty-odd years ago, before investigation was made of some of the eastern refineries.

The CHAIRMAN. Oh, yes; at that time they fixed the scales and cheated the Government every day.

Mr. DILLINGHAM. I would not want to say that.

The CHAIRMAN. Do you know of any refinery that ever made $1.25 a hundred on refined sugar?

Mr. DILLINGHAM. I don't know that any have done so recently.

The CHAIRMAN. No.

Mr. DILLINGHAM. I do know that last year, after that institute was formed, the difference between the refiners' selling price and the price they paid for raw was increased by no more than one-half of a cent a pound, and I think by no more than one-third of a cent a pound. During that year, 1928, one of the large refining companies, to a considerable extent through that same increase, made $5,000,000 more than it made in 1927, when it made more refined sugar than it made in 1928.

Senator SIMMONS. What do you say is the difference between the price paid for the raw sugar and the price being charged for refined sugar?

Mr. DILLINGHAM. I think the duty in 1927 was about 1 cent a pound, and in 1928 I think the average was about 1⅓ cents. There was an increase during that year of more or less than one-third of a cent a pound.

Senator SIMMONS. Do you mean refined sugar?

Mr. DILLINGHAM. Yes.

Senator SACKETT. You would not call that gambling, would you, if it is in the hands of these four people?

Mr. DILLINGHAM. There would be no gambling about it, Senator. It would be what is called a cinch.

Senator COUZENS. I understand from your statement that the refiners in New York receive a direct and considerable benefit from this sliding scale?

Mr. DILLINGHAM. For every quarter of a cent they put on the price they get from 100 to 200 per cent return through the operation of that scale.

Senator COUZENS. So instead of it operating to keep the price down, it is to their advantage to keep it up?

Mr. DILLINGHAM. Yes, sir.

Now, as to when and how often that might happen, we can not foresee. All we know is that last year, under the very bad conditions, in the refining industry, the price of refined sugar advanced, while the price of raw sugar was slightly reduced or remained stationary. That simply shows that there is no relation necessarily existing between the price of raw and the price of refined.

Our positions is this, Senators, that no matter what the improbability is of the exercise by refiners of this power which you propose to give, we think the time will come when it will be exercised.

Senator SIMMONS. I understand you to say that sliding scale allows 1 cent, and if sugar goes up to 7½ cents, they receive a direct reward from bringing the price up.

Mr. DILLINGHAM. That is the result, in my opinion.

Irrespective of when that is done, or how often or to what extent it is done, we object to any law that delegates to these refiners of raw sugar the power to change the rates of duty, that to a large extent determines the price at which the products must be sold, and, in the case of Porto Rico, at least, sold to these same refiners.

Under the law, we believe it is your right and your duty to fix the rates on sugar to not only provide revenue but also to afford ample protection to the American industry. We beg of you that you do not abrogate that right in favor of the New York refineries or any one else in a position to act arbitrarily.

We also ask that in the exercise of that right and duty you determine a rate that will give us, the domestic producers, the protection that we need; and that, in reaching your determination, you give careful consideration to the testimony of our witnesses who have heretofore testified as to their needs, both before your committee and the House committee, as well as to other facts within your knowledge. You are more or less in the position of judges in this matter. You are not bound by the evidence as strictly as is a judge, but it is none the less true, we believe, that in going outside of the evidence care must be taken not to be swayed by any considerations that do not affect the welfare of our industry itself or that of the people of the country at large.

The CHAIRMAN. Are you in favor of increasing the House rate to $3.50, which was asked for?

Mr. DILLINGHAM. I am not.

The CHAIRMAN. A number of witnesses have testified that that was what they wanted. What are you in favor of? If there is to be a sliding scale, do you want it based on raw sugar?

Mr. DILLINGHAM. If there should be a sliding scale——

The CHAIRMAN (interposing). You want it based on raw sugar instead of refined?

Mr. DILLINGHAM. My opinion is that it would be less harmful, if based on the price of raw sugar, rather than the price of refined. That does not mean I think a sliding scale is proper. If I did think so, I would try to offer it to you now, because it is an experiment that we know nothing about. We are in the position of trying an experiment.

Senator EDGE. I am not entirely clear in regard to the spread between the average price of raw sugar and the refined product. You say, as I follow you, that the refiners could manipulate the price of the refined product, practically within the control of a limited number of refineries—four, I think you said—but that would not be based upon the price of the raw product.

Mr. DILLINGHAM. I say that it would not necessarily be based on the price of the raw product.

Senator EDGE. What is the average spread between the price of the raw product and the price of refined sugar?

Mr. DILLINGHAM. The average spread this last year has been between $1.30 and $1.45, as I recollect it. The year before it was more or less a dollar. I think it has fallen to below a dollar for short periods. My recollection of the figure is that over a period of years the average spread has been about $1.70 per hundred pounds, but that is only my best recollection.

Senator WALSH of Massachusetts. What is the reason for that?

Mr. DILLINGHAM. A desire to get great profits.

Senator EDGE. Do you really believe the refiners could, regardless of the price of the raw material, raise their price on the refined product to the extent of 1 or 1⅓ cents, even though the raw material had shown no material increase in price?

Mr. DILLINGHAM. They have done it to the extent of one-third of a cent during the last year. During one or two months of last year, if my recollection is correct, the price of the refined went up from week to week, the actual price of refined went up from week to week, while the actual price of raw was falling or stationary.

Senator EDGE. What was the reason for that condition? Was it market conditions, demand or lack of demand, or what do you think it was?

Mr. DILLINGHAM. The reason at that time, to my mind, was very good. That is, that at 1 cent the refiners could not make a profit, and being one of the principal industries of the United States, it would not be harmful to the country if they should make a reasonable profit. I believe the increase in the market of 1⅓ cents would be justified by conditions, and result in no hardship to anybody. But having the power to do that, I believe that under certain market conditions, where they have got that power, they would go further. The temptation, in my opinion, would be irresistible.

Senator EDGE. Your point is that they could not withstand the temptation, notwithstanding your explanation that the setting of prices in the past has been based upon proper facts and conditions.

Mr. DILLINGHAM. Yes, sir.

Senator EDGE. You think that temptation might tend to wean them away from being honorable business men, do you?

Mr. DILLINGHAM. I do not know that it would be dishonorable, Senator. If this Congress says to the refiners, "If you do increase the price of refined sugar to 7½ cents a pound, you may reduce the cost of the raw material by 96 cents a pound," I do not know that it would be their fault if they took advantage of it.

The CHAIRMAN. You know they can not do it.

Mr. DILLINGHAM. I do not know that they can not do it.

The CHAIRMAN. There would be a great influx of sugar immediately coming in, so that the refiners could not do what you say.

Mr. DILLINGHAM. I do not say they could do it now, but I say that conditions could arise, like those of 1920.

The CHAIRMAN. Oh, if we had a war.

Mr. DILLINGHAM. Senator Smoot, the war was over two years in 1920.

The CHAIRMAN. Everybody knows that every country in Europe was not producing one-half what they produced before. That is when the price of sugar went up, and that is a circumstance following the war.

Mr. DILLINGHAM. That is a possibility that may come at any time. There are other conditions that might affect the market, aside from war, but that might bring that into effect.

Senator COUZENS. To summarize your statement, you object to the sliding scale because it transfers the fixing of rates by Congress to the refiners of New York, within certain conditions?

Mr. DILLINGHAM. That is one of our main objections.

Senator SIMMONS. You say that you favor a duty on raw sugar?

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. There is no such thing as raw beet sugar, is there?

Mr. DILLINGHAM. There is none made in this country. It is made in Europe in a few places.

Senator SIMMONS. There is none made in this country?

Mr. DILLINGHAM. There is none made in this country.

Senator SIMMONS. In this country, then, beet sugar can only be compared with refined sugar?

Mr. DILLINGHAM. Yes, sir.

Senator SIMMONS. And refined sugar under the bill has a much higher duty than raw sugar?

Mr. DILLINGHAM. Yes, sir.

Senator SACKETT. Is it possible to fix that on the basis of raw sugar?

Mr. DILLINGHAM. I believe it may be possible. We producers have been checking on that proposition. You refer to the sliding scale, do you not?

Senator SACKETT. Yes.

Mr. DILLINGHAM. Since last January, when it first was taken up by us, we have not been able to arrive at a scale we are sure will work satisfactorily. We have arrived at a scale in the last day or two that, in our opinion, is much less likely to cause harm than the scale before this committee.

Senator EDGE. Have you a copy of that?

Mr. DILLINGHAM. I can get a copy of it.

Senator EDGE. I suggest that you put it in your testimony.

Mr. DILLINGHAM. I do not want to recommend that scale, and I don't want the fact that it is produced as coming from domestic producers of sugar to be brought up against us if, after it has been in operation for six months, we ask that it be discontinued, because that is what I believe will happen.

The CHAIRMAN. Your interests are in Porto Rico and, therefore, you want the highest rate named in the House bill, no matter what price sugar goes to.

Mr. DILLINGHAM. I wouldn't say that.

The CHAIRMAN. That is what you claim.

Mr. DILLINGHAM. No. I claim we need the 2.40 rate under any ordinary circumstances.

The CHAIRMAN. Under the existing law, what would you do?

Mr. DILLINGHAM. Perhaps we can take the duty off.

The CHAIRMAN. How would you take it off?

Mr. DILLINGHAM. By an act of Congress, or the Tariff Commission, or any way it could be done. I don't think those conditions would obtain for any great length of time.

Senator WALSH of Massachusetts. Would it be possible to explain this sliding scale, and state the advantages of it? It would be much more helpful if we could have that information first.

Senator HARRISON. Nobody has said it had any advantages but the chairman.

Senator EDGE. Supplementing the suggestion of Senator Walsh, I would like to ask if there will be any witnesses on the other side of the question.

The CHAIRMAN. Yes.

STATEMENT OF EDGAR H. STONE, REPRESENTING THE SPRECKELS SUGAR CORPORATION, NEW YORK CITY

(The witness was duly sworn by the chairman.)

The CHAIRMAN. State your name and occupation.

Mr. STONE. My name is Edgar H. Stone. I am vice president of the Spreckels Sugar Corporation, refiners of cane sugar. From 1905 to 1926 I was a broker and distributor, in San Francisco, of California foodstuffs, including beet and cane sugar, and also imported white sugar. I was formerly a director of the Alameda Sugar Co., beet refiners, and a stockholder of the Union Sugar Co., beet growers and refiners.

From 1926 to 1928 I managed the foreclosed ranches and marketed the crops belonging to one of the large chain banks, and gained an intimate knowledge with regard to farms that had proven failures, and leased land to tenants for the growing of sugar beets. I served on a number of boards of arbitration, settling commercial disputes with regard to foodstuffs.

Senator HARRISON. Is not the land in California good for raising sugar beets?

Mr. STONE. Very good, if they can get a proper price for sugar.

Senator SHORTRIDGE. For the record, the best in the world.

Senator EDGE. If you had been here for the last few days, Senator Harrison, you would not have asked that question.

Senator SIMMONS. Does that apply only to irrigated land?

Senator SHORTRIDGE. Either irrigated or nonirrigated, hillside or valley.

The CHAIRMAN. Proceed with your statement, Mr. Stone.

Mr. STONE. I would like to contribute a suggested sliding scale.

Senator COUZENS. In respect to refined or raw sugar?

Mr. STONE. It could be applied either way.

Senator SHORTRIDGE. Are you in favor of any kind of sliding scale?

Mr. STONE. I am in favor of the principle of the sliding scale.

Senator HARRISON. This is a scale that you propose?

Mr. STONE. Yes, sir.

Senator HARRISON. That is unlike the Smoot-Hoover scale?

Mr. STONE. In certain features.

It is in a nonpartisan spirit that I make the following comment, nonpartisan as to politics, and nonpartisan as to any particular branch of the sugar industry. My remarks will supplement those of Mr. Rudolph Spreckels of June 28.

We advocate the principle of the sliding scale—namely, that the beet farmer shall receive protection when needed, and that the consumer shall not pay an unnecessary tax when the farmer does not need the higher protection. We have analyzed many sliding scales, and what is still harder, we have drawn up several scales, and the one we now advocate, we believe, includes the best features of those we have seen. We have attempted to make it a thoroughly practical, workable one, but before discussing the details, may I briefly state the conclusions, arrived at from the testimony and our knowledge of the sugar industry, on which this sliding scale is predicated?

The facts and figures submitted by the beet growers would indicate that refined cane sugar must sell for about $6 net, in order that they may realize an adequate figure. They testified that this will result in a return to the grower of beets of about $8 per ton.

Their most impressive arguments were the need for maintaining the present 1,000,000 tons of mainland-grown beet sugar as a nucleus in time of war. They believe they can increase the tonnage somewhat, but in the event of war, the supply of beet seed needed would be a big problem. However, we feel that the industrial mobilization division of the War Department must be assured of a substantial beet crop every year. We are impressed with the fact that sugar beets are one of the few crops of which there is no surplus; it is a good crop for the soil and one that can scarcely be overlooked by a Congress called in special session to consider farm relief.

The problems presented by growers of sugar cane on the mainland were very similar—a higher price of refined cane sugar, as established at any of the seaboard refining ports, would bring them relief, if such price was around $6 instead of the 1929 minimum of $4.75.

The owners of plantations in Porto Rico, Philippines, and Hawaii quite naturally indorse the plea for a high tariff, although no testimony was introduced which convinced us that they were suffering severely.

The home consumer of sugar did not testify, although there was a man present (the president of the Independent Growers' Alliance. comprising some 60 wholesale grocers and 800 retail stores) who was prepared to remind the committee that one year ago, sugar was selling for $6 and that the housewife considered this a reasonable basis. Inasmuch as each person in the United States uses a pound of sugar per week in the home, an advance of 1 per cent per capita per week is not excessive. What other foodstuff costs only 6 cents or even 7 cents or even 8 cents per week? We are often confused when this subject is referred to by terms of millions of dollars of increased cost to consumer. When divided by the population, the increase, I repeat, is 1 cent per pound per person per week.

Senator SIMMONS. You are now talking about the sugar consumed in homes, are you not?

Mr. STONE. Yes, sir.

Senator SIMMONS. As sugar?

Mr. STONE. Yes, sir.

Senator SIMMONS. You are not talking about the sugar consumed by the American people in other forms?

Mr. STONE. In the home?

Senator SIMMONS. No. I mean sugar consumed by the American people in other forms than that of sugar.

Mr. STONE. I intended to cover that in just a moment.

Senator SIMMONS. Very well.

Mr. STONE. The other consumers of sugar, the manufacturers, did testify. But they only convinced us that when sugar declined from $6 to $4.75 the bottle of soft drink and the candy bar remained the same size, and when the price was restored to normal, after a period of temporary decline, we were threatened with a smaller bottle and a smaller candy bar than if the price had remained constant at $6.

Testimony was also given that sugars refined in the United States were forced to compete against cane sugar refined in Cuba. Your chairman had a telegram which stated that such sugars were underselling beet and cane sugars in the Mississippi River district. We are convinced that the tariff must be sharply advanced above 98°, as these sugars are unnecessary burdens on top of an already difficult problem.

The American refiner did not testify as to his particular needs, except when Mr. Spreckels called attention to the preferred position of the Hawaiian growers, who own their own refinery and whose primary profits are derived from growing and producing raw cane sugar with imported foreign labor, a condition we would not have tolerated when any of the present States of the Union were incorporated Territories. The independent American refiners, employing thousands of American laborers, should have a margin for their work of $1 per 100 pounds, plus the loss in weight in refining. It requires 107½ pounds of raw sugar to make 100 pounds of refined sugar.

Senator KING. Is not the difference 6.92 pounds?

Mr. STONE. No two have exactly the same proportion. Mine might be 7 per cent, another 7½ per cent. It is not a definite figure, but they vary within 1 per cent.

By margin we mean the difference between duty paid raws of 96° and the net sales price of refined. The lass in weight varies from 30 cents to 45 cents per hundred pounds, depending on the value of the sugar, which is the reason why the refiners want increased stability as the price of sugar goes up. It is very difficult to analyze any of the statements of any of the sugar dealers. We tried to analyze those of our competitors. I think the one the last witness referred to is a firm of very large capital.

Senator KING. Is that the Arbuckle Co.?

Mr. STONE. No, sir.

Senator HARRISON. What concern have you in mind?

Mr. STONE. I thought that he referred to the American Sugar Refining Co. I don't think that any refiner made any $5,000,000 on the proposition of taking dirty sugar and making it white.

In giving this information about the refiner it might be interpreted that we were, for the moment, forgetting our announced policy of nonpartisanship. But these are facts that we know from first-hand information, and we trust will be accepted. We are prepared to substantiate this margin in more detail if requested.

The testimony that was not given, or possibly not emphasized, was the practical way in which prices are arrived at, and, after all, it is the price of the finished product, refined cane sugar, that interests the beet men. It is very difficult to levy a tariff on a product (raw sugar) that is not comparable with the item we are trying to protect (refined beet sugar).

Those of us in the sugar business rarely refer to full-duty sugar, although a lot is said about it here in Washington. Cuban sugar is the only foreign sugar we have had for years, and is the only foreign sugar we should be interested in. We have no doubt but that the War Department has a survey of Cuban sugar, because it is easily available in time of war, and it is also very necessary in time of peace, while insufficient sugar is raised under the American flag.

After considering this summary of testimony submitted, we face the problem of equalizing widely varying costs, protecting all sugars grown on the mainland and insular possessions, as well as maintaining the Cuban crop because we need it.

The present situation is: To the price of Cuban raw sugar (which varies) we add the present fixed duty of $1.76, and then add the refiners' margin which also varies. We thus arrive at the only figure which interests the beet men.

The lowest price of Cuban raw in 1929 was $1.70 per hundred pounds. Add the duty of $1.76, and the refiners' charge at that time was $119. Refined sugar sold at $4.65 net cost. A little later, at another time, Cuban raw sold at $2.

Senator HARRISON. Was that at Habana or New York?

Mr. STONE. Delivered at New York in bond. It was about the time the subcommittee was in session in June.

At another time Cuban raw sold at $2. The duty was $1.75. The refiner's charge dropped to 89 cents, and refined still sold at $4.65 net. In that case, with an increase of 30 cents per hundred pounds on the Cuban raw sugar, it did not help the beet men, as they felt that handling Cuban raw sugar would force the refiners at a loss to meet the competition at that time. It was the Habana competition. The following year Cuban raw was worth about $2.20, possibly a trifle less. The duty was $1.76, refiner's charge $1.19, and the sugar sold at $5.15 net.

Let us take the 1929 average of Cuban raws. It has been about $1.96. Add the proposed House duty, which is the same as the maximum of Senator Smoot's scale, $2.40, and add a refiners' margin, which is a variable anywhere from 90 cents to $1.35, and we have a price of refined sugar of from $5.26 to $5.71.

But please note that all the foregoing results are inadequate for the beet men.

Our contention is that a tariff that ignores very low Cuban prices of raws and refiners' margin can not assure any real protection to the beet men. This is just as true of a sliding scale with a $2.40 maximum, as a flat tax of $2.40.

We are therefore convinced that a tariff must be supplemented with an internal-revenue tax on all edible sugars, refined or sold in the United States and insular possessions, the Government shall refund to such vendors of beet and cane sugar in the United States or insular possessions the amount of the internal revenue tax levied hereunder, provided such sugars were grown where farm or plantation labor is paid at least $ — per day.

That, we hoped, would exempt sugars grown on the mainland from internal-revenue tax. That is the only way we can think of, of equalizing the labor situation and inequalities of sugars grown under the American flag under widely varying and preferred labor conditions that exist in Hawaii and the cheaper labor costs in Porto Rico and the Philippines.

If such a principle is adopted it perhaps might be operated somewhat as follows, that raws having a sugar content of blank degrees of more, where farm labor is paid at least $— per day and so much per ton, and for sugar cane having a sugar content of blank degrees or over, at least so much per day; the drawback paid domestic beet and cane producers to equal the revenue tax paid by the beet and cane producers on the mainland, Hawaii, the Philippines and Porto Rico, if their scale of wages equal that paid on the mainland.

The United States Government would secure a greater revenue which might be used for further farm relief, and would require but a fraction of the revenue from refined. The American consumer would always be protected because, under our plan, high refined sugar prices would not yield the refiners any more profit than reasonable prices——

Senator HARRISON. Let me ask you this. Your idea is to give protection to the beet sugar producer and cane producer in the United States as against those in the insular possessions to the extent of equalizing the difference in the cost of labor in those countries and in our country?

Mr. STONE. Yes, sir.

Senator HARRISON. Suppose that were put into effect. They would have to pay their labor, if they wanted to get the advantages of it, in the insular possessions the same as we pay them in this country?

Mr. STONE. Yes, sir.

Senator HARRISON. Would that have a tendency to increase production in those countries?

Mr. STONE. I think they could get by very nicely, the way it is now, and pay the internal-revenue tax just as we propose to pay the internal-revenue tax on Cuban sugars.

Senator HARRISON. I am wondering, if the laborer in the Philippines, for instance, should go into the production of sugar cane and get two or three times the amount of day wage that he would get in working in other industries, whether he would not naturally want to go into that business. He would, would he not?

Mr. STONE. Yes.

Senator HARRISON. Then do you not think that it would increase the acreage and production in the insular possessions?

Mr. STONE. Possibly.

Senator WALSH. To the detriment of the domestic production at home.

Mr. STONE. That would be another hurdle to consider at that time.

Senator HARRISON. I just wanted to get your reaction to it.

Mr. STONE. It is so far in advance that the Philippines or Porto Rico are going to disturb the situation greatly. I think we are all here to-day because of the plea of the beet men. That is my reaction after listening for three days to the testimony last June; and the point that we feel they have overlooked is that three things and not two things make the price of refined sugar.

Senator SIMMONS. Have you investigated the capacity of the Philippine Islands for the production of cane sugar? Can they not produce enough sugar in that country, if properly stimulated, to supply the entire United States demand?

Mr. STONE. I think that American capital is hesitant about going in there, and I believe they have a law limiting the acreage that any one corporation can own, and possibly by the time they have grown so much that they are dangerous we will have given them their freedom and they will then be paying the full duty. It is related to so many other problems that for the moment we feel that it should not greatly worry us.

Senator SIMMONS. The point that I am trying to get at is this: Of course whatever law they have there they can change very quickly, I suppose, if it is in the way. But if sugar production in the Philippines is sufficiently stimulated, are their climatic and soil conditions such that they could enormously increase their crop of sugar?

Mr. STONE. I would not say "enormously," from what I understand. At the moment they are producing 600,000 tons; Hawaii, 800,000 tons, and perhaps they are headed toward a million——

Senator SIMMONS. We are not talking about Hawaii, because they are producing there cheaper now. As I understood the speaker of the House of Representatives of the Philippines, speaking here the other day, he indicated that the possibility of an increase in production there was very considerable. If you are going, as Senator Harrison has indicated, to advise a price for work in the sugar fields that is twice as great as for work in any other line of industry, would not that necessarily greatly stimulate the production of sugar in that country?

Mr. STONE. They need capital first before labor can go into the fields.

Senator SIMMONS. I know; but capital will come where profits are to be made.

Mr. STONE. American capital is hesitant about going into the Philippines. One of the speakers here from the Philippines stated that he preferred freedom——

Senator SIMMONS. I am not referring to that part of it. My recollection is that he said that the capacity of the Philippines to produce sugar was such that they had not reached the limit at all.

Mr. STONE. It would mean that we would buy less from Cuba; that is true. Philippine sugars generally sell for a few cents less than Cuban sugars.

Our scale refers to Cuban raw sugar, 96 degrees——

Senator WALSH. What are the three factors that you say should be considered?

Mr. STONE. The price of raw sugar, plus the duty, plus refiner's margin, because that is the only figure that really interests the beet men. I mention it in the next paragraph.

For the moment we consider it a minor matter whether the Cuban preferential is 20 per cent or 33⅓ or 1 cent per pound. These are various suggestions that have been made. We feel that Cuba can stand an increase from $1.76 to $2 per hundred pounds when their raws are selling for $2.60 or less (the market to-day is $2.12 to $2.25) or when refined sugar is selling for $6 net, or less. But why should Cuba be penalized if the American refiners reduce their margin from an adequate $1.45 to an inadequate 90 cents?

This is exactly what has happened the past year, and the beet men have rushed to Washington, putting the entire blame on the low Cuban market and the $1.76 tariff.

I repeat: The refiners' margin affects the beet industry just as much as the tariff. The reason for this ruthless competition among refiners is largely due to the advantage given to Hawaiians even by the present tariff. They give away part of their protection, and we further feel that when Cuban raws advance to $4.50 in bond, refined sugar should sell for $7 and that only a $1 duty is needed for protection.

In other words, our sliding scale against Cuba is $1 minimum and $2 maximum.

While Cuban sugars remain cheap—under $2.60—no tariff suggested will bring $6 sugar, unless the refiners retain an exorbitant margin for themselves. We propose dividing this margin with the Government in the form of an internal revenue tax previously mentioned.

We are not attempting to regulate the refiner's margin, except to prevent its being excessive. After buying his raw sugar, paying the duty, then paying an internal-revenue tax, the benefit of which finds its way back to the American people, we trust the refiner will retain an adequate margin; but he can not secure an excessive one, because beyond a certain price his internal-revenue tax will increase in the same amount.

Senator SHORTRIDGE. By "refiner's margin," you mean profit?

Mr. STONE. No; there is no profit, sometimes, in the margin. It is the difference btween the cost of raw sugar of 96 degrees and the cost of refined.

Senator SHORTRIDGE. Not to interrupt you and thus violate my own suggestion, why should the refiner be guaranteed?

Mr. STONE. We are not asking for a guaranty. Under the scheme he is prevented from going too high. We hope he will have sanity enough to take an adequate margin. If he does not, he is going to hurt the beet men the way he has been hurting them the past year. If our margin had stayed where it was a year ago, we would not be here in Washington talking about this matter.

The beet men are asking for an advance exactly equal to the amount we have declined our margin.

Senator SHORTRIDGE. And by "margin" you mean what?

Mr. STONE. The difference between the raws and the refined.

Senator HARRISON. And the greater the margin on refined sugar the more protection the sugar beet man gets?

Mr. STONE. Two things effect him—the duty and the margin.

The CHAIRMAN. You heard the testimony of Mr. Dillingham in relation to manipulation by the refiners?

Mr. STONE. Yes, sir.

The CHAIRMAN. Have you any facts in the case at all?

Mr. STONE. I have never heard of such manipulation. I will say it is an unduly sensitive market, and if somebody in New Orleans has a whim that he wants to drop his price, due to the fact that his warehouse is overcrowded, his sugar is getting hard, or his banker comes to him and says, "Your note is due; convert some of your sugar into money quick," within less than 24 hours the forest fire has spread all over the United States and everybody's price declines. Therefore the beet men are absolutely at the mercy of any factor that makes the cane refiners drop their price.

Senator CONNALLY. Does it work the other way—when somebody puts the price up it hops up all over the country?

Mr. STONE. Yes. In some parts of the country the price may go to 10 cents and in another part 20 cents.

The CHAIRMAN. That testimony, then, you do not agree with at all?

Mr. STONE. That particular point?

The CHAIRMAN. Yes; that particular case that Mr. Dillingham referred to.

Mr. STONE. I do not think it is analyzed. I think it includes a great many other things than what we are discussing. It is a statement that can not be analyzed and used as testimony at a meeting like this. As near as I could find out last year they averaged about $1.15 margin, which is an inadequate one.

Senator EDGE. Do you agree with Mr. Dillingham's general criticism of the Smoot sliding scale, that according to his belief it would be an incentive for the refiners to raise their prices in order to lower the duty on the raw material?

Mr. STONE. I just felt that I could not propose any scheme with regard to which that question could not be brought up, and that we might as well face it before coming here.

Senator EDGE. I agree that your scheme obviates that particular objection; but do you believe that if the so-called Smoot plan were adopted it would be not only an incentive but would be taken advantage of by the refiners in order to lower the duty on the raw material?

Mr. STONE. I can not see how Senator Smoot's scheme would work. Therefore I have not gone into those details and I am not prepared to say until I analyze it further.

Senator EDGE. Perhaps it is not a fair question. Of course you do not want to indict your own business.

The CHAIRMAN. Is there any chance, taking past experience into consideration, of a combination of refiners to raise the price beyond what the refiner feels that he is justified in charging, or making a differential between the raws and the refined any higher than it has been in the last five years?

Mr. STONE. If things continue as they are I believe it is absolutely not only free competition but it is ruthless competition to-day between refiners. As I previously said, the margin has dropped from $1.60 at this time last year, to this year when most of the business was taken at 90 cents, which is absolutely red ink.

The CHAIRMAN. Is that $1.60 based upon some agreement referred to by Mr. Dillingham?

Mr. STONE. No, sir.

The CHAIRMAN. That is what he testified to here, under oath——

Senator HARRISON. No; he said there was not an agreement.

Senator COUZENS. He did not testify to that under oath, by any means.

The CHAIRMAN. Was there any agreement?

Mr. STONE. No, sir.

Senator COUZENS. I desire to suggest to the chairman that the witness could not have answered in the affirmative, because it is against the law.

The CHAIRMAN. He is under oath.

Senator COUZENS. He is not going to convict himself of violating the law by saying that he entered into such an agreement.

The CHAIRMAN. I would just as soon convict myself as to tell a lie.

Senator EDGE. I think he made it very clear that he did not even infer that they had broken the law. I think he was very careful in the language that he used about it. He said there was no agreement. I think he answered very positively——

The CHAIRMAN. What was the organization made for if it was not for that?

Senator EDGE. Well, go ahead. We are not the Supreme Court.

Senator COUZENS. Who constitutes the Sugar Institute?

Mr. STONE. All the cane refiners in the United States except the California and Hawaiian refiners.

Senator COUZENS. How many are there?

Mr. STONE. About 17, I think.

Senator COUZENS. So that they have a membership of only 17 refiners?

Mr. STONE. Some of the refiners have more than one plant.

Senator WALSH. Is that all the refiners on the eastern seaboard?

Mr. STONE. Yes; and one on the Pacific coast and one on the Gulf.

Senator SACKETT. If sugar went below 6 cents, would the consumer pay less for it, or would the Bureau of Internal Revenue take that saving?

Mr. STONE. The price of refined would be pretty close to 6 cents under our scheme in order to give any relief to the beet men.

Senator SACKETT. But the consumer who uses it would not be able to buy it at 5½?

Mr. STONE. There is a very poor merchandising in sugar. Wholesalers sell at a loss and retailers sell at a loss. He might buy it at 5½ even if the seller paid 6 cents for it.

Senator SACKETT. But the scheme is to give the saving below 6 cents to the Treasury?

Mr. STONE. Yes; and so the beet men can get the benefit of it——

Senator SACKETT. I am interested in the consumer of sugar. He does not get anything, does he?

Mr. STONE. The wholesale price will be around 6 cents the same as it was this time last year.

Senator SACKETT. It takes away from the consumer the possibility of saving through lower priced sugar?

Mr. STONE. As I previously stated, the advance would be 1 cent per person per week.

Senator KING. You are speaking of the wholesale price now, not the retail price?

Mr. STONE. Yes, sir.

Senator WALSH. How long during the last few years has the wholesale price been less than 6 cents to the consumer?

Mr. STONE. It has been mostly under 6 cents in the last two or three years. It only touched 6 cents at some period last year, which I do not remember offhand.

Senator SIMMONS. What would this internal-revenue tax be levied on?

Mr. STONE. That is in my brief, on the next page, if you do not mind.

For example, the 1929 average of Cuban raws has been $1.96. Add our proposed duty of $2 and it will make duty paid raws $3.96. The minimum internal-revenue tax will be 74 cents. The refiner will now make the price of refined sugar any figure he wishes. If he sells at $5.75, his margin will be only $1.05. If he sells at $6.

his margin will be $1.30; but if he sells above $6, the internal-revenue tax will increase so that his margin can not exceed $1.30.

To summarize—if you will turn to the second page of the scale I have handed you—if Cuban raws increase from $1.70 to $3.50, or an advance of $1.80, the duty-paid prices will advance from $3.70 to $5, or an advance of $1.30, and refined will advance from about $6 to $6.50, or only 50 cents.

If refined should consistently sell much below $6 under this plan, it would of course affect the beet growers. My only suggestion is that the beet growers should cite the offending refiners before some governmental authority, because selling below cost is becoming officially considered as an unfair trade practice.

We believe this sliding scale will accomplish the desired result in a practical and legal way, with due regard for such portions of the testimony of all interested parties as had real merit; and particular regard has been given to the American consumer.

I have made some comments on the scale which you have before you that answer the Senator's question. No. 6 on the first page states how the internal-revenue tax would be computed. It will be paid by the refiner at the time of sale of the refined and it will be the difference between net sales price of refined (but not less than $6) less $1; and 1.075 times the market of duty paid and/or free raws computed on an average of the previous calendar month. If this scheme of ours be adopted in principle a committee of Government experts who are familiar with the customhouse regulations should sit down with three or four of the experts employed by the refiners and work out all the administrative features of it. We are simply putting it before you.

Senator SIMMONS. Then the internal-revenue tax would be on a sliding scale itself?

Mr. STONE. Yes; and sometimes it would be nothing. It is only to take up the slack, to prevent the refiner from getting an exorbitant margin.

Senator SIMMONS. Do you not fix a miximum or minimum in connection with that?

Mr. STONE. In connection with what?

Senator SIMMONS. The internal-revenue tax. You say it is sliding; it goes up or goes down according to conditions.

Mr. STONE. On the second page I have cited these cases. Take the second example, 1929. The medium average price has been $2 for Cuban sugar. Add $2 for the duty, and it would make the duty paid price of sugar as free raws $4. I have given the range as to the price of refined sugar. It is absolutely optional with the refiner. If he sells it for $5.50 the internal-revenue tax is 70 cents and he only has 82 cents margin. If he sells it for $5.75 the internal-revenue tax is 70 cents and the refiners' margin is $1.05. He gets what is left. If he sells it for $6 the internal-revenue tax is 70 cents and he gets $1.31.

Senator SIMMONS. And one refiner might pay one internal-revenue tax and another might pay a different one, according to the price?

Mr. STONE. Yes, sir. This year's high market has been $2.12; so that until it began to climb out of the cheap class you would have a flat Cuban duty of $2.

Senator Edge. But you stabilize it, as you have already explained, by the operation of the tax?

Mr. Stone. Yes.

Senator Walsh. You claim that your plan would raise the price of sugar to 6 cents and tend to hold it there?

Mr. Stone. There is a pressure from above to hold it down and a pressure from below to raise it. But it is not fixing prices. That is what we try to get away from.

Senator Walsh. It is almost that.

Senator Connally. It is an effort to do it, but it will not quite work. That is the truth about it, is it not?

Mr. Stone. I could make it work if it were legal.

Senator Connally. I am talking about the way you have it framed up there. It is intended to do it, but it will not quite do it?

Mr. Stone. It is around 6 cents; but above that we claim that the beet men do not need a great deal of protection. After we get it up to the figure they are asking for then we say to hold it down to that, and we refiners will get nothing more than we are entitled to.

Senator Connally. You never have done that, of course.

Mr. Stone. Only, perhaps, to take care of losses——

Senator Walsh. Your plan seeks to fix maximum prices upon sugar that will give sufficient protection to the beet producers. Is not that it?

Mr. Stone. Wes.

Senator Shortridge. Having, first, regard to the beet raiser and the cane raiser in the United States proper, would your plan result in an increase of the price of beets?

Mr. Stone. The beet men have testified to that.

Senator Shortridge. What do you think?

Mr. Stone. Yes, sir; it would go to $8 a ton to the beet men.

Senator Shortridge. If your plan were adopted would it result in a benefit to the growers of beets?

Mr. Stone. Yes.

Senator Shortridge. That is your contention?

Mr. Stone. Yes, sir.

Senator Walsh. That is the whole basis on which the plan is built.

Mr. Stone. The starting point.

Senator Walsh. He is going to make sure that the protection works in his plan; it is not going to be problematical.

Senator King. There is greater concern for the beet grower than for the producer of cane sugar?

Mr. Stone. Yes. I think that is the reason we are here.

I would like to add just one brief statement. In case the Philippines do increase their production, of course the limitation that has been discussed and has been suggested by members of this committee could be put on them. I have not given any opinion on that subject and, in fact, have not discussed it, because I did not want to take too much of your time; but that is an additional clause that could be added if there is a fear of increased production.

Senator Shortridge. Do you or do you not believe that it would be advisable and desirable if we could make all the sugar we consume in the United States proper?

Mr. Stone. The question of beet seed would be a big factor, and I would want to investigate that. I know that in the time of the last war it was a very important factor, and at the moment I can not conceive of raising on the mainland and in the insular possessions 6,000,000 tons of sugar which is needed by the United States. I think that the matter of beet seed would be a factor. It comes from abroad.

The CHAIRMAN. We can raise beet seed.

Senator SHORTRIDGE. Do you think it desirable or otherwise that we be dependent on some foreign country for a fundamental food product?

Mr. STONE. No.

Senator REED. Let me ask one question with regard to the proposed internal-revenue tax. If I understand you correctly, your proposal is that the tax and the drawback shall be just enough to equal the wage advantage which the low-cost producers have?

Mr. STONE. Yes. I would lik to see it work this way, that the internal-revenue tax be levied on all sugar sold or refined in this country, and the drawback of equal amount be given to the sugar grown on the mainland. Any wording that will accomplish that. We say that is due to a preferred labor situation in the insular possessions.

Senator REED. The tax, then, on the Hawaiian would be an amount equal to the advantage which at present it has in the low wage scales?

Mr. STONE. Yes. If the price of sugar is very much below $6 the slack would be taken up in that way.

Senator REED. If we do that as to sugar ought we not to do it in cotton textiles, so as to equalize wage scales?

Mr. STONE. I did not know that we had competition from cotton grown in the insular possessions. That is not a matter that I am prepared to testify on.

Senator HARRISON. We have competition in raw cotton.

Senator EDGE. If you consider the Smoot sliding scale practical—and I rather gathered from your statement that you did not—if you do not consider it practical, would it not be a more desirable plan, so far as the refiner is concerned, than your internal revenue plan? I mean, from your own business standpoint?

Mr. STONE. No, sir.

Senator EDGE. The reason I ask you that is to follow up the question raised by Mr. Dillingham that it would permit the refiners to absolutely control the price of refined sugar. If that is correct, certainly the Smoot plan would be a better plan for the refiners.

Mr. STONE. I personally do not favor it. No; I can not subscribe to it at all. His scale varies, whereas our scale is a flat tax. The sliding scale is going to be complicated—not impossible, but complicated in application; and I say that the $2.40 tax will not accomplish $6 sugar.

Senator SACKETT. What is your reaction to giving a bounty to the beet growers?

Mr. STONE. Having raised a great many crops I know that the grower of everything from radishes up would come here and ask for a bounty. There are so many crops in distress in this country that you would have the problem of a bounty to everybody.

Senator SACKETT. You would not have any objection to a bounty as a bounty?

Mr. STONE. It would be one way of accomplishing relief for the beet men.

Senator SACKETT. You think it is impracticable because the growers of other crops would ask for it?

Senator KING. Perhaps industries would ask for it.

Mr. STONE. Farmers get more than industries get. The bounty would help the beet men to a certain extent. The beet men have got to realize that their business is being run by trade custom and we are trying to help them now in this analysis of it.

Senator EDGE. What was that remark you made, that the farmers get more than industry gets?

Mr. STONE. There is farm relief, but I have not heard of industrial relief.

Senator SIMMONS. You made one statement a little while ago that struck me as rather queer. You said that when one sold below cost of production he was supposed to be engaged in unfair competition, did you not?

Mr. STONE. Yes.

Senator SIMMONS. Do you apply that to the farmer?

Mr. STONE. I think the farmer is the only one who has not got an institute, unless the new farm relief board is one. He needs an institute or a trade association.

Senator SIMMONS. You would not want to be understood as saying that the cotton farmer or wheat farmer who sold his cotton or wheat at less than cost of production was engaged in unfair competition, would you?

Mr. STONE. Unfair to himself. He is not amenable to prosecution. It is not a conspiracy, of course.

ADDITIONAL STATEMENT OF FRANK A. DILLINGHAM

(The witness had been previously sworn by the chairman.)

The CHAIRMAN. Will you tell me, Mr. Dillingham, what classes of labor you use in Porto Rico, in the fields?

Mr. DILLINGHAM. We use natives of Porto Rico, very largely. There are a few Spaniards, but mostly natives of Porto Rico.

The CHAIRMAN. Do you employ any from Jamaica?

Mr. DILLINGHAM. No, sir.

The CHAIRMAN. Do you have them from Haiti?

Mr. DILLINGHAM. No, sir.

The CHAIRMAN. Where do you get your imported labor from?

Mr. DILLINGHAM. We have none in Porto Rico.

The CHAIRMAN. They are all Porto Ricans?

Mr. DILLINGHAM. They are all Porto Ricans or Spaniards who may have come before there was any restriction. Twenty years ago there were a number of Spanish laborers in Porto Rico, but their number is much less, now, proportionately, than it was then.

The CHAIRMAN. What do you pay labor in the field?

Mr. DILLINGHAM. We pay them from 75 or 80 cents up to $1.25 or $1.50 a day.

The CHAIRMAN. Do you furnish them with a house?

Mr. DILLINGHAM. In many cases; yes.

The CHAIRMAN. What kind of a house? The same as the houses in Cuba?

Mr. DILLINGHAM. Far better than the average house in Cuba, but not as good as the houses in Cuba furnished by the American Sugar Refining Co.

The CHAIRMAN. That is at the mill, not in the field.

Mr. DILLINGHAM. In the field we furnish better houses than I have seen furnished in Cuba.

Senator HARRISON. You say you do not import any foreign labor. You are not following the example of the sugar-beet interests by importing Mexicans to work in the beet fields.

Mr. DILLINGHAM. No, sir.

Senator HARRISON. But the Mexicans are paid in the sugar-beet fields for certain work they can do $4 as against your $1.25——

Mr. DILLINGHAM. They are undoubtedly paid more than we pay.

Senator HARRISON. There is special work there that nobody wants to do, and in order to get them to do it they have to pay them about $4 a day. So that a man. for $1.50 a day, in Porto Rico——

Senator KING. They do not get that.

Senator HARRISON. He said so. I am taking his statement.

Senator WALSH. $1.25.

Senator HARRISON. I understood you to say $1.50.

Mr. DILLINGHAM. I think the foreman gets $1.50.

Senator HARRISON. A dollar in Porto Rico will purchase more in living, all of the things that go into the essentials of life in Porto Rico, than a dollar will in the United States?

Mr. DILLINGHAM. Very much more; and it will satisfy his requirements just as well as a $4 wage or a $5 wage satisfies the requirements of common labor in the United States.

Senator HARRISON. The price of food is less, clothing is less——

Mr. DILLINGHAM. It is nil.

Senator HARRISON. So that the costs of living are less in Porto Rico than they are in the United States.

Mr. DILLINGHAM. Yes, sir.

Senator SHORTRIDGE. Clothing is nil, I understood you to say?

Mr. DILLINGHAM. Practically nil.

STATEMENT OF FRANK L. BARKER, REPRESENTING THE AMERICAN SUGAR CANE LEAGUE OF LOUISIANA

(The witness was duly sworn by the chairman.)

Mr. BARKER. My name is Frank L. Barker; treasurer, American Sugar Cane League, which represents about 4,000 to 4,500 cane farmers in Louisiana.

Senator COUZENS. What is the purpose of the league?

Mr. BARKER. The purpose of the league is to take care of the farmer from the standpoint of agriculture as well as from the standpoint of legislation. We have a great deal to do with the Department of Agriculture——

Senator KING. Is this an organization composed of the farmers themselves or independent of the farmers?

Mr. BARKER. Of the farmers.

Senator WALSH. Similar to the Grange?

Mr. BARKER. Yes.

Senator HARRISON. It is an organization to help the sugar cane industry?

Mr. BARKER. Yes, sir.

We had intended to talk to the scales generally, but that has been covered so well that I think we will confine ourselves to Louisiana's two main objections to the scale at present before the committee.

Senator HARRISON. That is, the Smoot sliding scale?

Mr. BARKER. I assume it is. It is the one that is before us.

The first objection that Louisiana had was to the 90-day weighted average clause, because of the possible chance during the months of August, September, and October of a higher granulated price which, under the weighted-average clause, would fix a low tariff for the next succeeding three months.

The CHAIRMAN. Do you think that is possible?

Mr. BARKER. We have seen under the single-selling agency during the last two weeks a rise in the price of Cuban raws of about 2 points.

The CHAIRMAN. Do you know what the reason for that is?

Mr. BARKER. I presume that is simply because the Cubans have a chance now to keep from having cutthroat competition, and if they could put that price up 50 points more the refiners would raise their margin and we would raise the price of granulated.

The CHAIRMAN. You do not object to that, do you?

Mr. BARKER. No; but that would influence the tariff that would be applicable to Louisiana at a time when Louisiana would be milling its canes, which would be in November, December, and January. If they could hold that price at 6 cents, they could force us to a tariff of $1.76 during the months of November, December, and January; November and December being small consuming months, because nobody wants to carry any quantity of sugar in refineries to the end of the year.

The CHAIRMAN. Where would they store the sugar that they would pile up for three months?

Mr. BARKER. They would not pile it up at all.

The CHAIRMAN. It has to land in New York. We put it at three months so that that very thing you are talking about could not happen. It could happen in three days, but it could not happen in three months.

Mr. BARKER. We conceive that it could happen in three months. We believe that Cuba could ship into the United States for, say, the months of August, September, and October, actually ship, or store in warehouses, so far as that is concerned. That is one thing that they are doing at the present time.

Senator HARRISON. Is that a fact?

Mr. BARKER. That is a fact in the port of New York.

Senator HARRISON. How long has that been going on?

Mr. BARKER. I could not tell you that.

Senator HARRISON. Several weeks?

Mr. BARKER. I would say since there was an indication that the tariff would be raised.

The CHAIRMAN. Where is that sugar?

Mr. BARKER. It is stored in warehouses.

The CHAIRMAN. Where?

Mr. BARKER. In New Orleans, New York, Boston, and Savannah.

The CHAIRMAN. Then they pay the $1.76 duty?

Mr. BARKER. No; they have not entered it.

The CHAIRMAN. It is in bonded warehouses?

Mr. BARKER. It is stored in bonded warehouses.

The CHAIRMAN. It can not be very much, or all the bonded warehouses in the East would be filled.

Mr. BARKER. We have a condition that is giving us very considerable worry at the present time, and that is as to how we are going to handle our crops, because the warehouses are pretty well filled and these refineries will be able to refine their own sugar, and they will not need our raw sugar.

The CHAIRMAN. Could they do it over a period of six months?

Mr. BARKER. That would be a mere guess on my part. They have done it over a period of the last couple of months. We have a fear of it and we think that our fear is fairly well grounded.

The CHAIRMAN. If that is all the fear you have, I do not think that there is much need for taking it into consideration.

Mr. BARKER. In the months of November, December, and January those raws in the warehouses were dumped upon the market and made a 2-cent raw market, and they could then, by adding a low duty, controlled over the previous three months, make up a price under which Louisiana could not live, and our farmers can not live on $3.76.

The CHAIRMAN. You mean the raws?

Mr. BARKER. Yes; I am talking of raw only.

Senator COUZENS. What is the minimum raw that they can live on?

Mr. BARKER. At the present time about $4.80 or $4.90. We are in new hopes that with the new cane we will be able to reduce that probably 15 to 20 or 30 points in the next 12 months.

The CHAIRMAN. That would bring about $6 refined?

Mr. BARKER. Yes, sir.

The CHAIRMAN. That is how I figured it.

Mr. BARKER. We cane planters are paid upon the actual price of raw sugar for the week of delivery. The sugar houses might hold that sugar against the possible chance of a thing like that, hold it into another set of three months, when the duty would climb higher.

The CHAIRMAN. If it went higher and the price raised during that time, the next three months you would gain more than you lost, perhaps?

Mr. BARKER. But the actual farmers get their settlement not like the beet people, spread over a period of months, but they get their settlement every week. If the sugar houses desired to hold that sugar they might reap this increased profit.

The CHAIRMAN. Would you rather have the existing law than the sliding scale?

Mr. BARKER. I think we feel this way about it in Louisiana; that the existing law is something that we understand pretty well and the sliding scale is something that we have a fear about. We believe that if the scale were writen upon the raw and upon a daily average, we would be able at the end of the week to take the price of the C. & F. sugar and add to it the duty during that week, and then be able to settle with our cane grower on a real price.

The CHAIRMAN. The way I look at it it would be just the reverse. You prefer the existing law to the sliding scale? Is that it?

Mr. BARKER. I do not catch that question, Mr. Chairman.

The CHAIRMAN. You prefer the existing law, $1.76 now flat, to the sliding scale?

Mr. BARKER. Oh no; not $1.76 flat. I thought when you said the existing law you meant the House bill.

The CHAIRMAN. That is not law.

Mr. BARKER. I meant the House bill.

Senator SHORTRIDGE. I would like to have Mr. Barker state his position in full so I can understand it.

Senator WALSH of Massachusetts. He is for the House bill. Is that it?

Mr. BARKER. Yes, sir.

Senator KING. Let us hear Mr. Barker uninterruptedly. We can argue it among ourselves. I do not care to come to the hearing if the Senators are going to express their views constantly.

The CHAIRMAN. That applies to everybody.

Senator HARRISON. I would like to hear the chairman express his views.

Senator COUZENS. You will get plenty of opportunity for that.

Mr. BARKER. The second objection that Louisiana sees in the sliding scale as presented by yourself, Mr. Chairman, is that while attempting to hold the price at 6 cents as the probable price. it struck us that the benefit was given to Cuba in preference to the domestic industry. Under the 6-cent scale the duty is $1.76. When granulated sells for 6 cents the duty is $1.76. Taking the average refiner's margin of $1.30, which is about fair, you get a duty-paid price of $4.70 at the port of New York. The duty is made up of the cost and the freight. The duty in that case is $1.76. That would leave a Cuban price, or a raw sugar price, outside of the tariff wall, of $2.94.

Cuba says that we can make money at that. So we are giving Cuba 69 points that we could well give to the domestic industry in raising that price from $1.76 to $2.40 and not disturbing the consumer at 6 cents and still let Cuba have $2 25, which they say they can make money at. Those are two things that struck Louisiana as outstanding in the scale. It struck us that we are not doing the consumer any harm; or if Cuba does not want to take it, it is giving it to the refiner to add to the margin, and if he does not want to take it he is going to cut the price of refined.

The CHAIRMAN. Cuba could not take more than 44 cents or the foreign sugar would come in.

Mr. BARKER. That is making Cuba a present of 44 cents that could be given to the domestic producers at no more cost to the consumer.

The CHAIRMAN. She has it now.

Mr. BARKER. She says she can make money at $2.25. There is a difference between that C. and F. price of raws and the price that Cuba says we can make money at, a difference of 69 points for somebody to play with besides the domestic producer, as I see it.

Louisiana would like to leave this thought with the committee: If it is absolutely necessary in the judgment of the committee that a sliding scale be written, we would like to have that scale based upon the raw.

Senator HARRISON. At $2.25 for the Cuban sugar, and taking what the Tariff Commission reported at $1.23 as the difference between the cost of production in Cuba and the cost of production here, have you figured out what the price of sugar would be in New York?

Mr. BARKER. Do you want to add the refiner's margin?

Senator HARRISON. Yes.

Mr. BARKER. $4.78, granulated.

Senator HARRISON. That is what the Tariff Commission says about it.

Mr. BARKER. That is the set of figures that you give me added together make $4.78. I do not know where they come from.

Senator SIMMONS. Could you make a profit on sugar at $4.78?

Mr. BARKER. No. Our profit must be based on raws.

Senator EDGE. If we reduce the duty, that 69 cents might go to the consumer?

Mr. BARKER. If you fix a price of $6 to take care of the producer, it can not go to the consumer. The object of that scale was to fix a price somewhere around $6 which would take care of the producer.

Senator WATSON. How much more sugar-cane can you raise if you have what you deem ample protection on sugar?

Mr. BARKER. I think that Louisiana could easily go up to 600,000 tons of sugar.

Senator SHORTRIDGE. How much do you produce on an average?

Mr. BARKER. This year we produced about 250,000 tons. Two years ago we produced only about 42,000 tons. Last year, I think, we went around 132,000.

Senator WATSON. Do you know about the Florida production?

Mr. BARKER. No; I do not.

Senator KING. You have produced as high as 350,000 tons?

Mr. BARKER. Yes. And we will be able to produce 350,000 tons with less acreage than before.

Senator KING. You are seeking to establish a rate for the wholesaler which, when it gets to the consumer, would cost 7 cents a pound?

Mr. BARKER. No. I think under the 6-cent rate we would be amply protected.

Senator KING. But when it gets to the consumer?

Mr. BARKER. Yes.

Senator SIMMONS. At 6 cents what profit would the sugar producer in Louisiana have?

Mr. BARKER. I will have to figure that, Senator. We would have a profit, I would say, of about 50 cents a ton on cane. The farmer would make about 50 cents a ton on cane.

Senator SHORTRIDGE. You have lands which may be devoted to sugar cane?

Mr. BARKER. Yes, sir.

Senator SHORTRIDGE. And you think you could increase your acreage until you would produce how many tons?

Mr. BARKER. About 600,000 tons.

Senator WALSH of Massachusetts. You have increased your production under the present tariff outside of the year of the famine or the disease?

Mr. Barker. Yes; we have increased that because the Department of Agriculture brought in a new Java cane for us and that has done the trick.

Senator Simmons. How many tons of cane would you have to produce in order to make 600,000 tons of sugar?

Mr. Barker. We would have to produce about 7,000,000 tons.

Senator Simmons. How many acres have you in sugar cane?

Mr. Barker. In Louisiana we have at the present time susceptible of cane culture, that was in cane culture before and we know can go back, pretty close to 500,000 acres, of which about one-fifth should be taken off for rotating purposes, roughly, 400,000 acres.

The Chairman. You stated that if the wholesaler's price in New York was 6 cents it would cost the consumer 7 cents. That is not the practice to-day.

Mr. Barker. I did not say that. I said that I presumed that would be the spread. I do know that sugar many times is sold at practically its wholesale price.

The Chairman. Not sometimes but at all times.

Senator Harrison. The sugar industry in Louisiana is in a somewhat better condition now than it was three years ago?

Mr. Barker. Decidedly so.

Senator Harrison. And you do not think this plan will hold water at all?

Mr. Barker. We think that it holds features that scare us.

Senator Thomas. Would you rather have the existing law or the sliding scale?

Senator Harrison. That is a difficult question.

Mr. Barker. Do you mean this sliding scale here?

The Chairman. Yes.

Mr. Barker. I would not want to speak for the industry, but for myself personally I would take the $1.76.

The Chairman. If you were the only one interested you could have it, so far as I am concerned.

Mr. Barker. I feel that if the market ever should go up at all we would get the benefit of the whole $1.76 to average down on our losses the other way.

Senator Shortridge. You ask for an additional straight-away tariff, do you not?

Mr. Barker. Yes, sir.

STATEMENT OF S. W. SINSHEIMER, REPRESENTING THE AMERICAN BEET SUGAR CO., DENVER, COLO.

(The witness was duly sworn by the chairman of the committee.)

Mr. Sinsheimer. Mr. Chairman and gentlemen of the committee, California, Colorado, Nebraska, Iowa, Minnesota, and North Dakota are the locations of our operations, of the companies we represent.

We have been hopeful of getting some form of tariff revision which would assist us at this time of necessity in the matter of bringing the domestic sugar industry into a healthy condition. It is our belief that the tariff relief on sugar proposed in the Hawley bill represents about the minimum increase in tariff which may accomplish this.

A review of the proposed sliding scale indicates that it is experimental, and that the results which would be obtained from its application are uncertain. Our industry is most certainly not in a condition to be experimented with.

We need higher prices than at present obtainable for our sugar, in order to enable us to function properly, to manufacture satisfactorily, and to pay our growers a reasonable amount for the beets from which we make our sugar.

I do not believe that the sliding scale proposed will accomplish this. The only similar experience with a duty of this kind that we find is the English corn laws, that were altered at various periods, and when abandoned in 1846 were roundly denounced as having been the cause of the unsatisfactory results on the price of grain to the consumer, and having failed to adequately protect the farmer, for whose benefit they were enacted, as well as having been a source for much gambling and questionable practices in the matter of importations.

Senator HARRISON. Was that plan somewhat similar to the plan proposed here?

Mr. SINSHEIMER. The corn laws of England, I believe, varied greatly at various times, but there was an inverse sliding scale, which was the dominant feature of the corn laws, as I understand the situation.

Senator HARRISON. And producers and consumers and everybody denounced that plan.

Mr. SINSHEIMER. That seems to be the record, according to quotations from reports of proceedings in the British Parliament.

We understand that protests against this proposed sliding scale have been made by agricultural associations in this country, including the following: American Farm Bureau Federation, Mountain States Beet Growers' Association of Colorado, Mountain States Beet Growers' Association of Montana, Morrill County Farm Bureau of Nebraska, and Utah Farm Bureau, as well as many others.

Fault is found with this scale upon the following counts:

1. It is experimental.

2. It is inadequate. We do not believe that this scale will provide a 6-cent price.

The CHAIRMAN. What does it provide?

Mr. SINSHEIMER. It provides an increase of tariff from 1.76 to 2.40, as I understand it, in the lower brackets, with a declining rate of duty as the price of sugar advances.

The CHAIRMAN. You made the statement that it does not protect 6-cent sugar. What do you mean by that?

Mr. SINSHEIMER. It does not assure 6-cent sugar. I mean that the current price of sugar at this time is less than 6 cents; in fact, it has been for the most of this year. We do not believe that it represents the difference in cost here and abroad.

Senator WATSON. If it did provide 6-cent sugar, would that be protective in your opinion?

Mr. SINSHEIMER. How was that?

Senator WATSON. What would it take to protect the American sugar industry by way of a tariff rate in your judgment?

Mr. SINSHEIMER. In my judgment a tariff rate which over a series of years has the expectation of making an average of 6-cent sugar or thereabouts, and in some localities a little more. That answers your question I believe.

Senator WATSON. Yes.

Mr. SINSHEIMER. Continuing my statement of the fault that we find I will say:

3. It is subject to manipulation. It is feared it may create crises in the sugar industry through the storing in bond of large quantities of foreign sugars when the duty is low, these later being released in volume. This would greatly lower the price of sugar, and by so doing would effect a raise in the tariff imposed upon other foreign sugars; and, further, that these volumes in storage may not be known to the trade. Such operation would interfere with the law of supply and demand and interrupt the usual flow of trade, thus preventing the usual correctives of oversupply and shortages.

The CHAIRMAN. You know that it could come in the same as it does now? Why wouldn't you know that the amount of sugar could come in?

Mr. SINSHEIMER. We know now through the sales. That is the way it is known to us, through the sales reported by ordinary agencies. The Government, of course, would know.

The CHAIRMAN. And anybody who wanted to know could know.

Mr. SINSHEIMER. Continuing a recitation of the fault that we find:

4. A duty is not imposed on the basis of the value of the commodity imported.

5. It has a tendency toward price fixing.

It has been stated that the scale will be effective in preventing runaway markets. Runaway markets in sugar can not occur when there is an ample supply available, both foreign and domestic. It is inconceivable that a lowering of the duty by 1.60 cents, or any other reasonable amount, would prevent this condition. A shortage of foreign sugar would inevitably create higher prices for sugar provided there was not available an adequate domestic supply to offset.

We feel that this scale will not increase domestic production on the continent of the United States, but will have a tendency to reduce sugar production.

The reduction in the duty provided by the sliding scale of $1.60 a hundred does not represent more than 20 to 25 per cent of the price of sugar.

High prices in order to stimulate production and restrict consumption must be high in relation to the low prices, and conversely low prices to restrain production and increase consumption must be low compared with the high prices. If they are high and low within too narrow a range they will fail to accomplish the usual and desired results of the law of supply and demand.

The CHAIRMAN. What would you call a high price?

Mr. SINSHEIMER. A range from 6 to 9 cents. I would say that would be a wide range. A range which would not be high would be from——

The CHAIRMAN (interposing). That would be high you say. You want 2.40 when sugar gets to $9.

Mr. SINSHEIMER. No, sir.

The CHAIRMAN. Then what do you want?

Mr. SINSHEIMER. We feel, as I have said, that the sliding scale is experimental, and we do not know how it would work out.

The CHAIRMAN. How do you want it to work?

Mr. SINSHEIMER. Through a fixed rate of duty known to the trade year in and year out.

The CHAIRMAN. Then you would say when sugar got to $9 a hundred you would not want it?

Mr. SINSHEIMER. We would not need it.

The CHAIRMAN. But you would get it, and the consumer would have to pay it.

Mr. SINSHEIMER. If I may make myself clear on this let me say that we can not hope to function in the manufacture of sugar, and pay the farmer for beets on a flat basis. I have been in business for 34 years, and therefore have no experience along this line, because we have never had a flat price during that time.

The CHAIRMAN. What do you mean by a flat price?

Mr. SINSHEIMER. An even or uniform price throughout the whole of the year.

The CHAIRMAN. And you could not expect it with this plan.

Mr. SINSHEIMER. No, but——

The CHAIRMAN (continuing). You could not do that with a sliding scale or any other kind of proposition.

Mr. SINSHEIMER. No; but the range is reduced. We can stand a year of losses if in the natural course of things, with the normal law of supply and demand working in the natural way, and working through a tariff in the normal sense, for we can then hope to make a profit over a period of 5 or 10 years.

The CHAIRMAN. You know something of the sugar business of the world, I take it.

Mr. SINSHEIMER. Yes, sir.

The CHAIRMAN. Cuba can produce more sugar than she even produces to-day. All foreign countries are now sustaining their sugar industry, and they are protecting it in every way. The production there will not diminish at all, but will increase. Now, you say here that there will be a runaway market. What do you mean?

Mr. SINSHEIMER. No; I do not think there will be a runaway market.

The CHAIRMAN. That is what you were talking about in the matter of high price of sugar. Where are you getting that idea?

Mr. SINSHEIMER. I was speaking of that as a thing to be avoided. I have seen the price——

The CHAIRMAN (interposing). How are you going to avoid it, by a 2.40 duty?

Mr. SINSHEIMER. You can only avoid it by stimulating production.

The CHAIRMAN. That is being stimulated on the islands and all over the world to-day.

Mr. SINSHEIMER. And that is why we want the Hawley bill. We feel that that will permit us to exist and allow us to pay our debts, and perhaps increase production somewhat. A high price would restrict consumption. With over half of the consumption now needed in the United States coming from domestic sources the country can get along very well and without runaway prices such as we had in 1920.

One other point that I should like to speak of was brought up this morning, and that is in the matter of beet seed. If we were producing our own sugar, or a large part of it, for supplying the United States, it was indicated this morning that except for beets we could proceed, but we are dependent upon Europe for seed. I would call the Senator's attention to the fact that during the last war our seed supplies were cut off from Europe; I mean almost entirely. One of the companies in this country produced 100 per cent of its requirements for three years from its own growing.

The CHAIRMAN. You say you would like to call my attention to that. I know that very well. I know that we can produce all the seed that we need.

Mr. SINSHEIMER. But I should like to put it in the record, in view of what was said this morning.

Senator SHORTRIDGE. Somebody said, I believe, that there might be a shortage in sugar-beet seed.

Senator HARRISON. Is there a tariff on beet seed now?

Mr. SINSHEIMER. No, sir. That company is breeding seeds, so that in event of difficulty they would be able to start up at once. Other companies produced seed during the war period, and to-day all that would be necessary would be to allow the California commercial group, which section does not have to be planted in the way of other sections, to supply it. In addition to that, nearly all companies in America carry a year's supply on hand.

In conclusion, and I have called attention to our own company, which is a very old company. We have plants dating from 1891. And prior to the condition which has been created since the war, or within the last three years, the company has had its ins and outs, and went along and paid some dividends, and accumulated sufficient money to take care of its properties, but——

The CHAIRMAN (interposing). What is your company?

Mr. SINSHEIMER. The American Beet Sugar Co.

The CHAIRMAN. Is that at Denver?

Mr. SINSHEIMER. That is our headquarters.

Senator KING. Are you affiliated with the Great Western?

Mr. SINSHEIMER. No, sir; I never have been.

Senator KING. How many plants do you represent?

Mr. SINSHEIMER. Seven operating plants, and we have one idle.

The CHAIRMAN. Where are they located?

Mr. SINSHEIMER. At Oxnard, Calif., Rocky Ford, Colo., Grand Island, Nebr., Belmont, Iowa, Mason City, Iowa, Chester, Minn., and East Grand Forks, Minn.

Senator HARRISON. Is it in one corporation?

Mr. SINSHEIMER. It is all one corporation. Well now, the one at East Grand Forks, where we are operating, it is known as the Minnesota Sugar Co. That is purely for financial reasons. The condition of the company's treasury would not permit it to go on, and it had to get some money, and a separate company was organized and a mortgage put on the plant.

Senator HARRISON. I wish you would place in our record a history of your companies.

Mr. SINSHEIMER. I am not sure that I have it here—Yes, I believe I have.

The CHAIRMAN. It may be put in at this point.

(The data referred to is as follows:)

American Beet Sugar Co.—Total net income of invested moneys covering the 10 years, 1920 to 1929, inclusive

	Total for 10 years	Average per year
Net profit from sugar operations	$2,476,015.12	$247,601.51
Other net income	22,698.95	2,268.99
Money invested [1]	262,837,015.26	26,283,701.52
Per cent earnings to capital invested before dividends	.95	.95
Per cent dividends to capital invested	1.77	1.77
Average seaboard quoted price for beet sugar, 1922 to 1929, inclusive (1920 and 1921 not available)	5.9675	5.9675

[1] Total invested moneys for 10 years by an average of $26,283,701.526 per annum.

No dividends paid since October, 1926.

Senator SHORTRIDGE. Have you named the different cities or States where your plants are located?

Mr. SINSHEIMER. Yes, sir.

Senator WATSON. Where is the idle plant located?

Mr. SINSHEIMER. At Las Animas, Colo.

Senator WATSON. Why is that plant idle?

Mr. SINSHEIMER. On account of insufficiency of beet crop, and our inability to pay enough money to the farmers for them to grow a sufficient quantity of beets. The record of our company, which Senator Harrison asked me to file, is one of growth, as I indicated before, but in recent years the situation has been such that a little over a year ago the finanacial affairs of the company were in the hands of a committee of bankers. It was only rescued from that situation by a group of gentlemen subscribing to the stock and relieving it from that position.

Senator REED. Do you grow any sugar beets?

Mr. SINSHEIMER. We have about 27,000 acres of cultivated land on which we grow what we consider a due proportion of beets. That produces for us not over 15 per cent of our entire requirements in all of our mills.

Senator REED. Where is that land located?

Mr. SINSHEIMER. Do you want to know the specific points?

Senator REED. The States.

Mr. SINSHEIMER. In California and Colorado, largely farming land.

Senator REED. Do you use Mexican labor?

Mr. SINSHEIMER. For thinning and topping our beets we use quite a little outside help, and the most of the outside help comes from what has been called Mexican sources. As a matter of fact, a canvass of the people working in our California and Colorado fields, not only on ranges but on all beets grown for our company, shows, by the way, that 60 per cent of the Mexicans are United States citizens. They are citizens of the States of New Mexico, Arizona, and Texas, and with them come a few Mexicans from the old country.

The CHAIRMAN. What do you pay a day?

Mr. SINSHEIMER. We pay Mexicans who work by the day on the farm the same rate as other farm labor, about $3.50 a day when they work by the day; and about $45 a month when working by the month with board and found in the ordinary way.

Senator WALSH. How many hours do they work a day?

Mr. SINSHEIMER. From about 10 to 11 hours.

Senator WALSH. Is there a definite number of hours?

Mr. SINSHEIMER. Ten hours is the definite amount that they are supposed to work.

Senator WALSH. But what did you mean by 10 to 11 hours?

Mr. SINSHEIMER. I meant when the work gets behind.

Senator WALSH. Then I take it that you mean they have to show so much work performed in 10 hours, and if not they work overtime to make up?

Mr. SINSHEIMER. Oh, no. That does not apply to the work of the individuals, but when we get behind in any season they work overtime.

Senator WALSH. If you are rushed they work 11 hours for the same amount of pay.

Mr. SINSHEIMER. Oh, no.

Senator WALSH. Well, then, just which is it, 10 or 11 hours for a day's work?

Mr. SINSHEIMER. Ten hours.

The CHAIRMAN. When they work on contract what do they get?

Mr. SINSHEIMER. That varies tremendously with the individual. When they work on contract just say that they have to take care of the beets for the handwork, for the thinning and topping, at whatever the going rate may be. It goes $21 and $23 an acre some years. A good worker can make $4 and $4.50, and I have known them to make $5 a day, and of course the poorer ones will make less.

Senator REED. Do you send representatives to Mexico to recruit labor?

Mr. SINSHEIMER. No, sir; we have never done that.

Senator HARRISON. Is it your statement that a duty on importations of sugar beet seed would help the beet producers?

Mr. SINSHEIMER. No, sir; I do not believe that it would help the beet producers. It costs us more to grow our seed in this country. But that would not be a very serious obstacle.

Senator HARRISON. There are a large number of importations of beet seed.

Mr. SINSHEIMER. About 100,000 bags a year.

Senator HARRISON. It has been said that we can produce enough in this country.

Mr. SINSHEIMER. Yes; we can, but at a higher price than we can import it. And this is an industry which takes time to establish. It is highly technical.

Senator KING. Do you own all the land that you have mentioned in response to Senator Reed's question, or do you rent any of it?

Mr. SINSHEIMER. The lands that we operate?

Senator KING. Yes.

Mr. SINSHEIMER. I referred to some 27,000 acres that we own. Some of it we lease out to tenants, but we have contracts for about 100,000 acres of beets all together.

Senator KING. Were those purchased out of profits that you made from time to time?

Mr. SINSHEIMER. Partly.

Senator KING. Were any of the factories constructed out of profits of operation?

Mr. SINSHEIMER. None that I know of.

Senator COUZENS. Did you hear Mr. Dillingham's testimony this morning?

Mr. SINSHEIMER. I was here when he testified.

Senator COUZENS. Do you believe that New York refiners can manipulate the price so as to lower the duty?

Mr. SINSHEIMER. I am not in a position to know whether they can or can not, being from the West and knowing conditions out there more particularly. The only reflection that I get is on the price of sugar which they make and at which I must sell my sugar. But I feel that this situation might open the door to that effect, were people to do it, or if they desired to do it.

Senator COUZENS. In other words, if they raise the price of sugar, being only a few of them that belong to the Sugar Institute, they could materially affect the rate of duty paid on imports from abroad.

Mr. SINSHEIMER. Apparently they could under this scale.

The CHAIRMAN. What duty do you want on sugar?

Mr. SINSHEIMER. As I have already said I belive the Hawley bill represents about the average over a series of years that will permit us to conduct our business and pay the farmers what they should be paid, and for us to exist and perhaps grow.

Senator WATSON. You would be satisfied with the rates in the House bill?

Mr. SINSHEIMER. Yes, sir.

The CHAIRMAN. Very well, if that is all, we thank you.

Mr. SINSHEIMER. And I wish to thank the committee.

STATEMENT OF T. G. GALLAGHER, TOLEDO, OHIO, REPRESENTING THE BEET GROWERS' ASSOCIATION OF NORTHWESTERN OHIO AND SOUTHERN MICHIGAN AND THE BEET GROWERS' ASSOCIATION OF INDIANA

(The witness was duly sworn by the chairman.)

Mr. GALLAGHER. It is my understanding, Mr. Chairman and gentlemen of the committee, that I am here for the purpose of discussing a certain proposed sliding scale. I should like to say before getting into a discussion of that matter that it seems to be the consensus of opinion of all the witnesses who were heard in the hearings before the House committee and in the hearings before the Senate subcommittee, which I attended, that we had need of a 6-cent market. That is, as I interpret the situation, it should be a 6-cent return to the beet-sugar companies. And that 6-cent return is termed a net 6-cent return and would not mean the quoted market, for the reason that the net return is usually 2 per cent off that amount.

In that respect I find that the schedule that has been proposed here also assumes a 6-cent net return, but I can not understand how 1.76, as is set forth in the schedule, will produce a 6-cent market when over the past six months we have had a market with an average of 5.05

with a 1.76 duty. There may be some way that this will show a psychological effect on the market, but I can not see that.

With the maximum of this particular sliding scale of 2.40 duty——

Senator HARRISON (interposing). You are speaking of the Smoot proposal, I take it?

Mr. GALLAGHER. Yes, sir; or at least I presume that it is Senator Smoot's proposal. It was so stated in the newspapers, and that is the only information that I have about it. At the high point of 2.40 the duty against Cuba's refined price is 5.20. If that would be put in effect of course I could never appear before you again as a sugar man, for I would have to come as something else if I came at all. We could not exist with either of those rates or the in-between rates.

The CHAIRMAN. Do you mean that it would be too low?

Mr. GALLAGHER. Yes, sir; entirely too low. In other words, that would not give us the protection that we want, which is a 6-cent return on our sugar. Now, I am an advocate of the sliding scale principle. I, perhaps, am the only beet-sugar man who does advocate the sliding scale principle.

The CHAIRMAN. Oh, no.

Senator WALSH. Do you favor the Spreckels plan?

Mr. GALLAGHER. No, sir; and I have not studied that plan sufficiently to be able to say. I did not know anything about it until last evening. But I proposed the sliding scale myself, which was very simple.

My sliding scale, which is a part of the record, assumes that with 2½ cents raw market c. i. f. New York, a 2.40 duty is required, which would make 4.90 duty paid price, or a 6-cent net return to the beet-sugar industry as well as to the sane-sugar industry. That is assuming a 1.30 refining margin at all points, because if you do preserve a 6-cent return your refining margin will almost be identical day by day. I have assumed in my sliding scale 1.30 as the differential. By that means I was able to transfer your 2.50 price of Cuban raw c. i. f. New York plus 2.40 duty as 4.90 duty paid raw—which would satisfy the Louisiana people and which they asked for, and would in return produce a 6-cent rate to the beet-sugar companies and at the same time approximately 6 cents to the refinery.

The CHAIRMAN. That would be 6.20.

Mr. GALLAGHER. The 6.20 would be the quoted price, and 6.07 would be the net price approximately.

The CHAIRMAN. With the discount off.

Mr. GALLAGHER. Yes, sir. I can see no difficulty in administering that kind of sliding scale. My sliding scale goes down with the market and up with the market of raw sugar. In other words, if the price of sugar is 2.60 instead of 2.50—that is, for raw sugar—then your duty would of course be 2.30 to make it 4.90.

I am not afraid of the price-fixing accusation in that respect because every tariff that I ever knew of made for protective purposes did try to fix a minimum price. This sliding scale of Mr. Smoot does not fix a maximum; it only fixes a minimum, which in my opinion every protective tariff does.

Senator EDGE. Do I understand that your proposition for a sliding scale is based upon the price of raw material and not on the refined price?

Mr. GALLAGHER. It is based on the price of raw material in New York. But I do not attempt to change the rate of price change with the rate of duty change. If the rate of price change is 10 cents the rate of duty change is 10 cents. I do not see that 8 cents or 5 cents or any other intermediate amount is a 10-cent change in the market. As I understand this scale it calls for an 8-cent difference in the tariff, and it is supposed to have the effect of 10 cents on the price. I can not see how that would happen.

The CHAIRMAN. You do not understand it then. I do not want to go over the rates named in the scale, but if you will look at it you will see that that is not what it does. You will see here if you will take the trouble to go over it, and I will say that——

Mr. GALLAGHER (interposing). Might I interrupt you. Mr. Chairman, just to say that I only have the newspaper account of it and perhaps it is not right. It shows here an increasing increment of duty of 8 cents for every 10 cents in the market.

The CHAIRMAN. If you will take the cash price plus the increment that will give you the constant.

Senator HARRISON. Mr. Chairman, I hope the committee will permit this explanation to be made by Mr. Gallagher, so that we may all get the benefit of it.

Mr. GALLAGHER. I will be glad to give it.

The CHAIRMAN. Certainly.

Senator REED. The witness is speaking about the Cuban duty, and that is correct. There is a variation of 8 cents per hundred for every 10-cent variation in the price of refined.

Mr. GALLAGHER. That is the way I understand it. If you will take K as the New York price, together with the duty, you will find that in every one of these different scales it is 8.2 cents. That is the constant.

Senator REED. I am only looking at the mimeographed sheet laid before us, and from it I take it that the witness and the chairman mean exactly the same thing. They all figure out just 8.2 cents.

Mr. GALLAGHER. Oh, Senator, I assume from this table that column D shows a calculation of the Cuban duties.

The CHAIRMAN. You must have the newspaper account.

Mr. GALLAGHER. I have, and that is all that I have.

The CHAIRMAN. Well, here is a copy of our statement.

Mr. GALLAGHER. I thank you.

Senator HARRISON. Maybe that was the first table that was printed.

The CHAIRMAN. There was no other printed.

Mr. GALLAGHER. This was taken from the United States Daily of August 5, which was the only table that was available to me.

The CHAIRMAN. I have not seen that; but if you will take the table I have just handed over to you, you will see what it is.

Mr. GALLAGHER. Just to clarify my mind on this matter—and I admit that I had nothing but this newspaper table to go by—you show here that the net cash price in this particular article of refined in New York at 6 cents would have a 1.76 duty.

The CHAIRMAN. That is against Cuba.

Mr. GALLAGHER. Yes, sir.

The CHAIRMAN. Then look at the first column, which is 2.20 where you figure on 8.2 cents——

Mr. GALLAGHER (interposing). It is Cuban sugar that is imparted and not full duty sugar.

The CHAIRMAN. But it is not Cuban sugar when it has been refined. It is American sugar then.

Mr. GALLAGHER. Well, I can not understand from this table other than the fact that if the price of sugar is 5.20 the duty would be 2.40.

The CHAIRMAN. That is true.

Mr. GALLAGHER. If that is true, then if the price of sugar is 6 cents and the duty is 1.76 there has been a 10 cent difference in the price, and only 8 cents difference in the same amount.

The CHAIRMAN. That is where you are mistaken. You can safely take it that it is 10 cents right straight through.

Mr. GALLAGHER. On the full duty?

The CHAIRMAN. Yes.

Mr. GALLAGHER. But that is not applicable here.

The CHAIRMAN. We are not going to change the 20 per cent rate that Cuba had, but I put it in there to show what it is in Cuba. In other words, 20 per cent off of 10 cents leaves 8 cents. That is shown on the Cuban line of the statement that I handed to you.

Mr. GALLAGHER. May I say this, that I can only feel that if the price of sugar is changed 10 cents by Cuba reducing this price of raw, you need 10 cents to compensate for that paritcular decrease made in their price and not 8 cents. That is the only viewpoint I can have under the circumstances.

Senator HARRISON. As a sugar expert don't you understand the explanation made by the chairman of the committee?

Mr. GALLAGHER. I am sorry to say that I do not quite understand it yet.

Senator REED. I think I understand both the witness and the chairman. I think they are in exact agreement.

Senator WATSON. I think they are talking about the same thing.

Mr. GALLAGHER. Perhaps so, but that we are approaching it from a different angle.

The CHAIRMAN. I said this, that 10 cents was on the full-duty-paid sugar, and that is the way we write this bill. We do not interfere at all with the preferential given to Cuba under the treaty. And when it is 10 cents full duty paid sugar and 20 per cent off, you consider the 20 per cent off, which is 2 cents, and that leaves 8 cents as applying to Cuba.

Senator REED. And that is all that the witness has said. The witness has said that when the New York ce of refined varies 10 cents per 100 pounds, then the Cuban duty ries 8 cents. So you are in exact agreement.

Mr. GALLAGHER. But I do not want to vary it 8 cents, but want it to vary exactly as it does in the price.

The CHAIRMAN. That would be a change of the whole plan in the past. Cuba has always had that preference, and Congress is going to continue it now, I take it.

Mr. GALLAGHER. I believe in giving Cuba a 20 per cent preference, and in my suggested paragraph 501 I also included that.

Senator WATSON. Have you a copy of that with you?

Mr. GALLAGHER. No; but it is in your hearings. I have no other copies, because I assumed they would be here.

Senator WATSON. All right.

Mr. GALLAGHER. In my particular case I have tried to keep myself so the simple fact of preserving the 6.07 return on sugar, or 6.07 sugar market.

The CHAIRMAN. In other words, you want that 2 cents against Cuba as well as against the world?

Mr. GALLAGHER. No, sir.

The CHAIRMAN. You want the full increase. If it is 10 cents you want the full increase so applied to Cuba?

Mr. GALLAGHER. Yes, sir. And then I want it to be 12½ to apply to the world in order that Cuba may have its differential.

Senator EDGE. Mr. Chairman, he wishes to recognize Cuba, but wishes to add 2 cents to both columns, as I understand him.

Mr. GALLAGHER. Yes, sir; and for the simple reason that if Cuba does cut its price 10 cents and you increase your duty only 8 cents, you are lagging 8 cents behind. That, as it seems to me, is simple arithmetic in that respect.

The CHAIRMAN. That is, provided you want to keep it at 2.40.

Mr. GALLAGHER. I want to keep it at 6.07. In my particular sliding scale I have it stated anywhere along the line of prices so that at 2.40 duty the price of sugar in Cuba would be as I say. If the price of sugar in Cuba would drop to 2.20 that means that you would add 2.30 to the duty. I can see no justice in asking any industry to submit to a sliding downward without giving them a slide upward. And if 2.40 is the consensus of opinion of other sugar men, of their association of which I am not a member, as being the average amount, then they certainly need something above the 2.40 when the prices that have obtained during the past six months occur again.

The CHAIRMAN. You want a higher duty than 2.40 on the lower brackets?

Mr. GALLAGHER. Yes, sir; I want a parallel to preserve the 6.07 market, and that is the only way I can do it.

The CHAIRMAN. You want 2.40 added to the 6.07?

Mr. GALLAGHER. Yes, sir.

The CHAIRMAN. That means an increase over my statement.

Mr. GALLAGHER. That may be, but that is what we need. I do not want more than a 6.07 market. When the price does reach that market I am perfectly willing to sacrifice the duty to the point of getting the needed revenue.

The CHAIRMAN. Your scale would run to about three times against Cuba.

Mr. GALLAGHER. It would run to such a point that if Cuba gave away its sugar in attempting to eliminate the American sugar industry, then the duty against Cuba, in order to preserve the 6-cent market, would have to be 4.90. On the other hand, if they did sell their sugar for 4.90 we would not want one cent of duty.

Senator SHORTRIDGE. Who fixes the price of Cuban raw sugar? Who are the gentlemen or the organization that fixes the price of Cuban raw?

Mr. GALLAGHER. The predominating owners of sugar plants in Cuba.

Senator SHORTRIDGE. Are they Cubans or Americans interested in Cuba, if you happen to know?

Mr. GALLAGHER. I should say that financially they would be Americans. But that is counteracted largely by Cuban internal political influence, I imagine, which is perhaps the only drag on the fact that a large portion of the Cuban sugar interests are owned in America.

Senator WATSON. I suggest that you now go on and conclude your statement.

Mr. GALLAGHER. Now, as I say, gentlemen of the committee, the scale I have submitted is very simple, and it does preserve the 6.07 market minimum until it drops off, and immediately it reaches that point it is in proportion as it goes up and as it goes down.

I have no fear, as I stated before, of any accusation of price fixing, because I think you will all agree with me that that is the object of a protective tariff.

Senator WALSH of Massachusetts. If your scales were put in, would it raise the price of sugar?

Mr. GALLAGHER. I think so.

Senator WALSH of Massachusetts. How much?

Mr. GALLAGHER. It would go up, I think, to the 6-cent point.

Senator SACKETT. Is there a definite Cuban raw price all the time?

Mr. GALLAGHER. A definite Cuban raw price?

Senator SACKETT. Yes.

Mr. GALLAGHER. There is not a definite one. There are several that are averaged.

Senator SACKETT. How would you get the basis of the Cuban raw price?

Mr. GALLAGHER. By having the United States Government officials value the sugar coming into Cuba as entered for duty.

Senator SACKETT. Every day?

Mr. GALLAGHER. Every day.

Senator SACKETT. And then take an average of that?

Mr. GALLAGHER. That is the actual mechanics of the thing, as I see it, though I am not an expert on tariff matters.

Senator SACKETT. I just wanted to get at how you fixed the basis for it.

Mr. GALLAGHER. Might I read paragraph 5 in that respect?

Senator SACKETT. Yes.

Mr. GALLAGHER. It covers it better than I could tell you off hand.

Senator SACKETT. Very well.

Mr. GALLAGHER. "When the current net value of 96° raw sugar, which carries the greatest discount"——

That refers to Cuban. There is only one discount country so far. [Reads:]

and the full duty rate is below $3.90 a pound c. n. f. New York City, there should be added—

And then I give my schedule.

The thought that I had in mind, after consulting two collectors of internal revenue, one at Toledo and one at Detroit, was that if you used the word "value" rather than "price," then you would put in the hands of the United States officials not only an inverse market, which might be monkeyed with, so to speak, but you also give them the power to bring in any other method of ascertaining that real value. I take New York City as a basing point. They would communicate that information to other ports of entry in ample time for them to apply to any entries that would come in that day, because dues are not collected on the day the boat enters. There is a space ranging from a week to 10 days. So that all over the country you would have the same schedule.

Senator EDGE. You claim that there is no profit in either raising or refining sugar on a basis of less than $6.20, or $6.07 net?

Mr. GALLAGHER. Yes, sir. Ninety per cent of the beet sugar industry of the United States so testified.

Senator EDGE. In other words, sugar must retail at $6.20 per hundred?

Mr. GALLAGHER. Must wholesale at $6.20 per hundred, $6.07 net.

Senator EDGE. In order to make a reasonable profit?

Mr. GALLAGHER. Yes, sir.

Senator EDGE. Does that also apply to cane sugar?

Mr. GALLAGHER. It applies to almost any sugar.

Senator EDGE. "Almost" does not answer my question.

Mr. GALLAGHER. As it happens, I made a study of that very thing a short time ago in the Detroit and Toledo markets. I found that sugar was retailing on an average of 48 cents higher than the wholesale market.

Senator EDGE. It certainly would not be more than that.

Mr. GALLAGHER. The study was made a short time ago.

Senator SHORTRIDGE. Mr. Gallagher, if your plan should become the law, what effect in your opinion would it have on the cane growers, the beet growers, in the United States?

Mr. GALLAGHER. It would expand the industry in the United States, in my opinion, because any industry that has prospered will give a reasonable return to its stockholders, and insure the growers $8.26, which I figured it would do, very carefully, in conjunction with our growers, whose association I am representing at the present time. They will grow more beets.

Senator SHORTRIDGE. Will they get a better price for their beets?

Mr. GALLAGHER. Absolutely. We have a sliding scale contract with our growers, sir, in which the growers participate in the amount of sugar we produce from our beets, multiplied by the market price.

Senator WALSH of Massachusetts. Is that true of all companies?

Mr. GALLAGHER. Substantially so.

The CHAIRMAN. How many tons of beets are grown to the acre in Michigan?

Mr. GALLAGHER. In Michigan.

The CHAIRMAN. Yes.

Mr. GALLAGHER. The average for the last twenty-four years has been 8 tons to the acre.

The CHAIRMAN. For 24 years?

Mr. GALLAGHER. Yes, sir.

Senator SHORTRIDGE. That is rather low, is it not?

Mr. GALLAGHER. No, sir.

Senator EDGE. What is it now? You are going back 24 years.

Mr. GALLAGHER. That is the average. Last year it was only about six tons to the acre.

Senator THOMAS. Will you please give the range of the variation?

Mr. GALLAGHER. In this particular table it is from 5.46 low to 10.28 high.

The CHAIRMAN. To what do you attribute the decrease in acreage?

Mr. GALLAGHER. Excessive rainfall and insufficient drainage. That is my personal opinion.

Senator WATSON. You said that if your figures could be put into legal effect, it would raise the price of sugar.

Mr. GALLAGHER. Yes, sir.

Senator WATSON. Would the Smoot schedule raise the price of sugar, of it could be put into effect?

Mr. GALLAGHER. I don't think so, sir.

Senator WATSON. Am I right in my recollection that we raised the rate on sugar, and yet sugar went down after that for a good while?

Mr. GALLAGHER. Yes, sir.

The CHAIRMAN. Would you prefer the existing law to the sliding scale submitted by me?

Mr. GALLAGHER. The 1.76 against Cuba?

The CHAIRMAN. Yes, sir. Would you prefer that to the sliding scale I suggested?

Mr. GALLAGHER. That is a rather peculiar question for me to answer.

The CHAIRMAN. I do not think it is.

Mr. GALLAGHER. With either one of them they would have to go out of business the way it is fixed up here.

Senator WALSH of Massachusetts. The House rate would keep you in business, would it?

Mr. GALLAGHER. The House rate would keep us in business, but not to the extent of making it a profitable business.

The CHAIRMAN. You say that the House rate would keep you in business?

Mr. GALLAGHER. I don't mean the existing bill. I don't want to get confused here. The 2.40 flat rate might permit us to linger on for four or five more years, but not produce sugar at a profit.

The CHAIRMAN. The 2.40 flat rate?

Mr. GALLAGHER. Yes, sir. You must have a higher rate than that, if you go to 6.07.

Senator WALSH of Massachusetts. What do you want?

Mr. GALLAGHER. I want a rate that will give me 6.07.

Senator WALSH of Massachusetts. What is that?

Mr. GALLAGHER. In my opinion, a sliding scale.

Senator WALSH of Massachusetts. If you do not get a sliding scale, what is it?

Mr. GALLAGHER. I want about 1.05 increase over 1.76, about 2.81.

Senator WALSH of Massachusetts. Forty-nine cents more than the Hawley bill?

Mr. GALLAGHER. I might say that every farm organization in the United States asked for at least that much.

The CHAIRMAN. An increase of 49 cents over the House bill?

Mr. GALLAGHER. Yes.

Senator WALSH of Massachusetts. How much would that raise the price of sugar?

Mr. GALLAGHER. Approximately 1 cent on the quoted market.

Senator WALSH of Massachusetts. Senator Harrison wanted to know the production in Utah per acre, as contrasted with Michigan. You overlooked his question.

Mr. GALLAGHER. I could not give you that information. You can get that from some Utah man.

I would like to explain in closing, Mr. Chairman and gentlemen, if you have no further questions, that the beet-sugar business of the United States and the cane-sugar business of the continental United States are, as the witness speaking for Mr. Spreckels said this morning, at the mercy of the refiners.

I agree with him thoroughly in that respect. The only way we can relieve him from that situation is by giving him that particular protection I am asking for. That is to give him a price of $6.07 that they can not manipulate. I think the sliding scale I have produced will do that. It does not give the refiner a crack at that duty imposed. He can cut his differential if he wants to, but he is cutting his own throat when he does it.

Senator WALSH of Massachusetts. Having in mind recent prices of sugar, and if your sliding scale were in operation, desiring to get a 6.07 price, how often would the rate have to be higher than 2.40? Practically, all the time, would it not?

Mr. GALLAGHER. I do not think so, sir. My theory is if they knew they could not monkey with the market, then Cuba could get a reasonable price for its sugar, which would be 2.50.

The CHAIRMAN. Why do you say "Cuba"? Why do you not say the National City Bank of New York?

Mr. GALLAGHER. I quite agree that has a good deal to do with it. I am speaking of the Cuban interests. I will qualify it to that extent.

Senator WALSH of Massachusetts. To maintain a price of 6.07, it would have been necessary in the past to get a rate higher than 2.40, woludl it not?

Mr. GALLAGHER. Yes, sir.

STATEMENT OF JOHN E. SNYDER, REPRESENTING THE HERSHEY CORPORATION, HERSHEY, PA.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You spoke on sugar before?

Mr. SNYDER. Yes, sir.

Senator EDGE. Give your name and the organization you represent.

Mr. SNYDER. My name is John E. Snyder, of Hershey, Pa., representing the Hershey Corporation, producers of refined sugar in Cuba.

Senator SHORTRIDGE. What is your capitalization? Is it $50,000,000?

Mr. SNYDER. That is the amount invested. It is not all in capital. Part of that is represented by a deficit.

Senator SIMMONS. You say that you are engaged in refining sugar in Cuba?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Are you refining any sugar in America?

Mr. SNYDER. No, sir. But we do use in Pennsylvania sugar that we do manufacture and refine in Cuba.

Senator WATSON. Do you use it all?

Mr. SNYDER. No, sir. We use approximately one-third of our Cuban production in Hershey, Pa.

Senator WATSON. What do you do with the other two-thirds?

Mr. SNYDER. It goes on the market and is sold, principally in southern territory. By that I mean east of the Mississippi, south of the Ohio and Potomac, with the exception that we do sell some in Louisiana and do sell some in the State of Ohio, and in Indiana and southern Illinois.

Senator REED. Do you sell in Europe?

Mr. SNYDER. No, sir. We do sell in Panama. We have had no calls for sugar from Europe. We have had inquiries, but no demand has come from them as yet.

Senator WALSH. Do the refiners of sugar divide the market locally?

Mr. SNYDER. No, sir.

Senator WALSH of Massachusetts. Does the New England refiner sell on the southern market?

Mr. SNYDER. When you refer to the New England refiner, I would say not, because the freight rate would be against him. The sale of sugar is largely a matter of freight rates.

Senator WALSH of Massachusetts. Is that not the reason why it is so much localized?

Mr. SNYDER. Yes, sir.

Senator WALSH. That is what I had in mind.

Mr. SNYDER. Our sugar is sold at the seaboard price. The purchaser pays the freight. However, he only pays the freight rate from his nearest shipping point, which would be the nearest refinery. And in the event that some other refinery would sell sugar to a purchaser to which some other seaboard refiner has a lower freight rate, then the seller of that sugar would be required to absorb the excess freight.

The CHAIRMAN. May I suggest that you went over all this matter before, and you were to speak here on the sliding scale. Will you confine yourself to that?

Mr. SNYDER. Yes; I will do that. I want to answer Senator Reed's question. He asked me whether it was sold in Europe, and I said no. We have at the present time people in Europe looking after markets there in the event tariff legislation in the United States is unfavorable to us.

The CHAIRMAN. I do not want you to think I was disrespectful to you, but I noticed that you had thirty pages of testimony before.

Senator EDGE. What do you think of this proposed sliding scale?

Senator SHORTRIDGE. That is what we want to know. Go right to the point.

Mr. SNYDER. I will answer your question. I don't approve of it as it stands, for the reason that the sliding scale as presented by Senator Smoot is, to my mind, two things. First, with the low priced sugar, $5.20, it is the Hawley Bill converted into a sliding scale. With sugar at 6 cents, it is the present existing law, or the 1922 tariff act, put into a sliding scale. Of course, when you get up to 7.2, with the duty going down to one cent full duty or 80 cents Cuban, we have a consummation there that I don't think anybody in the sugar business is looking for any 7 cent sugar. The reason

I am not in favor of it is this: That I believe, as a fact-finding body has found that the present 1922 tariff rates are too high, they should not be increased. I believe they should be reduced to meet the findings of the Tariff Commission.

The CHAIRMAN. That was only a part of the commission.

Mr. SNYDER. It was a majority report.

The CHAIRMAN. I understood it was two to two.

Senator SIMMONS. In your opinion, does that measure the difference between the cost of sugar in this country and in Cuba?

Mr. SNYDER. Oh, yes. And then, under the present state of affairs in the country at large, by which I mean Washington and the Halls of Congress, it seems unlikely that any existing tariff rate will be reduced, and it seems to me that the 1922 rate should stand and there should not be any increase.

Senator EDGE. What is your explanation about the facts that have been portrayed here by the previous witnesses of the beet and cane sugar industry not being able to survive under that rate?

Mr. SNYDER. I don't agree with them, for this reason: That the beet sugar industry in this country was developed and maintains itself under the existing low tariff rates, and under the 1922 tariff rates, which were a substantial increase, they have not increased their production.

Senator SHORTRIDGE. They have not prospered, have they?

Mr. SNYDER. About 60 per cent of them have, and about 40 per cent of them have not.

The CHAIRMAN. Do you remember any time when it was ever lower than it is in that bill, the last two or three years, under that law, or any other law?

Mr. SNYDER. There was one time when it was lower. It was not within my recollection, Senator. We looked that matter up as a matter of curiosity. There was once when it was lower.

The CHAIRMAN. When was it?

Mr. SNYDER. It was quite a number of years ago.

The CHAIRMAN. It was so so far back that I do not know anything about it.

Mr. SNYDER. It was quite a while back. You will find the figure when it was lower than it has ever been. It was a good many years ago, possibly 20, I don't know.

Senator SHORTRIDGE. You are advancing your argument from the point of view of a Cuban refiner, are you not?

Mr. SNYDER. I am answering questions that have been asked me.

Senator SHORTRIDGE. I understand, but you are here to present the views of the Cuban refiners, are you not?

Mr. SNYDER. That was the only purpose for which I am here.

The CHAIRMAN. And you are against the sliding scale?

Mr. SNYDER. No. I was interrupted in my answer. I was asked my opinion about it, and I gave it to you. I will say that after having studied the sliding scale submitted by Senator Smoot, I wish to say that it is a fair adaptation of the present Hawley bill and the present tariff act of 1922 to the existing circumstances, and I believe is a sliding scale as good as one can be drawn up. I am not finding fault with it because it is a sliding scale.

Senator EDGE. I want to get your opinion as to the practicability of any sliding scale. Do you think that any sliding scale can be successfully administered?

Mr. SNYDER. I do.

Senator REED. Do you think that it should be based on the price of Cuban raw or refined sugar in New York?

Mr. SNYDER. I believe on the price of refined sugar.

Senator REED. Why?

Mr. SNYDER. I believe that for this reason: We are here to do something, for the purpose of relieving a situation that exists among the beet growers in the far West. Beet sugar is on a parity with refined sugar, and anything that you compare it with must be refined sugar.

The CHAIRMAN. It sells at 20 cents less.

Mr. SNYDER. It does, Senator Smoot, and why they do it, I don't know.

The CHAIRMAN. I do not know, either.

Mr. SNYDER. I have never been able to understand it, but they do, not only 20 cents but in the last year they sold it for 40 cents less.

Senator REED. I would like to know why you think it is better to base it on refined than on raw?

Mr. SNYDER. Because the only sugar it is sold in competition with is a refined sugar. Beet sugar is necessarily refined sugar. The consumer does not use anything but a refined sugar. He can not use a raw sugar. It is not used for domestic consumption. You want to put the two things on a parity. In that respect I do agree with Senator Smoot's schedule, which I think is as good as one can be drawn up under the circumstances.

Senator SIMMONS. Suppose you were to export the refined sugar which you make in your factories, you would have to pay what duty on it under the Hawley bill?

Mr. SNYDER. Do you mean "export"?

Senator SIMMONS. I mean export from Cuba into this country.

Mr. SNYDER. We pay now 1.912.

Senator SIMMONS. In Cuba? That is the present law?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Under the Hawley bill, it would be how much?

Mr. SNYDER. Under the Hawley bill?

Senator SIMMONS. Yes.

Mr. SNYDER. It is 2.80.

Senator HARRISON. I understand that instead of 2.40 being the rate against Cuba, it is 2.80.

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Refined sugar?

Mr. SNYDER. Yes, sir.

Senator HARRISON. I understand that is the sugar they make of the sugar beet.

Mr. SNYDER. Yes, sir. It is 96 sugar.

Senator HARRISON. That is what they make?

Mr. SNYDER. Yes, sir.

Senator HARRISON. But the sugar manufacturers who make the refined sugar get $2.80?

Mr. SNYDER. Yes, sir.

Mr. SIMMONS. On refined sugar in Cuba they must pay 2.80?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. That is the only sugar that comes in competition with beet sugar?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Beet sugar is refined, and that is refined?

Mr. SNYDER. Yes, sir. I suggested that point before the subcommittee. I am pleased that the idea has taken root, because under the proposed legislation, under the 1922 act and all prior tariff acts since 1897, sugar was actually based on a raw sugar 96 basis; but under the present Hawley bill that basis has been changed from the raw sugar basis to the refined sugar basis.

Senator WALSH of Massachusetts. Are your views the same views that are entertained by the American refiners of sugar?

Mr. SNYDER. Some of them; not all of them, because the American refiners of sugar, some American refiners of sugar, while they are important in the business, they are the smaller refiners who appeared here and asked for an increased duty against Cuban refined sugar.

Senator WALSH of Massachusetts. Claiming that you have an advantage?

Mr. SNYDER. No; they do not claim that. They admitted that they had not suffered. They stated that here. But they feared that some time they might, and therefore they wanted the duty against the Cuban refined sugar increased.

Senator WALSH of Massachusetts. Have you any advantage in refining sugar in Cuba, compared with the refining of sugar in America?

Mr. SNYDER. We have not.

The CHAIRMAN. You do not pay the same rates?

Mr. SNYDER. No; we have, however, other expenses which they do not have here.

The CHAIRMAN. What are they?

Senator HARRISON. It seems to me that all this was gone over before the subcommittee.

The CHAIRMAN. The Senator from Mississippi thinks there is no reason for going into this.

Senator HARRISON. It was testified to before the subcommittee.

Mr. SNYDER. I was going into this, and the chairman suggested that my time was up.

Senator WATSON. Have you studied the Spreckels schedule?

Mr. SNYDER. The first I saw of it was this morning.

The CHAIRMAN. If that is all, we will call the next witness.

Mr. SNYDER. Just a moment, Senator. I have not yet stated what I came here to say.

Senator SHORTRIDGE. Are your expenses for production in Cuba the same as in America?

Mr. SNYDER. Practically.

Senator SHORTRIDGE. The labor costs are far lower, are they not?

Mr. SNYDER. Our labor costs are lower.

Senator SHORTRIDGE. You are obliged to incur other expenses than those incurred in America?

Mr. SNYDER. Yes, sir.

Senator SHORTRIDGE. Such as what?

Senator WALSH of Massachusetts. On Senator Harrison's objection, we agree not to go into that.

Senator HARRISON. I did not object, but this was gone into quite fully before the subcommittee.

Senator WATSON. I think that we went into that quite thoroughly.

Senator SHORTRIDGE. It can be stated in one, two, three. What is the expense?

Mr. SNYDER. I will state very frankly that our labor cost is lower, because the day wage is lower in Cuba than it is in the United States.

Senator SHORTRIDGE. Certainly.

Mr. SNYDER. But the expert machinists and electricians, engineers and things of that kind, of which we have a great many, are almost on a parity. But we are a purely American institution in Cuba. All of our machinery and equipment and supplies come from the United States. Everything is shipped down there, upon which we pay the freight. The increased cost of those things is practically equal to the difference in the labor cost, because the labor cost is not the largest element in the cost of refining sugar. I don't mean to say that we don't have any economies, because I very frankly say that we do. There is no use trying to deceive myself, and no use trying to deceive you. We do save, and I will frankly and fairly state it to you. That is what we save, and that is the reason why we are there.

We make our sugar and refine our sugar at one and the same time. In other words, the process of refining sugar is the same process by which it is made, other than the grinding of the cane and the filtration of juices. All those things are the same in the refinery as in the mill. We do that at one place and at one time. That is our saving. The plants are equipped the same. We don't stop in the middle of a process to make 96 sugar, pack it up, ship it into the States, unpack it, melt it all over again, convert it into something else, and make it into sugar a second time. That is our saving. It is the handling of the raw sugar, the duplication of it, that we avoid. That is the reason why we are in Cuba.

Senator WALSH of Massachusetts. Is that a financial saving?

Mr. SNYDER. It is.

Senator WALSH of Massachusetts. Then you have an advantage?

Mr. SNYDER. To that extent.

The CHAIRMAN. Does your company buy all its cane or raise the cane?

Mr. SNYDER. We own about 67,000 acres of land. We lease about 67,000 acres of land, which we lease out to farmers who raise cane on it, and we buy the cane from them. We buy from other growers of cane, and the smallest proportion is raised by our own people on our own land.

The CHAIRMAN. What class of labor do you have in the cane fields?

Mr. SNYDER. The ordinary regular Cuban labor.

The CHAIRMAN. How many have you imported from Jamaica?

Mr. SNYDER. We do not have any.

The CHAIRMAN. Do you mean there are none in Cuba?

Mr. SNYDER. Oh, no. I thought that you meant us.

The CHAIRMAN. I wanted to find out how many you have.

Mr. SNYDER. We have none.

The CHAIRMAN. Do you get any from Haiti?

Mr. SNYDER. No, sir.

The CHAIRMAN. They are all Cubans?

Mr. SNYDER. We have Cubans. There is Haitian labor in Cuba. We all know that.

The CHAIRMAN. About 30,000.

Mr. SNYDER. It is over 20,000. Whether it is 20,000 or 30,000, I do not know.

The CHAIRMAN. It is approximately that.

Mr. SNYDER. We are just outside of Habana, in the Province of Habana, and between the cities of Habana and Matanzas. The Haitian labor is practically all in the far eastern end of the island, 400 miles away from us.

The CHAIRMAN. I just wanted to know whether you had that class of labor.

Mr. SNYDER. We do not.

The CHAIRMAN. That is all I wanted to know.

Mr. SNYDER. We have either Cuban or Spanish labor.

Senator REED. Let us be fair to Mr. Snyder and let him say what he came here for. We have not heard that yet.

Mr. SNYDER. No; you have not heard that yet. I will make it brief. I will not discuss the merits or the demerits of the sliding scale. You have heard a good deal on that and you will undoubtedly hear some more. What I am here to draw your attention to is that portion of this sliding scale submitted by Senator Smoot which does not slide. In other words, and I have no doubt the Senator will bear me out in this statement, that scale ceases to slide at 98°, and for 99° and 100° sugar it is constant. We have a sliding scale which does not slide on the sugar we produce. It is that to which I now wish to draw your attention.

Senator SACKETT. Where is that on the list?

The CHAIRMAN. In the last two paragraphs, 99° and 100°.

Mr. SNYDER. Here is the point of the refiners of sugar. It requires, according to the claims of refiners, and for the purposes of this argument we will concede it to be correct——

The CHAIRMAN (interposing). If you are trying to be correct then do not say that it does not slide, because it does; 99° is one rate and 100° is another.

Mr. SNYDER. It increases, but it does not change with the price of sugar.

Senator SMOOT. Oh, it does, too.

Mr. SNYDER. No, Senator; it does not.

The CHAIRMAN. Go on and make your statement.

Mr. SNYDER. It requires 107½ pounds of 96° sugar to make 100 pounds of refined sugar. Now, under the present law the duty on 96° sugar is $1.7648. The refiner in the United States pays a duty on 107½ pounds of 96° sugar to produce his 100 pounds of refined sugar, and therefore it costs him $1.89716. When we bring our sugar into the United States from Cuba we pay a duty of $1.912. Therefore, we pay more duty than he does. It is not a great deal more, but it is more. We are almost on equal terms. Under the Hawley Act the duty on 96° sugar was increased to $2.40.

The CHAIRMAN. No. The change was made in 94°.

Mr. SNYDER. Yes; the change was made in 94°. But 96° sugar pays a duty of $2.40. That 107½ pounds of 96° sugar required to make 100 pounds of refined sugar costs the refiner in the United States $2.58, which is a material increase. The duty fixed on 100° sugar under the Hawley Act was $2.80. Therefore, the proposed Hawley Act increases the amount against us from 0.01484 to 22 cents, quite a material increase. Therefore, the proposed Hawley Act increases the amount against us one-fifth of a cent a pound, quite a material increase. And let me tell you that in the manufacture of sugar one-fifth of a cent is a substantial amount.

Now, under the proposition of Senator Smoot, this sliding scale which ceases to slide at 98°, we have a duty on sugar above 96°.

Senator WATSON. Does that apply to anybody but you?

Mr. SNYDER. It applies to some others, but I will very frankly tell you that they don't amount to very much. It is practically aimed at us. We have been singled out.

Senator SHORTRIDGE. You were not singled out, but it happened to hit you.

Mr. SNYDER. No; it was aimed at us.

Senator HARRISON. Why do you make that statement?

Mr. SNYDER. Why do I make it?

Senator HARRISON. Yes.

Mr. SNYDER. Because we were told that it was going to be done.

Senator HARRISON. Who told you it was going to be done?

Mr. SNYDER. I have no objection to telling you.

Senator HARRISON. We want to hear it.

Mr. SNYDER. I have no objection to telling. It was told to us by the president of the California Refining Co.

Senator HARRISON. What authority did he have to tell you that? What is the connection?

Mr. SNYDER. That I can not tell you. I do not know what his connections are in Washington.

The CHAIRMAN. Was that before the House passed the bill?

Mr. SNYDER. Oh, yes.

Senator SHORTRIDGE. It is a mere use of words.

Mr. SNYDER. There was no mere use of words about it. It was a positive statement.

Senator WATSON. Did he make it to you?

Mr. SNYDER. He did not.

Senator WATSON. To whom did he make it?

Mr. SNYDER. A man in our employ.

Senator SHORTRIDGE. If I were a court I would reject the testimony utterly, upon the ground of hearsay.

Mr. SNYDER. I will produce the man right here.

Senator HARRISON. What is that gentleman's name?

Mr. SNYDER. Mr. Kane.

Senator SIMMONS. You say that he is here?

Mr. SNYDER. He is in town. I have not seen him since this morning.

Senator HARRISON. Mr. Kane is at the head of what organization?

Mr. SNYDER. He had charge of our sales at the time.

Senator HARRISON. I mean the gentleman who informed Mr. Kane.

Mr. SNYDER. That was Mr. Rolph.

Senator HARRISON. A brother to the mayor of San Francisco?

Mr. SNYDER. That I do not know.

Senator SHORTRIDGE. He is.

Senator HARRISON. That is the same Rolph?

Senator SHORTRIDGE. I think so.

Senator HARRISON. I do not understand the connection. Why do you think Mr. Rolph had authority to speak?

Mr. SNYDER. He had not.

Senator HARRISON. What significance did it carry with it, because he told you it was going to be put in here?

Mr. SNYDER. I will give you the story, if you want it.

Senator HARRISON. Give it to us.

Mr. SNYDER. I can answer the questions, but if you want the story I will give it to you.

Senator HARRISON. Give us the story.

Mr. SNYDER. I think it was in 1926 or 1927. Our sugar was shipped from Habana. It goes to southern Atlantic and New York ports.

Some has been shipped up the Mississippi Valley by the Mississippi Barge Line which hauls sugar at least, and no doubt other freight, at 10 cents a hundred pound lower than rail. Some purchasers who were not in an immediate hurry for it desired it that way. Complaint was made before the House committee that we were selling sugar at 10 cents under the market. That was incorrect. We did not. But it reached some of the purchasers who were having it shipped that way at 10 cents less than if it were shipped by rail.

Senator WATSON. Do you know of any Member of Congress that this man ever talked to?

Mr. SNYDER. I do not.

Senator WATSON. Then, it was because somebody said that to somebody else who told it to this man?

Mr. SNYDER. No; it was made by Mr. Rolph to Mr. Kane.

Senator WATSON. Did Mr. Kane ever talk to any Member of Congress about it?

Mr. SNYDER. No; he talked to me about it.

Senator WATSON. Did you talk to any Member of Congress about it, Mr. Snyder?

Mr. SNYDER. I did not.

Senator SHORTRIDGE. Is that enough of it, Senator Harrison?

Senator HARRISON. Is that the same Mr. Rolph that was on a visit here to Washington some time ago?

Mr. SNYDER. I do not know. He comes to Washington.

Senator HARRISON. Whom does he visit when he comes to Washington?

Mr. SNYDER. I do not know. I knew Mr. Rolph during the war period when he was in charge of certain branches of the Food Administration.

Senator HARRISON. For whom was he working at that time?

Mr. SNYDER. That I can not tell you.

Senator HARRISON. You know who was at the head of the Food Administration, do you not?

Mr. SNYDER. Yes. Mr. Rolph was in charge of the sugar division and he operated that himself.

Senator SHORTRIDGE. The President was in charge.

The CHAIRMAN. If you have followed this matter along you are aware that the refiners asked for 65 cents.

Mr. SNYDER. I understood that they wanted somewhere around 60 cents.

The CHAIRMAN. Was not that the petition that they sent to the Ways and Means Committee asking for 65 cents?

Mr. SNYDER. I believe it was in that neighborhood.

The CHAIRMAN. I will tell you that it was.

Mr. SNYDER. The record will show.

Senator WATSON. You say that this statement was made in 1926?

Mr. SNYDER. In either 1926 or 1927. I started to tell you the circumstances under which it was stated.

Senator WATSON. That does not prove anything.

Senator SHORTRIDGE. Do you want that, Senator Harrison?

Senator HARRISON. I think I have now an idea where it came from.

Senator SHORTRIDGE. James Rolph is the mayor of San Francisco, and has been for about 20 years. His brother is the one to whom you refer, Mr. Snyder.

Mr. SNYDER. I do not know.

Senator EDGE. What has this to do with this Smoot sliding scale?

Senator HARRISON. Tell us what was in your mind.

Mr. SNYDER. I was in the midst of telling the circumstances; I will either tell the circumstances or not, as you prefer.

Senator HARRISON. What influence do you think brought it into this hall? Did Mr. Rolph bring it?

Mr. SNYDER. The California-Hawaiian people. I think the beet growers are masquerading here.

Senator SHORTRIDGE. No; they are right out in the open, asking for an increase in the tariff.

Mr. SNYDER. They are asking for an increase in the tariff.

Senator SHORTRIDGE. And so are the Louisiana cane growers and the Florida cane growers. There is no masquerading about it.

Senator WATSON. Do you mean to say that the California refiners are inspiring the beet growers to come and ask for this increase?

Mr. SNYDER. I think that it was to a great extent their inspiration.

Senator SHORTRIDGE. Then they deserve much praise.

Mr. SNYDER. We all know and thoroughly realize that the great sugar producers do not——

Senator SHORTRIDGE. Why did Caesar linger in Alexandria? Now, tell us about that.

Mr. SNYDER. I did not think it was for the purpose of increasing the tariff of 1929.

Senator WATSON. The president of that company, a very excellent man, testified and asked for this increase. Was he inspired by the C. & H. people to come and do that?

Mr. SNYDER. Did you notice the lack of enthusiasm?

Senator WATSON. He did not get up on the table and give three cheers.

Mr. SNYDER. I know that he did not.

Senator SHORTRIDGE. I notice that Mr. Snyder was not very enthusiastic during his testimony.

Senator WATSON. Go on with your statement, Mr. Snyder.

Mr. SNYDER. Then, for sugar above 96°, for 97°, and 98° sugar, the same ratio applies as it would for what is below 96°; but for 99° and 100° sugar it is then increased, under Senator Smoot's scale, to 0.02, the result of which is that the duty on 100° sugar, or refined sugar from Cuba above 96° sugar, is 4.64, a larger amount than is contained in the Hawley bill.

Senator HARRISON. Do you mean to say that the Smoot proposal strikes at you the same as the proposal in the Hawley bill?

Mr. SNYDER. Yes; and adds something to it.

Senator HARRISON. Do you think that it intentionally hits at your concern?

Mr. SNYDER. I have not any doubt about that.

Senator SHORTRIDGE. Did you note that language, intentionally, willfully aimed at you? My friend from Mississippi puts a leading question and you fall right into the trap?

Mr. SNYDER. I will state, then, as my authority for that statement that when I appeared before the subcommittee in a colloquy between the chairman of this committee and myself he said, and you will find it in the printed record, that that was put in to meet Mr. Hershey's sugar.

Senator SMOOT. I say so now, not only Mr. Hershey's but all refiners in Cuba. Mr. Hershey is there producing with cheaper labor than in the United States and is here in competition with refined sugar in the United States.

Senator HARRISON. You do not think that that has anything to do with Mr. Rolph's threat some time ago?

Mr. SNYDER. No; Mr. Rolph's statement was made a year or two antecedent to anything developing in the revision of the tariff.

Senator SHORTRIDGE. When there was a proposition to increase the tariff on imported sugar.

Mr. SNYDER. No; there was not any intention to increase the tariff on sugar.

Senator WATSON. Tell us what happened after 1926.

Mr. SNYDER. All right; but it is only fair to myself to state how it did happen. It arose out of certain questions concerning the operation of the Government's barge line on the Mississippi River, and that is the time he made the statement.

Senator HARRISON. Well, what connection was there between Mr. Rolph and this barge line?

Senator WATSON. He was trying to water the sugar.

Mr. SNYDER. I understand the purpose of it, but understand that I am here and I must answer the questions that are asked me. I can not decline. What was your question, Senator?

Senator HARRISON. Is there any connection between Mr. Rolph and the barge line?

Mr. SNYDER. Nothing except that he was shipping sugar over it at the same time we were.

Senator HARRISON. And did he not want you to ship sugar over the barge line?

Mr. SNYDER. No; he was not getting what he thought was good service out of it.

Senator SHORTRIDGE. There you are.

Senator WATSON. Oh, go on with the sliding scale.

Senator REED. You are rapidly getting nowhere with this matter. It is not your fault.

Mr. SNYDER. No; it is not my fault. I will finish my statement or answer any questions that you ask. The whole result of this operation is that sugar at 99 and 100 under the sliding scale of Senator Smoot's does not slide but remains constant from the lowest price to the highest price and we always have that difference in there against us of 464. As the price of sugar increases and the duty decreases under the operation of the sliding scale, as far as we are concerned, our duty remains constant, but the American refiner, as the price of sugar advances above 52 and gets up to 6 gets his sugar in at a lower duty, and if it gets up to $7 he gets it in at a still lower duty, but we are exactly at the same place at the increased duty which does not increase under the scale suggested by Senator Smoot.

Senator REED. The mimeographed memorandum which is before us shows that 100° sugar, the full duty, at the $7 price for refined, full duty, is 1.424.

Mr. SNYDER. One hundred degree sugar?

Senator REED. One hundred degree sugar. While at $6 it is 2.224. That is full duty, and not the Cuban. If that correctly sets forth the effect of the 100° sugar, you are wrong when you say that the scale does not slide with that quality of sugar.

Mr. SNYDER. I am not wrong in the statement.

Senator REED. Then the mimeograph is wrong.

Mr. SNYDER. No.

Senator REED. Then I am wrong. Somebody is wrong.

Senator WALSH of Massachusetts. You have the Democratic copy and they have the Republican copy.

Mr. SNYDER. No; I have the first copy that was issued.

Senator REED. That shows the sliding scale on 100° sugar, does it not?

Senator HARRISON. Are there different copies here?

The CHAIRMAN. No; there are not.

Mr. SNYDER. The figures on this copy that I have are the same.

Senator REED. Then it does slide?

Mr. SNYDER. Not at 99 and 100. If you will look at that, Senator Reed, you will find that there is a space separating 99 and 100 and 98.

Senator REED. You agree that 100° sugar bears a duty of 1.264 when the New York cash price is $7.20 per hundred pounds?

Mr. SNYDER. Yes; that is what it states on this schedule.

Senator REED. Now, when the price gets down to $6, what is the full duty on 100° sugar?

Mr. SNYDER. 2.224.

Senator REED. And when it gets down to $5.20 what is it?

Mr. SNYDER. 2.864.

Senator REED. Well, it does slide, does it not? Is that not a sliding scale? You said that it did not slide.

Mr. SNYDER. Just one moment. I think that I catch now what you are talking about.

Senator REED. We are trying to talk about what you are talking about, without much success.

Mr. SNYDER. All right, sir. You look at the proposed draft which, of course, is not complete in the act as proposed, and you will find that sugar tested by the polariscope, 98° sugar, fixes the price K+0.0008 cent, and for each degree one-fourth of 1 per cent of 100 pounds.

Senator REED. And "K" is not a constant factor but is variable depending upon the price of refined sugar at New York?

Mr. SNYDER. Yes; but that "K" applies to 98 sugar.

Senator REED. It applies to all the other sugar.

Mr. SNYDER. No; it does not apply to what comes subsequently.

Senator SHORTRIDGE. Well, does it or does it not?

Senator HARRISON. It does not.

The CHAIRMAN. I say that it does and the figures show it.

Mr. SNYDER. Just a moment and we will understand one another. Take 96° sugar. It requires 107½ pounds of that 96° sugar to produce 100 pounds of refined. That 96 sugar varies according to the price of sugar, from 2.40 down to 1.76 and down to 0.80. Now, as the price of sugar rises the duty on this sugar falls.

Senator REED. Exactly.

Mr. SNYDER. Therefore, with the price of sugar at the lowest point, 5.2, when the duty is 2.40 that 107½ pounds come in at that rate of 2.40, and when it is 6 cents it comes in at 1.76. When it is 7.2 it comes in at 0.80. Therefore, the American refiner of sugar as the price advances pays a lower duty on the sugar that he brings in for refining.

Senator REED. Exactly, and that is equally true of refined sugar coming from Cuba; as the price advances the duty goes down, does it not?

Mr. SNYDER. That is true in part; but the difference, this one-fourth of 1 per cent for each additional pound—there is no modification in that.

Senator REED. Oh, now I get your idea; that while it is true that there is a sliding scale on refined sugar and it does slide as the price varies, yet the differential between that and the 98° sugar remains constant?

Mr. SNYDER. Yes, sir.

The CHAIRMAN. But that is not so.

Mr. SNYDER. The result of that is simply this: That that factor remaining in there constant, the differential against us, having been increased by the Hawley bill to 22, is under Senator Smoot's scale increased to 28 when sugar is selling at 5.2, and when it is selling at 6 cents that is increased 3.2. When sugar reaches the highest point specified in his scale of 7.2 that difference against us increases to 0.404. In other words, the higher the price of sugar, the greater the distinction made against our sugar coming from Cuba, which is 0.284 at the lowest point and runs up to 0.404 at the highest selling price of sugar.

Senator REED. There again I am dull. It seems to me that the differentials remain constant not only against you but as between 96° and 97°, or between 95° and 96°; that those differentials are the same right down through the scale, and yet you tell me that the differential increases as the price increases.

Mr. SNYDER. It is caused by this, Senator: Look at 96 sugar and take those figures.

Senator SHORTRIDGE. You say "caused by this." Caused by what?

Mr. SNYDER. I said look at 96 sugar.

Senator REED. I am. The differential between 96 and 100 is 0.464 when refined sugar is selling at $7.20, and the difference between 96° and 100° sugar is 0.464 when refined sugar is selling at $5.20.

Mr. SNYDER. It is period 0.464 all the time.

Senator REED. But you just told us that the differential increases.

Mr. SNYDER. You must make the calculation because it is concealed in there. I am not saying that it is purposely concealed, but it is in there. It is stated properly in the bill. You must make the calculation. Turn to 96 sugar, Senator.

Senator HARRISON. You do not mean to say that there is a joker in there?

Mr. SNYDER. No; I do not say anything of the kind. Will you please look at 96 sugar, Senator?

Senator REED. I am looking at it.

Mr. SNYDER. Take the last lowest price of $5.20. The duty is 2.40, is it not?

Senator REED. That is right.

Mr. SNYDER. At 6 it is 1.76.

Senator REED. That is right.

Mr. SNYDER. And at 7.20 it is 0.80.

Senator REED. That is right.

Mr. SNYDER. As the price of the sugar increases the duty decreases, but it only takes the same amount of that 96 sugar, 107½ pounds, to make 100 pounds of refined. So when the price is 5.2 that 107½ pounds, at a duty of 2.40, costs the refiner in the United States 2.58. When the price of sugar is 6 cents it costs him 1.89, and when the price of sugar is 7.2 cents it costs him 0.86.

Senator REED. It costs him in duty, yes.

Mr. SNYDER. Yes; that is right. So as the price of sugar advances his duty goes down; but that differential above 96 as set forth in the bill for 97 and 98 of 0.00032 for 97 and 98, and 0.002 for 99 and 100 remain constant, so that that 0.464 is constant all the time.

Senator REED. Let us see if we can state it more simply. Your complaint is that of the 96° sugar between one extreme and the other of the scale the duty does down to one-third of what it is at the highest point?

Mr. SNYDER. Yes, sir.

Senator REED. While that is not true of the duty on the refined at 100°?

Mr. SNYDER. Yes, sir.

Senator REED. That does not decrease one-third of the duty in going from one extreme of the scale to the other?

Mr. SNYDER. That is one way of putting it, and the result is that when you count those degrees in duty at the increased prices the refiners in the United States start out at the low point with a difference in their favor as against us of 0.284. That is the lowest. But by reason of that decreased duty at the higher price on 96 sugar that increases when it reaches that point to 0.404, almost 50 per cent more.

Senator REED. I think that you have made that clear now.

Senator HARRISON. Is there any difference between you and the chairman with reference to that matter now?

Mr. SNYDER. There can not be. It is a mathematical calculation.

Senator CONNALLY. Do you refine your sugar in Cuba?

Mr. SNYDER. Yes, sir.

Senator CONNALLY. Ought not the domestic refiner have a little higher rate than you because of his increased labor cost?

Mr. SNYDER. I regard the increased labor cost as entirely equaled by the increased expense to which we are put.

Senator CONNALLY. How are you and this man Rolph competing in the Mississippi Valley with sugar produced in Louisiana and refined at a number of points in that immediate territory, in view of the fact that all of these refiners have a freight zone beyond which they can not economically go?

Mr. SNYDER. To properly understand the answer to that question, Senator, you will have to take into consideration the physical situation of the territory west of the Mississippi River. You all know the location of the beet-sugar factories along the eastern slope of the Rocky Mountains and east of the Missouri Valley. The Hawaiian sugar goes to the Pacific coast to be refined. The larger part of it is refined by the California and Hawaiian Sugar Co. in the neighborhood of San Francisco; a little of it is refined by the Western Sugar Refining Co., not the Great Western that we talk about, but another cane refiner.

Beet sugar from the Rocky Mountain territory and cane sugar from Hawaii naturally meet at some point which is regulated by the freight rates, and the California and Hawaiian are limited in their sales by the meeting point of those freight rates. At this time that I speak of, in 1927—it may have been in the latter part of 1926 or the early part of 1927—some of our sugar had been shipped to New Orleans and was going up the Mississippi Valley on the barge line. The California and Hawaiian shipped sugar through the Panama Canal to New Orleans, shipped it up on the barge line, and shipped it west from the Mississippi into the beet-sugar territory. The result was that the manufacturers of beet sugar had California and Hawaii on the west of them and they had California and Hawaii on the east of them; they cut the prices; they guaranteed prices until delivery; and they demoralized the beet-sugar industry.

Senator SHORTRIDGE. Of course, your company went to Cuba, and there set up the business of refining sugar upon the theory that it would be more profitable than to buy the raw sugar and refine it here? Is not that so?

Mr. SNYDER. We thought that there would be an advantage in it.

Senator SHORTRIDGE. But your present contention is that for the reasons stated your costs there are about the same as they would be here?

Mr. SNYDER. Practically. I submitted a statement to the committee, at the request of the chairman, of what our refining costs in Cuba were, and I guess this audience pretty generally knows what the costs of refining sugar are in the United States. The cost is about 60 cents per hundred pounds.

Senator SHORTRIDGE. To depart from that now for all time, so far as I am concerned, you went there, of course, and established your refining business on the theory that it would be profitable to do so rather than import the raw sugar and refine it or cause it to be refined here. That is true, is it not?

Mr. SNYDER. That was the thought, that we would make our own sugar.

Senator SHORTRIDGE. Yes; even pay the tariff on it and make money by transferring your activities to Cuba? Answer yes or no. That is all I want.

Mr. SNYDER. No; there is more to it than that. We used sugar at that time, and the Hershey Chocolate Corporation does now use sugar in the manufacture of chocolate. It is not necessary to have a hard refined sugar for the manufacture of chocolate, because the hard refined sugar appeals to you on account of the hardness and the whiteness, and the first thing we do to it in the manufacture of chocolate is to undo all of that. We can not use that hard grade. We started down there to make a special sugar for our own purposes. It was the plantation white sugar and not the hard refined sugar.

Senator SIMMONS. You did with cane sugar what was done in the West with respect to beets. In the West the farmer grows his beets and brings them to the mill, and the mill converts them into refined sugar. You do not buy 96° sugar and refine it; you buy the cane?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Just like the mills buy beets?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. And you manipulate that cane into refined sugar instead of requiring the farmer to manufacture it into 96° sugar?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. So that your process is exactly the same process as the beet manufacturer?

Mr. SNYDER. Yes, sir.

Senator SIMMONS. Is not that an economical process? Is not that more economical than the other process?

Mr. SNYDER. No. We do not at any of our mills make any of our 96° sugar. The moment that cane goes into the mill to be ground it is with the idea that at the end it is going to be a white sugar. Therefore, we make no 96° sugar. In the mills in which that sugar is made it costs us more to make than it does to make 96° sugar. Then it goes into the refining operation, and the process of refining is largely a mechanical one, and I think that the costs are approximately the same. When you get down to packing and shipping and handling it is the same thing.

Senator BINGHAM. What is your total investment in the sugar business in Cuba?

Mr. SNYDER. In excess of $50,000,000.

Senator SIMMONS. Do you know of any other refining plant in the world that does that same thing? Do not all the other refining plants refine 96° sugar?

Mr. SNYDER. They make some 96° sugar in Louisiana. It is called plantation white.

Senator SIMMONS. I know about that, but there is no regular refining established except yours where you buy the cane and you yourself manipulate it into 100° sugar?

Mr. SNYDER. I know of none, except the Java process of making sugar, where they make a white sugar. It is about the same standard as the plantation white of Louisiana. I know of no plant where exactly what we are doing is done.

Senator SIMMONS. That is, you know of no plant which buys the cane and manufactures the sugar?

Mr. SNYDER. I know of none myself. I do not say that there is none.

The CHAIRMAN. Who ships this white sugar from Cuba?

Mr. SNYDER. The Hershey Corporation.

The CHAIRMAN. The statement has been made here that there is no sliding after 98° sugar. I want the expert to take that list and see whether that statement is true.

Senator REED. We have that straightened out, have we not?

The CHAIRMAN. No; we have not.

Mr. SNYDER. There is no conflict between us on that point.

The CHAIRMAN. Did you not say that it did not slide after it got to 98? That is not so, is it? Yes or no.

Mr. SNYDER. I used the expresion, Senator, that this scale did not slide after 98.

The CHAIRMAN. Is that true, or is it not true?

Mr. SNYDER. It does slide on 100° sugar, but that differential is in there constantly against us and doubles against us from your lowest point to the highest.

The CHAIRMAN. Of course, you admit that the statement was not correct?

Senator WALSH of Massachusetts. No; I do not think that that is fair to the witness.

Senator HARRISON. I think that it is fair to the chairman that we get an explanation here.

The CHAIRMAN. You told me that there is not any difference here in the sliding scale between 99° and 1,000° and between 98° and 99°.

Mr. SNYDER. Between 5.2 and 7.2; as the price of sugar goes up there is a difference. I will state that to you frankly.

The CHAIRMAN. Then there is a sliding scale?

Mr. SNYDER. But I also state to you what I did state, that the difference against our sugar from Cuba, which at the lowest point is increased in the House or the Hawley bill, is almost double when it gets to the highest point in your schedule.

The CHAIRMAN. That is begging the question.

Mr. SNYDER. No; it is not begging the question. It is exactly what I came here to state.

The CHAIRMAN. You said that it quit sliding at 98.

Mr. SNYDER. It does not slide so far as we are concerned.

Senator SHORTRIDGE. There is the point; it does not slide so far as you are concerned.

Mr. SNYDER. Except that in place of sliding in our favor it slides upward against us.

Senator SIMMONS. You are giving the result?

Mr. SNYDER. Yes; I am giving the result.

Senator SIMMONS. What percentage of the Cuban sugar is refining sugar?

Mr. SNYDER. Very, very little. It is less than 1 per cent. The total production of sugar in Cuba last year was about 5,200,000 tons.

Senator COUZINS. How much was refined there?

Mr. SNYDER. About 250,000 tons, of which approximately 150,000 tons came into the United States, because the Cubans are consuming large portions of that sugar. Some of it is shipped elsewhere; it goes to Canada, and some is shipped to other Central American countries. There are about 100,000 tons of our sugar coming into the United States, which is about 2 per cent of the United States' consumption.

The CHAIRMAN. Our next witness is Mr. Ownes.

Senator REED. Was that all that Mr. Snyder wished to say?

Mr. SNYDER. No; it was not all, but I have tried the patience of the committee.

Senator HARRISON. I think that Mr. Snyder should finish his story.

Senator REED. Can we not let him alone? We break him up with our questions. If there is anything further that Mr. Snyder wishes to state, I think that he should be allowed to do so.

The CHAIRMAN. He will be allowed to do so.

Senator SHORTRIDGE. What other points do you desire to discuss?

Mr. SNYDER. I will mention them briefly. In the first place, the refiners in the United States require no protection. I think the mistake made by other people this morning it is not necessary for me to repeat; that their differential has been ample to take care of everything that they need. While varying differentials were referred to here this morning, I want to say that since the passage of the 1922 tariff act, the refiner's differential each year has averaged from 130 to 145. Now just what he sells sugar for above the cost of his duty pays for the raw sugar. We know that the cost of refining in the United States is about 60 cents. Some refiners do it for less than that. Some may pay more. Their costs necessarily vary. He has his 7 per cent loss in refining. That varies with the cost of sugar and may be from 22 to 30 cents. Add to that 60 cents and the actual cost of the refined sugar is 90 cents. He sells it at a differential of 130; sometimes during the year it is higher than that, but for 6 years it has averaged from 130 upward. His profit is in between there.

Senator REED. He has to pay his overhead out of that, does he not?

Mr. SNYDER. Yes, sir.

Therefore, he needs nothing to take care of him, and the larger refiners have not asked for this. So he is well taken care of.

Now, I want to say a word about the institute. We are not members of it. We are not in the United States. I do not believe that that institute is an organization to fix prices. I do not so understand it, and I want to say for them that they have fairly and squarely tried to carry out their duties and remove from the trade certain unfairnesses, secret rebates, allowances for storage charges, and all the improper methods which have existed for a number of years in the sugar business.

We have never sold sugar in the United States at lower than the quoted market price of other refiners, and if you wish a testimonial as to our conduct in that respect, you can call the officials of the sugar institute here. You will find that they have no complaint against us and make no complaint against us because they said that our methods of business were entirely fair. We have never been in any of our lines of business price cutters.

Senator KING. Do you believe in price-fixing?

Mr. SNYDER. I do not.

Senator KING. Does not the operation of the institute inevitably lead to uniformity of price to that degree of price-fixing?

Mr. SNYDER. It would and it could, but refiners in the United States have always acted independently of each other in announcing their prices. It has been one of the serious matters in the business that some fellow would take a notion to cut prices and the whole procession would follow.

That is the difficulty we found, because when we came to sell our sugar in the United States we would have one refiner's price here and another one somewhere else, and there was great difficulty in adjusting them until the institute did try to reform their methods. In fact, if they had not reformed the sugar industry would have suffered serious financial losses. They are trying to make a good job of it.

Senator SIMMONS. Finally, they all get about the same price, do they not?

Mr. SNYDER. Exept that there are one or two refiners who usually sell about 5 points under the others.

Senator SIMMONS. They are rather discredited, are they not?

Mr. SNYDER. They were; and the Federal Sugar Refining Co. were doing that at one time, and they were looked upon as black sheep.

Senator SIMMONS. You say they all sold somewhere around the same price; but that is not price fixing or agreeing upon prices. I do not see how it can be accomplished unless they have a bellwether who sets the pace and they all follow.

Mr. SNYDER. What I would say about it from my observation is this, Senator, that we are all one flock and all the same kind of sheep, and at some time some particular fellow thinks he is the bellwether, and then they all start out.

Senator REED. It is the same phenomenon you see in any staple product that is publicly quoted?

Mr. SNYDER. Yes, sir.

Senator REED. Everybody gets as much as he can, and he can not get more than his competitors.

Mr. SNYDER. The difficulty in the sugar trade, Senator, was that now they do openly what formerly they were trying to do secretly. I regard the institute as a benefit to the trade.

Senator SIMMONS. Where the policy is adopted of all selling at substantially the same price, whether it is by agreement or not, and, as I have indicated, there is a certain bellwether who is recognized as the man who is to set the price, that leads to this, does it not, that we have no competition as to price and the competition is only as to custom?

Mr. SNYDER. Yes, sir; that is correct.

Senator KING. And the certificate of good character which you could obtain from the institute is the result of your following in their footsteps and charging the same price which they established?

Mr. SNYDER. Of not underselling.

Senator SIMMONS. An extensive system of advertising was put on and the ultimate consumer has to pay all the expense of that advertising and the high commissions to selling agents?

Mr. SNYDER. I think that advertising campaign, in which we had no part, was undertaken in order to overcome certain other adverse advertising that was undertaken by certain cigarette firms in order to discourage the use of sweets of all kinds.

Senator SIMMONS. Yes; I have heard about that. The chairman advised us about that.

Senator REED. Senator Simmons was talking about the ultimate consumer paying for the cost of advertising. I was wondering whether he had ever seen any cigarette advertisement.

Senator SIMMONS. I have seen them, very expensive ones.

I remember one concern whose representative came before a subcommittee and told us about some $50 separators, and he stated that the cost of advertising them was $11 apiece. That is, a separator such as farmers have. They are on the free list.

The CHAIRMAN. They are sold at $105.

Senator SIMMONS. Up to $107; but he stated that the cost of advertising each one of those separators, to sell for not over $50, was $11.

Senator HARRISON. There is no conflict between the cigarette industry and the sugar industry, is there?

Mr. SNYDER. I do not see any, myself.

I wish to suggest that the clause as printed and put out by the chairman be amended by substituting 0.046, the same amount which appears in the 1922 tariff act.

The CHAIRMAN. Is that all?

Mr. SNYDER. Yes, sir. That leaves us all on the same equality.

(Mr. Snyder submitted the following memorandum:)

SCHEDULE OF FIGURES AND CALCULATIONS REFERRED TO IN THE STATEMENT OF JOHN E. SNYDER

It is stated there is required 107½ pounds of 96° polarization sugar to produce 100 pounds 100° polarization or refined sugar, although the definite amount is 106$\frac{9}{10}$ pounds—an overstatement of six-tenths of a pound.

The United States refiner, under the 1922 tariff, pays duty on 107½ pounds of 96° sugar at .017648 per pound, which makes the duty upon 100 pounds of refined sugar he produces $1.89716, upon which the duty is $1.912. The difference in the refiner's favor is 0.01484, and the by-products are in the United States duty paid.

Under the proposed increase in the House bill (H. R. 2667), the refiner would pay duty on 107½ pounds of 96° sugar at 0.0240 per pound, which would make the duty upon 100 pounds of refined sugar he produces $2.58, upon which the duty is $2.80. The difference in the refiner's favor is 0.22, and the by-products are in the United States duty paid.

Under the sliding scale of duties proposed by Senator Smoot, the duties per pound of Cuban 96° sugar at the prices stated are as follows: Price $0.072, $0.008; price $0.06, $0.0176; price $0.052, $0.024.

The increases per pound for each degree above 96° of Cuban sugar in the 1922 tariff, the pending bill as passed by the House (H. R. 2667) and the sliding scale proposed by Senator Smoot are as follows:

	1922 tariff	H. R. 2667	Sliding scale of Senator Smoot		
			Price, $0.072	Price, $0.06	Price, $0.052
97°	$0.000368	$0.001	$0.00032	$0.00032	$0.00032
98°	.000368	.001	.00032	.00032	.00032
99°	.000368	.001	.00200	.00200	.00200
100°	.000368	.001	.00200	.00200	.00200
Total increase above 96°	.001472	.004	.00464	.00464	.00464

Duty paid by United States refiners on 107½ pounds 96° Cuban sugar to produce 100 pounds refined sugar in the United States

	1922 tariff	H. R. 2667	Sliding scale of Senator Smoot		
			Price $0.072	Price $0.06	Price $0.052
Rate of duty per pound on 96° sugar	$0.017648	$0.0240	$0.00800	$0.01760	$0.02400
Amount paid by United States refiner on 107½ pounds 96° sugar to produce 100 pounds refined sugar	1.89716	2.58	.860	1.892	2.58

Duty paid by Hershey Corporation on 100 pounds sugar refined in Cuba

	1922 tariff	H. R. 2667	Sliding scale of Senator Smoot		
			Price $0.072	Price $0.06	Price $0.052
Rate of duty per pound on 100° sugar	$0.019120	$0.0280	$0.01264	$0.02224	$0.02864
Amount paid on 100 pounds	1.91020	2.80	1.264	2.2240	2.864
Difference in favor of United States refiner against Hershey Corporation	.01484	.22	.404	.332	.284

It therefore appears that the sliding scale proposed by Senator Smoot ceases to slide, so far as the Hershey Corporation is concerned, on Cuban sugar above 98° by reason of the introduction of the fixed additional amount of 0.002 cent per pound for each sugar degree above 98° (which remains a constant factor in the scale); which with increasing prices of sugar prevents the sliding scale from operating with the same effect above 98° as it does at and below 98°; in fact causes the scale to operate above 98° in the opposite direction; that is, to always slide upward against Cuban sugar above 98° notwithstanding increased prices; the greater the increase in prices the higher the slide in duty above 98°. In other words, the sliding scale slides downward to and including 98° but slides upward above 98° so far as the Hershey Corporation is concerned.

STATEMENT OF JUNIOR OWENS, WASHINGTON, D. C., REPRESENTING THE AMERICAN BOTTLERS OF CARBONATED BEVERAGES

(The witness was duly sworn by the chairman.)

Mr. Owens. My name is Junior Owens, and I am secretary of the American Bottlers of Carbonated Beverages.

Gentlemen, I am not here as a sugar expert. We are not cane growers, beet growers, refiners, or brokers. We are merely consumers of about 300,000 tons of sugar annually, and this tariff affects us quite considerably.

I want to say right here that consistent with our policy from the time the hearings started before the Ways and Means Committee, we are not opposed to farm relief. We are here merely as a measure of protection to ourselves. We are opposed to the sliding scale, although, frankly, I do not know anything about it, and after what I have heard to-day I know less. The only reason for our being opposed to it is because I saw the announcement by the chairman of the committee that this was a 50-50 compromise. This was a newspaper announcement, I mean, Mr. Chairman—a 50-50 compromise between the Hawley rates and the present rates in the tariff on sugar.

The CHAIRMAN. I want to disavow any such statement.

Senator REED. If you are opposed to it without knowing anything about it, you are preaching true democratic doctrine.

Senator KING. I would like to find some Republican here who can tell us what it means, aside from the chairman. I am not sure that the Republicans indorse it.

Senator SHORTRIDGE. This is to be a nonpartisan discussion.

Senator REED. Absolutely.

Mr. OWENS. Apparently it does have a tendency, from the best information I can get, to increase the tariff on sugar. As I said, we are against any increase——

The CHAIRMAN. You mean, from the present rate?

Mr. OWENS. Yes.

The CHAIRMAN. Not from the House bill?

Mr. OWENS. No; I am speaking of the present rate. We are opposed, in general, to any increase in the rate on sugar—primarily, I might say, for a selfish interest.

Senator SACKETT. How can you be for farm relief as to beet sugar, then?

Mr. OWENS. I shall come to that. But our proposal in our original appearance before the Ways and Means Committee was for a bounty. We are perfectly willing to help the beet growers out.

Senator SHORTRIDGE. If you make the farmer prosperous that improves your market, does it not?

Mr. OWENS. Absolutely.

Tthe CHAIRMAN. Mr. Owens, we know that you are opposed to the duty on sugar, but this hearing is on the sliding scale, and we would like to have you confine yourself to that, because you testified before the committee before. What objection do you have to the sliding scale?

Mr. OWENS. Identically the same objections that we had to the Hawley bill, because it increases our cost of production; and incidentally I might say that the sliding scale appears to be quite complicated. It is complicated, apparently, to a lot of people around here now. I have talked to a lot of them to-day.

We are an industry made up of 12,000 manufacturing plants in this country, small institutions, not large organizations that can afford to employ experts on market conditions, and we buy our sugar from hand to mouth, generally.

Senator THOMAS. What effect will an increased price of sugar have on your product? Would it be to make the bottle smaller or the price more or the product weaker, or all of those things?

Mr. OWENS. That is rather problematical. I may say for your information—and the chairman has heard this in the subcommittee—that we have rather a serious problem that most industries do not have, in that one-third of our invested capital of some $200,000,000 is invested in glass, and we can not change the size of our package overnight.

A gentleman commented here a while ago that when sugar went down he did not see any larger bottles of beverages; and I might answer by saying that when sugar went up we did not find any 18 ounces to the pound, either.

I do not wish to enter into a discussion on that, because that is all in the record, this question of size of the package and the variation in the price of sugar.

I testified at the hearing before the subcommittee that in the past three years we have had accountants make a survey of our industry from the Atlantic to the Pacific and from the Canadian line to the Gulf of Mexico, and the industry to-day is making considerably less than 6 per cent upon its invested capital.

We are in a position where we have that famous—you have heard of it before—root price of 5 cents. Ninety per cent of the 12 billion bottles of beverages sold in this country annually are sold at 5 cents each. The national psychology is such——

The CHAIRMAN. Do I understand you to say that a part of your investment is the cost of the bottle?

Mr. OWENS. Yes.

The CHAIRMAN. Do you not compel the purchaser to make a deposit on those bottles?

Mr. OWENS. Partially, and partially not. There is also a breakage that goes on. There are a great many things in the intricacies of the manufacture. There is a continual shrinkage in bottles, despite deposits.

The CHAIRMAN. I do not doubt that. I understood from purchasers that you compel them to put up a cash deposit.

Mr. OWENS. We should and we try to get them to do it, I grant you that.

Senator COUZENS. Is not this outside of the sliding scale?

The CHAIRMAN. Yes. He was talking about it. I have asked him to keep to the sliding scale. I was just asking a question so that the committee would know.

Mr. OWENS. The answer was occasioned by the question on my left here, I believe.

It seems to me, gentlemen, that we are in position to come to you and ask you for some relief. We have an industry in which we are to-day at present employing 120,000 full-time American laborers in this country the year round. We have a large invested capital and we are paying at the present time some $11,000,000 of sugar toll annually. We do not know what the increase is going to be, but the increase in the Hawley bill is $4,000,000. That is the reason we are here. We are in a position where, with our price of 5 cents, we can not go higher in our cost of production and still maintain our retail price. We have had that same price for 100 years in this country. We have been able to get by by improved manufacturing methods and increased consumption on the part of the American public cutting down overhead.

I merely want to say this, that we are not against beet-sugar men. We feel that possibly the beet-sugar men do need protection, but we feel that we need protection as well. We feel that the price of sugar now is as high as it should be. We feel, also, that possibly the basic theory of tariff is being evaded somewhat. That is the word I want to use. This condition is caused by a world-over production of sugar. I think everybody has admitted that.

I might say that we have a little overproduction in the beverage industry that we would like to correct as well, but we can not. But if it becomes necessary for this committee, and if in its wisdom it deems it advisable to help the sugar-beet growers of this country and the Louisiana cane growers and Florida cane growers, we wish to advocate here and now a bounty system.

Some people seem to think that it is feasible. I can not quite agree with them. I have heard a great deal of talk about the sugar tariff being a question of national defense, that we must have sugar here in case of war, and so forth. We have other things in this country that are given appropriations for national defense, and if sugar is a question of national defense it can be taken care of in that way. If it is deemed advisable to increase the tariff on sugar, thereby increasing the price of sugar, we ask then that we be given the consideration of a drawback on the sugar used in beverages in this country that are sold at retail for 5 cents.

STATEMENT OF F. L. CRAWFORD, REPRESENTING THE MICHIGAN SUGAR CO. AND THE TOLEDO SUGAR CO., TOLEDO, OHIO

(The witness was duly sworn by the chairman.)

Mr. CRAWFORD. My name is F. L. Crawford. I am secretary of the Michigan Sugar Co. and director of sales of the Toledo Sugar Co., operating eight plants in the State of Michigan and one plant in the State of Ohio; Toledo, Ohio.

Mr. Chairman and gentlemen of the Finance Committee, we have not filed a brief before the Ways and Means Committee and did not appear before a subcommittee of the Finance Committee. There were certain reasons why we did not. We have hesitated about doing so, and if you will permit me to take a few minutes' time I want to give those reasons, because I believe it is very important at this time that we do so.

For your information—and I am not particular about this going into the record—here is the annual report of our company published as of June 30, 1929.

The CHAIRMAN. Put a copy of it into the record at this place.

(The report referred to is as follows:)

ANNUAL REPORT, MICHIGAN SUGAR CO., JUNE 30, 1929

To the Stockholders:

The annexed balance sheet gives the financial condition for the company for the fiscal year ending June 30, 1929.

Respecfully submitted.

R. J. BAIRD, *Treasurer*
(For Board of Directors)

SAGINAW, MICH., *July 26, 1929.*

Balance sheet, June 30, 1929

ASSETS

Property account, land, buildings, machinery, and equipment:				
Manufacturing plants at sound values as appraised by the American Appraisal Co., as at Dec. 31, 1927, adjusted in respect of the cost of subsequent additions and depreciation			$11,715,980.49	
Weigh stations and equipment, less depreciation			187,113.54	
Rolling stock, factory tools, stable and other movable equipment, less depreciation			485,278.10	
Farm real estate, including land held for sale			192,195.43	
				$12,580,567.56
Investment in and advances to affiliated company, the Toledo Sugar Co.:				
Investment at cost			1,063,240.42	
Add: Increase in the value thereof as shown by the books of the Toledo Sugar Co			162,293.88	
Advances			220,648.55	
				1,446,182.85
Miscellaneous investments, at cost				5,000.00
Land contracts receivable				13,091.31
Current assets, advances to growers and growing crop expenses:				
Inventories of products and supplies on hand—				
Sugar, at market less estimated selling expense		$718,638.20		
By-products, at market less estimated selling expense		49,625.06		
Process stock, at market less estimated cost of conversion and selling expense		16,134.00		
Beet seed, at cost		66,488.87		
Production materials and supplies, book inventory, at cost		128,719.91		
Maintenance materials and supplies, book inventory, at cost		244,353.70		
			$1,223,959.74	
Customers' accounts and notes receivable		138,067.64		
Less reserve for doubtful accounts		5,000.00		
			133,067.64	
Accounts receivable from and advances to growers			90,369.98	
Advances for transportation of laborers			22,147.06	
Growing crop expenses—season 1929–30			148,711.65	
Freight claims and miscellaneous accounts receivable			10,363.26	
Owing from employees			2,196.64	
Cash in banks and on hand			534,451.08	
				2,165,267.05
Deferred charges to future operations, unamortized debenture discount and unexpired insurance premiums				73,716.92
Total				16,283,825.69

LIABILITIES

Capital stock:				
6 per cent cumulative preferred (authorized 600,000 shares), par $10—560,995 shares			$5,609,950.00	
NOTE.—Cumulative dividends amounting to 21 per cent in arrears.				
Common (authorized 750,000 shares) par $10—747,110 shares			7,471,100.00	
				$13,081,050.00
3-year 6 per cent gold deventures, maturing July 1, 1931				2,000,000.00
Current liabilities:				
Notes payable, bank loans (secured by pledge of sugar on hand and customers' accounts receivable per contra)			500,000.00	
Accounts payable, accrued brokerage and real and personal taxes payable and accrued			136,673.28	
				636,673.28
Surplus:				
Capital surplus—Appreciation arising from an appraisal of the manufacturing plants by the American Appraisal Co. as at Dec. 31, 1927, after charging thereagainst the value of good will as theretofore carried on the books and the expense of appraisal			796,958.35	
Deduct, deficit—				
Loss of the Michigan Sugar Co. for the year ended June 30, 1929		$595,161.22		
Michigan Sugar Co.'s proportion of the loss of the Toledo Sugar Co. for the year ended June 30, 1929		15,898.34		
Together		611,059.56		
Add—				
Adjustment of Federal taxes, etc., relating to prior years, Michigan Sugar Co		60,968.96		
Michigan Sugar Co.'s propor' of the Toledo Sugar Co.'s adjustment		7,037.33		
		679,065.85		
Less—				
Earned surplus of the Michigan Sugar Co. as at July 1, 1928	$262,980.36			
Increase in value in excess of cost of the investment of the Michigan Sugar Co. in the Toledo Sugar Co. as at July 1, 1928, as shown by the books of the latter company	185,229.55			
		448,209.91		
			230,855.94	
				566,102.41
				16,283,825.69

PENOBSCOT BUILDING, *Detroit, July 24, 1929.*

The PRESIDENT AND BOARD OF DIRECTORS,
Michigan Sugar Co., Saginaw, Mich.:

We have examined the books and accounts of the Michigan Sugar Co. for the year ended June 30, 1929, and certify that the attached balance sheet is correctly prepared therefrom.

We have satisfied ourselves that only actual additions and betterments have been charged to the property accounts during the year. Provision for depreciation of the manufacturing plants during the year has been made in the amount of $87,051.42, while depreciation has been provided in respect of the other physical properties on the basis of the usual rates adopted by the company.

The investment in the Toledo Sugar Co. is included at the book value thereof as shown by the balance sheet of that company.

The miscellaneous investments have been confirmed by inspection of the relative securities.

The inventories of sugar and by-products are based upon the company's records of production and sales during the year under review and are valued at market prices prevailing at June 30, 1929, less an allowance for estimated selling expense. The inventory of process stock is based upon physical inventories thereof and valued at market prices of June 30, 1929, less allowances for conversion and selling expense. The inventories of production materials and supplies and maintenance materials and supplies are priced at cost and are supported by perpetual book inventory records at June 30, 1929, which records had been adjusted at the close of the 1928 manufacturing season to the quantities shown by physical inventories taken at that time except in the cases of the two plants which were not operated in 1928 and where only partial physical inventories were taken. The inventories as a whole have been certified by responsible officials of the company to be correct.

Advances to growers have been verified by certificates from plant managers as to the individual notes receivable in their custody at June 30, 1929, in respect of such advances.

We have reconciled the cash in banks with certificates obtained from the several depositaries and the cash on hand has been verified either by actual count or by certificates from the respective custodians at the company's plants.

Full provision has been made for bad and doubtful accounts and notes receivable and for all ascertained liabilities.

Subject to the foregoing, we certify that the attached balance sheet is, in our opinion, properly drawn up so as to show the financial position of the company as at June 30, 1929.

PRICE, WATERHOUSE & CO.

MICHIGAN SUGAR CO.

Board of directors.—Edward C. Bostock, Philadelphia, Pa.; Sherwin A. Hill, Lewis H. Jones, Gilbert W. Lee, George V. N. Lothrop, Detroit, Mich.; George B. Morley, James B. Peter, Saginaw, Mich.; Harold F. Pitcairn, Philadelphia, Pa.; Henry H. Sanger, Detroit, Mich.; R. N. Wallace, W. H. Wallace, Saginaw, Mich.

Officers.—William H. Wallace, president and general manager; George B. Morley, vice president; Gilbert W. Lee, vice president; Sherwin A. Hill, general counsel; F. L. Crawford, secretary and assistant treasurer; R. J. Baird, treasurer.

Secretary's office, 602 Coe Terminal Building, Detroit, Mich.; president's, treasurer's, and purchasing offices, Second National Bank Building, Saginaw, Mich.

Mr. CRAWFORD. That report, in my opinion, merely reflects the resultant conditions, by reason of the low prices of refined sugar, that has governed during the last 12 months more than it has in any report that has heretofore been published by any beet-sugar concern operating within continental United States.

I make that statement for this reason, that as of July 1, 1928, the beginning of the fiscal year which is reflected in that statement, we had on hand practically no sugar from the 1927 crop. We had a few bags, but of no consequence. By referring to that statement you will find that at the close of the fiscal year June 30, 1929, we had only a few bags of sugar on hand, which means to say that the crop of sugar from the beets harvested in the fall of 1928 and sold between the period of October 15, 1928, and June 30, 1929, at the prices governing during that period, reflects the result of the operations for that period under review and at the same time indicate to you the murderous prices that prevailed on refined sugar.

The financial operating loss as shown in that statement exceeds $611,000.

There is a loss of the Michigan Sugar Co. and some 82 per cent of the loss of the Toledo Sugar Co. by reason of the fact that we have one minority stockholder in the Toledo Sugar Co. who refuses to sell his stock to the Michigan Sugar Co., although he has not had a dividend—neither has the Michigan Sugar Co. had a dividend on the stock which it owns in the Toledo Sugar Co.—since 1916.

The net result of the operations of that company for the past four years is an operating loss in excess of three and a quarter million dollars.

The Michigan Sugar Co. occupies a position in the eastern territory in this way. There are 12 other plants in operation in that section of the country. Mr. Gallagher referred to them a while ago, wherein he stated that he represented the Columbia Sugar Co., with 3 plants; the Continental Sugar Co., with 3 plants; the Holland-St. Louis Sugar Co., with 3 plants. That makes 9. In addition, there is a plant operated by the Bay City Sugar Co. at Bay City, Mich.; a plant at Mount Clemens, Mich., operated by the Mount Clemens Sugar Co.; and a plant at Ottawa, Ohio, operated by the Ohio Sugar Co. We operate 9 plants, against the 12 other plants operated by 6 other companies.

One reason that we have hesitated about appearing here was that we did not want to show in a public way the financial position of what we consider is the foundation stone of the eastern beet-sugar section. If the Michigan Sugar Co., with its low costs of production, with its low overhead, operating over a period of the last four years under the prices that have governed, has lost in excess of three millions of dollars, and if its financial position is as reflected in the balance sheet certified by Price, Waterhouse & Co. and is unable to continue operations and must cease under the conditions that have governed in the last 12 months, particularly, I make the statement without fear of contradiction that as and when those 9 plants close the other 12 plants will necessarily have to close, and it will start a deterioration throughout the beet-sugar industry which will not stop until it reaches the Pacific coast.

Therefore it is most significant to the beet sugar industry of this country and to the domestic sugar production produced within continental United States as to whether or not the Michigan Sugar Co. and the Toledo Sugar Co. operating those 9 plants continue to exist.

If you will take the lists showing the bondholders and the stockholders of the domestic sugar industry of this country, you will find an interlocking or a meshing of people who invest their moneys in sugar stock and sugar bonds as you find in other basic industries. That is to say, that as and when those bondholders and stockholders who are now interested financially in those institutions represented by those six other companies I have referred to and our companies.

including the banks which have advanced loans to those institutions, the debenture holders and the stockholders lose their investments in those properties, the economic or financial consequences of that will scatter throughout the entire country.

Senator KING. What do you pay for beets?

Mr. CRAWFORD. $7.75.

Senator KING. Recently before the Committee on Immigration witnesses came from Ohio and surrounding States and testified, as I recall, that one of the difficulties encountered in the prosecution of the beet-sugar industry in your section of the country resulted from the inability to get the farmers to produce beets, and therefore they wanted the immigration laws not amended so as to interdict Mexican labor. They said the Mexicans and the Spaniards and Belgians were the only ones they could get to do any work.

I was wondering if you regarded that testimony as accurate and whether you encounter difficulty in getting farmers to produce beets at $7.

Mr. CRAWFORD. Last year we paid $7 minimum to the farmers in Michigan. For the crop year now growing we advanced that price to 75 cents per ton. We are now paying a minimum of $7.75 per ton, as indicated in the contract which was introduced before the subcommittee by Mr. Ogg, of the Farm Bureau.

Senator REED. What proportion of the labor in Michigan is Mexican labor?

Mr. CRAWFORD. I think in the case of our two companies we use perhaps 65 to 75 per cent of so-called Mexican labor.

The CHAIRMAN. How many of them are American citizens?

Mr. CRAWFORD. I have considerable to do with the labor policy of our company. Within recent weeks I have been in the State of Texas personally supervising the shipment of Texas citizens out of that State who are, some of them, full-blooded Mexicans. Some of them are mixtures, between Mexicans and Indians, and a great many of them are citizens of Texas who own their homes in the cities of San Antonio, Houston, Dallas, and Fort Worth. I have been to their homes, seen them personally, and they operate in this way.

For the benefit of some of the southern Senators I want to say this, that my home is really in the State of Texas. I operate several thousand acres of land in that State. I consider it my home, although my legal residence is in the State of Michigan. We use Mexican laborers on our ranches and on our farms. I spent the first 25 years of my life on ranches and cotton plantations in the State of Texas. My people live there at the present time. I know what it is to go into the cotton fields at 4 o'clock in the morning and be there at 9 o'clock at night, and, as a matter of fact, I have picked cotton throughout the entire night by moonlight in order to save the crop. My sisters have picked cotton along with me at the same time. I have nephews and nieces who do likewise at the present time, and some of those boys and girls are graduates of some of the best educational institutions of the United States; but they are farmers, and it is necessary for them to do that.

Working beets is like chopping cotton and blocking and thinning cotton and picking cotton. The operations in connection with the working of beets is identical with that in working cotton, up to the point of harvesting the crop. In the handling of cotton we tie a sack onto our shoulders and pull them through and pick them with our hands. In the handling of beets you have got to pick them up, cut the tops off, pile them, throw them into wagons, and haul them to the stations.

In shipping this labor out of Texas, I go down there to load those labor trains, and I make the announcement that the train will pull out at 8 o'clock, and we run special trains and put people on there that know how to handle them, take care of them, feed them, and nurse them, and all that goes with it. Those people leave down there at 8 o'clock as anxious to make that trip to the North as you or I would be to take a trip to Europe. Why wouldn't they be?

Last November I paid off the last mortgage that had run for 40 years on the Crawford farm, held by a firm in Dallas, Tex. For 40 years they held mortgages on our souls under the cotton system as operated during that period and as operated at the present time. I have some feeling about this.

Those Mexican people, so called, many of whom are citizens of the State of Texas, look forward to the season of the year when they can come to the State of Michigan or to Minnesota or Iowa and to the western beet fields as a vacation period, just as I would have looked at it had I had an opportunity when I was 15 to 20 years of age to have come North. It would have been the greatest opportunity of my life up to that time. I would have traded my soul for the privilege of doing so. Why wouldn't I? The labor conditions are better, the pay is better, the weather conditions are better. We do not have to go into the fields with the fever and chills and take quinine and calomel and all the rest of it——

Senator Reed. That is a very poor advertisement for Texas.

Mr. Crawford. It may be, but I am drawing a comparison between the beet laborers and the cotton laborers, and it enters directly into the labor situation.

These people in Texas who come north to Michigan to our company come with the greatest anticipation of joy. They make more money than they would make if they stayed working in the cotton fields. I am not cursing the cotton situation. I am making a comparison. Both are necessary, and we have to have them. I am not offering any kind of criticism whatsoever against the southern Senators here, because I love them and love the South, and I know the southern people.

Senator King. In the North you do not find farmers who are willing to undertake the planting and producing of beets, and therefore you go to Texas and other Southern States for the purpose of getting your labor. Is that the gist of your argument?

Mr. Crawford. We operate in the most industrialized section of the United States, where in every day's labor we hire we have to compete with Ford, with the General Motors, and all the other big basic industries organized and operating plants in that section where we are located. Those farmers can not get labor in that vicinity to do this work. If we can not get the Mexicans, we are going to pull the colored people out of the South and take them out of the cotton fields. We have reached a point in the United States in regard to common labor where it is competition of one State against another or one community against another and one industry against another in order to get the common labor to fill in, so that those who are better paid and better educated and better trained can move upward.

The big source of supply of common labor has been cut off from this country. Senator Couzens knows that in the State of Michigan, in the cities of Detroit, Saginaw, Bay City, Lansing, Pontiac, Birmingham, the increased number of men on the pay roll to-day compared with the number of men on the pay roll one year ago is absolutely startling. Where are those people coming from? From the nooks and crannies of this country, wherever they can be found.

We have to do the same thing to get workers on the farms where they are growing beets, beans, corn, potatoes, or what not. The workers are not in the State of Michigan; they have to be brought in.

Senator WALSH. How many of these southerners do you import to Michigan annually?

Mr. CRAWFORD. It depends entirely on the number of acres of beets we have.

Senator WALSH. Approximately?

Mr. CRAWFORD. We figure that each adult worker will handle 12 acres of beets. For 12,000 acres of beets you would have to have 1,000 workers.

Senator WALSH. How far from Detroit are the beet fields?

Mr. CRAWFORD. Some of the beet fields are within hollering distance of industries located at Bay City, Saginaw, Detroit. You can go out 25 miles from Detroit and be in the beet fields.

Senator WALSH. Conditions are so prosperous in Michigan that it is impossible to pick up 1,000 men to work the beet fields?

Mr. CRAWFORD. With 100,000 acres of beets we need about 12,000 people.

Senator SIMMONS. What are the farmers in Michigan raising outside of beets?

Mr. CRAWFORD. Beans, oats, wheat, alfalfa, potatoes. Those are the principal crops.

Senator SIMMONS. Do the farmers in Michigan who are raising those other things go over to Texas to get Mexican labor?

Mr. CRAWFORD. These Mexicans that we bring there fill in their spare time between the beet operations and those other crops.

Senator SIMMONS. You say you go over there annually for the purpose of bringing in these Mexicans. I am asking you if the other farmers in Michigan go over there in the same way to bring in Mexicans to cultivate their crops.

Mr. CRAWFORD. The beet people are the only people who do that.

Senator WALSH. You can travel through miles in the farming district of Michigan and never see a Mexican?

Mr. CRAWFORD. Yes.

Senator SIMMONS. They come there for the purpose of gathering beets?

Mr. CRAWFORD. They come there for that purpose and drift into other industries.

Senator SIMMONS. Will you tell us what you pay them a day?

Mr. CRAWFORD. $23 an acre for contract labor.

Senator SIMMONS. You do not pay them by the day?

Mr. CRAWFORD. One man will work 15 acres of beets; another man will take care of 20 acres; another man, 7 acres; another man, 5 acres.

We had in our family eight boys. I could pick 400 pounds of cotton a day; another boy could pick 600; another, 550; and so on. In handling beets it is the same way. It is a piece-work proposition.

Senator WALSH. Do they buy at a common commissary?

Mr. CRAWFORD. They have their own private homes.

Senator WALSH. Who builds them?

Mr. CRAWFORD. The farmers who grow the beets.

Senator WALSH. They are permanent homes?

Mr. CRAWFORD. Yes, sir.

Senator WALSH. These people live in families by themselves and buy their own supplies and pay their own rent?

Mr. CRAWFORD. There is no rent to be paid.

The CHAIRMAN. We were going to take up the question of the sliding scale.

Mr. CRAWFORD. Mr. Chairman, I have given this background to show my objection to the sliding scale.

Senator COUZENS. Before he leaves the labor question. Do you draw upon any convict labor?

Mr. CRAWFORD. We have, I believe, had on the pay roll at one time 100 convict laborers, men who were imprisoned in the Jackson prison, working beets. Senator McBride of Michigan made a clean-cut statement on that before the subcommittee, and I did not want to take up your time to repeat it.

Senator SHORTRIDGE. It is permissible under your laws?

Mr. CRAWFORD. Yes, sir. We were solicited. We were pressed, after refusing twice to accept those laborers—we were pressed by the State of Michigan to let them work in the fields to earn some money.

Senator WALSH. Do the Mexicans object to working with convict labor?

Mr. CRAWFORD. They do not.

Senator SACKETT. In view of this statement, why did you raise the price of beets?

Mr. CRAWFORD. Some one criticized us before the subcommittee——

Senator SACKETT. I am just asking you for the fact.

Mr. CRAWFORD. We raised the price of beets in order to get more beets, and for no other purpose. Do you think a company, with a loss of over $3,000,000 in four years would increase the price of beets to the farmers if they could get them otherwise, with bankruptcy staring us in the face?

Senator WALSH. Has it resulted in increasing the production of beets?

Mr. CRAWFORD. It has not.

Senator WALSH. How much more would you have to give them to increase the production?

Mr. CRAWFORD. We will have to pay $8.25 for beets in the State of Michigan to get full runs for those plants.

Senator SIMMONS. You said you had nine plants, did you not?

Mr. CRAWFORD. Yes, sir.

Senator SIMMONS. What length of time do you run them a year?

Mr. CRAWFORD. It depends entirely on the number of tons of beets you have to slice, which means to say that our plants should cut 900,000 tons of beets per day. If we had 900,000 tons we could run a 100 days. If we had 90,000,000 tons we could run 10 days.

Senator SIMMONS. Taking the average of the beets that are accessible to you, how long would your plans run at full capacity?

Mr. CRAWFORD. On the basis of $8.25 for beets?

Senator SIMMONS. Whatever you have to pay for them.

Mr. CRAWFORD. Ninety days, on the basis of $8.25 for beets—a 90-day run.

Senator SIMMONS. About two-thirds of the time your plants are not running at all?

Mr. CRAWFORD. That is true.

Senator SIMMONS. And during 90 days they would run at full capacity if you had enough beets to supply them?

Mr. CRAWFORD. Yes.

Senator SIMMONS. And if you had enough beets to supply them for a long time could you make money?

Mr. CRAWFORD. We [illegible] ey on the basis of 90-days' run, and on the basis [illegible]

Senator S[illegible] basis of $7?

Senator [illegible] ing 90 days; they have only bee[illegible] 60, [illegible]

Sena[illegible]HAM. W[illegible] you min[illegible] us specifically what your [illegible] to the sl[illegible] scale?

M[illegible]

T[illegible] er your question wit[illegible]ed s[illegible]tins which have bee[illegible]cast [illegible]d St[illegible]g the attention spe[illegible] of eve[illegible]ries [illegible] at the present tim[illegible] fact th[illegible] of [illegible] having to close our —

S[illegible]out it?

M[illegible]s, has [illegible]ce on the financial world [illegible]nutest de[illegible] through [illegible]amifications of the distrib[illegible] that bulle[illegible] it out [illegible] powerful institution, that the [illegible] suga[illegible]ustr[illegible]or the undertaker, and that acco[illegible]ded to us at the present time is of a [illegible]

The CHAIRMA[illegible]test?

Mr. CRAWFORD. That [illegible] question of the survival of the fittest.

Senator BINGHAM. What did they have to say about the sliding scale?

Mr. CRAWFORD. They said nothing about the sliding scale.

Senator BINGHAM. Is your objection to the sliding scale that it slides, or that it is not high enough when it stands still?

Mr. CRAWFORD. If you want my answer to that question I will answer it in this way and make it short and concise.

We are opposed to the sliding scale because of the uncertainty that it brings into the picture at this crucial moment in the history of our country. We feel that as a result of the National City Bank's statement we will be thrown into the hands of the bankruptcy court and have to close our plants.

Senator SHORTRIDGE. Assuming that the suggested sliding scale, the one now immediately under consideration, causes a rise in the tariff rates, then you are opposed to it. Assuming that it does, leaving out all other elements, do the industry and the company which you represent wish an increase of the tariff or a decrease of it, or that it remain as it is?

Mr. CRAWFORD. If we felt that Senator Smoot's proposed sliding scale would increase the price, Senator, we would be in favor of its being put into operation to-morrow morning.

Senator SHORTRIDGE. Well, then, touching the tariff, there is a certain tariff now prevailing.

Mr. CRAWFORD. Yes, sir.

Senator SHORTRIDGE. Do you think it should be raised?

Senator WALSH. He wants the House rates.

Senator SHORTRIDGE. Do you favor the House rates?

Mr. CRAWFORD. We favor it because it does not bring in that uncertainty——

Senator SHORTRIDGE. Leave out the sliding scale proposition, now. Touching the tariff on sugar, do you favor the House bill as it now comes to the Senate?

Mr. CRAWFORD. We do.

Senator SHORTRIDGE. And for reasons which, in part, you have given?

Mr. CRAWFORD. If you will permit I would like to say just a few remarks about this uncertainty from the standpoint of the man who sells sugar.

Senator SHORTRIDGE. I should like to hear you.

Mr. CRAWFORD. If you could sit there at my desk at the end of that private wire which is connected with the exchanges of New York, New Orleans, Paris, London, Hamburg, in minute touch with all the sugar markets of this country, where the ebb and flow of the offer and acceptance of the buyers and sellers of raw sugars and refined sugars occur, down to the little man and all up through the big centers, and see the uncertainties that are put into those markets when a proposition of this kind comes up which may later dislocate every piece of distributing machinery connected not only with the sugar world but with every big basic industry of this country and all the other countries who are fabricating a product a large percentage of which consists of sugar, you could immediately see the tremendous economic consequences that would result from this uncertainty.

As an illustration, we have in this country to-day a few chain buyers, such as the Atlantic & Pacific Tea Co., the National Tea Co., the Kroger Grocery & Baking Co., and a few merged basic industries, like the Ward Baking Co., the National Biscuit Co., the Coca Cola Co., who buy blocks of sugar in the million bags; a concentration of capital, a concentration of buying of sugar in the hands of so few buying agents, who are feeding so many millions of people through chain-store organizations, through the fabrication of bread, cakes, and pies, that it has reduced the number of buyers of sugar in this country down to a mere handful as compared with the number of buyers 10 years ago. When a movement of this kind steps out to those buyers it injects the fear of God into their hearts, because as you will readily see if you buy a million bags of sugar to-day and to-morrow the market drops 20 cents it means that you have lost $200,000, and you have to give an accounting to your board of directors to-morrow afternoon.

You have a few refineries on the Atlantic seaboard and a few at New Orleans, and you have 2 on the Pacific coast, and you have 4 or 5 beet-sugar concerns that you might say amount to something, but you have 125,000,000 people, the greatest sugar-consuming group on the face of the earth, dependent on those people for sugar at a reasonable price. There is not another picture covering a basic food commodity like this anywhere else in the history of the world to-day, where there is so much power concentrated in the hands of so few people, where the market can be manipulated to the advantage of a small group and as against the interests of a large group. I defy you to find anywhere in history a condition like this. That is the responsibility that rests on you gentlemen. We have confidence in what you will do. We have put $15,000,000 or $16,000,000 in our investment, as shown by the balance sheet furnished you, and we are sitting holding our breath depending on you. The responsibility is yours, but we have no fear about what you will do ultimately, not the least bit.

The CHAIRMAN. You are against the sliding scale, as I understand, and you want the House bill?

Mr. CRAWFORD. Yes, sir.

Senator CONNALLY. May I ask the witness a question or two as he dealt somewhat with my State?

The CHAIRMAN. Certainly.

Mr. CRAWFORD. Senator Connally, may I say our State?

Senator CONNALLY. The reason that you go down there and hire Mexicans is that you can get them to work when you can not get the people of Michigan to work in the field at those wages.

Mr. CRAWFORD. The common labor is not there.

Senator CONNALLY. This is a seasonal crop, is it not?

Mr. CRAWFORD. It is.

Senator CONNALLY. It does not take but how long?

Mr. CRAWFORD. We start planting in April and we finish harvesting early in December.

Senator CONNALLY. A great many Mexicans go back, do they not?

Mr. CRAWFORD. A great many of them do.

Senator CONNALLY. Do you investigate the citizenship in each case?

Mr. CRAWFORD. Not in each case, but——

Senator CONNALLY (interposing). It does not make any difference to you as to their citizenship if they work?

Mr. CRAWFORD. Yes; it does make a difference to us.

Senator CONNALLY. Do you investigate that matter?

Mr. CRAWFORD. In any number of cases we do.

Senator CONNALLY. You do not make him produce his naturalization papers or birth certificate, and so on?

Mr. CRAWFORD. Along with the immigration officials of the United States we go through the train and inspect the immigration papers of every man, woman, and child on the train that has one.

Senator CONNALLY. Does your company go down there and get them and then let them out to beet-sugar farmers?

Mr. CRAWFORD. We do.

Senator CONNALLY. And you pay the expense?

Mr. CRAWFORD. We pay all their expenses, all transportation expenses.

Senator CONNALLY. And then the farmer pays you that?
Mr. CRAWFORD. The farmer pays us absolutely nothing.
Senator CONNALLY. You pay the sugar-beet farmer $7.75 for beets when the people out in Colorado and Utah only pay $7 a ton, don't they?
Mr. CRAWFORD. That is correct.
Senator CONNALLY. That is one reason why your company is not prospering, is it not?
Mr. CRAWFORD. It may be.
Senator CONNALLY. Is not that it?
Mr. CRAWFORD. They paid $7 a ton last year.
Senator CONNALLY. But you are paying $7.75 a ton now.
The CHAIRMAN. They contract to do that.
Mr. CRAWFORD. Our contract now calls for $7.75.
Senator CONNALLY. The season is on now?
Mr. CRAWFORD. Yes; and beets that are delivered to us in October, November, and December we will pay $7.75 a ton for.
The CHAIRMAN. There are no sugar beets being dug now.
Senator CONNALLY. You are under contract to pay them that when you get them?
Mr. CRAWFORD. Yes, sir.
Senator CONNALLY. You can not compete with the Great Western Sugar Co. of Colorado when you pay $7.75 while they pay $7, can you?
Mr. CRAWFORD. Well, we have other advantages. We are sitting right in the lap of the greatest consuming sugar district on the face of the globe.
Senator CONNALLY. Doubtless that is true.
Mr. CRAWFORD. Yes; and we do not have to absorb any freights.
Senator CONNALLY. What do you pay those laborers by the day?
Mr. CRAWFORD. We pay them on the contract basis about $3.25 a day.
Senator CONNALLY. You do not bring in any Anglo-Saxon laborers from down there in Texas, do you?
Mr. CRAWFORD. Very few.
Senator CONNALLY. How many Anglo-Saxon laborers did you bring last year?
Mr. CRAWFORD. I do not think it would run over 500.
Senator CONNALLY. They will not work under those conditions. They won't take those contracts to work by the acre or by the patch like the Mexican will
Mr. CRAWFORD. No; they will not.
Senator CONNALLY. They are not tractable or easily controlled as is the Mexican.
Mr. CRAWFORD. They are just as easily controlled.
Senator CONNALLY. You say you have not worked any.
Mr. CRAWFORD. I worked with them in the South and grew up with them.
Senator CONNALLY. But that is not in Michigan. You can give them calomel in Texas but you can't do that in Michigan.
Mr. CRAWFORD. We do not have to do that.
Senator CONNALLY. But the most of them would rather take calomel and stay in Texas than to go to Michigan and avoid it.

Mr. CRAWFORD. Senator Connally, I want to make a statement here and after due consideration: You know the conditions in Texas and so do I. I believe that I could go to the State of Texas next spring and recruit 25,000 Anglo-Saxon so-called pure-blooded Americans and bring them to the sugar beet fields of Michigan on a $23 contract.

Senator COUZENS. They don't need quinine and calomel in Michigan.

Mr. CRAWFORD. They would be tickled to death to have a vacation in the North.

Senator CONNALLY. Then why don't you take the Anglo-Saxons up there?

Mr. CRAWFORD. Why do men go on a certain channel of procedure——

Senator CONNALLY (interposing). I do not talk about other men, but I asked why you didn't employ them.

Mr. CRAWFORD. Because it has not been the custom to do it.

Senator CONNALLY. Your company established the custom?

Mr. CRAWFORD. No. But we were one of those that established it.

Senator SHORTRIDGE. I do not quite understand you there. I understood you to say that you could not get what we will call the Anglo-Saxon, our people, to work in the sugar beet fields of Michigan, and that therefore it became necessary for you to employ another type of labor.

Mr. CRAWFORD. You can not get them in the State of Michigan. They are not there.

Senator SHORTRIDGE. I understand that.

Mr. CRAWFORD. That was the meaning of what I said.

Senator SHORTRIDGE. You can not find the necessary labor among the permanent people of Michigan.

Mr. CRAWFORD. Yes; that is it.

Senator SHORTRIDGE. And therefore you go to Texas to get certain laborers.

Mr. CRAWFORD. We do.

Senator SHORTRIDGE. And you do get what we will term the Mexican type of labor?

Mr. CRAWFORD. Yes, sir.

Senator SHORTRIDGE. Some of whom are citizens of the United States.

Mr. CRAWFORD. Yes, sir.

Senator SHORTRIDGE. Now, pursuing the thought of Senator Connally, why don't you employ some white men in Texas. You say you can get them, and why don't you do it? Is it a question of wages, or are there other reasons why you can not or do not do it?

Mr. CRAWFORD. Senator Shortridge, we started in on the plan of acquiring this type of workers whom you call foreigners. That was the labor policy of the company. Other companies did the same thing.

Senator SHORTRIDGE. Companies in California do it, and I want to know your reason.

Mr. CRAWFORD. Let us say, for example, that the so-called Mexicans were not there, then we would either be forced to take colored people or the Anglo-Saxon people, and those are the ones we would go after. Here is the reason we would do it, because the wages in the South do not compare with the wages paid in the North.

Senator SHORTRIDGE. That is granted for the moment, but if you could get the Anglo-Saxons, to use that phrase, from among the citizens of Texas, why not do it rather than get Mexicans, if there be no other reason?

Mr. CRAWFORD. Well, that is a good suggestion for consideration.

Senator WALSH. You already have Mexicans there in large numbers, living there the year round, have you not?

Mr. CRAWFORD. Quite a number of them.

Senator WALSH. So that the others that you might get to supply your new demand would not assimilate with the present Mexicans if they were Anglo-Saxons.

Mr. CRAWFORD. There would be no assimilation necessary.

Senator WALSH. Would they live in the same kind of houses?

Mr. CRAWFORD. They have better houses than they have down there.

Senator SHORTRIDGE. It has been stated here by some one that you could not get an American type of people to work in the beet fields. It has been said again and yet again that you could not get that type of labor to work in the beet fields of Michigan, in which work they have to stoop over and which is quite laborious, which is very distasteful to our type of citizenship.

Mr. CRAWFORD. I have heard that statement made.

Senator SHORTRIDGE. Is that a fact or not?

Mr. CRAWFORD. That was the other man's testimony. But I have made the statement that I confidently believe I could get 25,000 Anglo-Saxon people out of the State of Texas, and I have also stated that I can not get that labor in the State of Michigan.

Senator SHORTRIDGE. That may be.

Senator SIMMONS. You stated that your nine factories were not prosperous. There are some others of these beet-sugar factories that are not prosperous also, as I understand. But are not there some beet-sugar factories that are prosperous?

Mr. CRAWFORD. I know of one beet-sugar factory in the United States whose operating results are fairly satisfactory to me—the Great Western Sugar Co.

Senator SIMMONS. The Great Western is a very prosperous concern, is it not?

Mr. CRAWFORD. I would not say that it was a very prosperous concern, because there are years when they do not earn a dividend.

Senator SIMMONS. You have as much protection as they have?

Mr. CRAWFORD. We have.

Senator SIMMONS. And there are one or two others that are quite prosperous, big concerns?

Mr. CRAWFORD. I do not know who they are. But, Senator Simmons, may I make this remark: I spent seven years in the western beet-sugar territory working with and for western companies, in the agricultural, financing costs, and factory departments. I have been in the eastern territory now for four years, and——

Senator SIMMONS (interposing). What I want is your information on that matter. Why is it that some of these beet-sugar factories are very prosperous, and yet they get no more protection than you get, and probably pay no more in cash price for beets than you pay, while you are not prosperous? Is it not the result of the big men milking the little men?

Mr. CRAWFORD. No; it is not. I started to answer that question before but was interrupted.

The CHAIRMAN. Would it not be better, Senator Simmons, to read Mr. Dillingham's statement?

Senator SIMMONS. But I want this witness to answer it.

The CHAIRMAN. What does he know about that?

Senator SIMMONS. He ought to know. He has stated something about these great combinations absorbing the little men and the effect of that upon business as a whole. Now, I am asking him if in his industry that very same thing has not happened, that some of these great big concerns, like the Great Western Sugar Co., have absorbed the business, and that practically he finds himself unable to compete with them, even though they have no greater protection than he has.

Mr. CRAWFORD. I anticipated your question, Senator Simmons, and started to answer it, and now if you will permit me to go ahead I will do so.

Senator SIMMONS. I was willing for you to go ahead but the chairman interrupted me.

Mr. CRAWFORD. I know the western beet sugar industry, and I know the eastern beet sugar industry, and I know some of the reasons, some of the major reasons I would say, why the Great Western Sugar Co. is successful and why some others are not.

Senator SIMMONS. And that is just what I should like to hear you tell about.

Mr. CRAWFORD. Why the eastern people are no more successful than at the present time, in my opinion, here are the reasons: The Great Western Sugar Co. has the most ideal agricultural district in which to operate that there is now under beet cultivation in the United States. Why should it not be successful? Outside of the Great Western Sugar Co.'s territory there is not another section developed within continental United States that holds anything like a comparison to that.

Senator SACKETT. Is that because of markets or productive capacity or what?

Mr. CRAWFORD. That is owing to climatic and soil conditions pure and simple.

Senator SHORTRIDGE. How much do they grow per acre?

Mr. CRAWFORD. They grow from 12½ to 13¾ tons of beets per acre.

Senator SACKETT. And what amount do you grow?

Mr. CRAWFORD. We grow on a long average between 9 and 10 tons per acre. Some years we drop at low as six and a fraction tons per acre.

Senator SACKETT. Does any section grow less per acre than you do?

Mr. CRAWFORD. I do not know of any section growing any less than we do. Now, why does this situation exist? We are dealing with an agricultural proposition. I know agriculture. I have worked on farms and been engaged in farming all my life. I know the influence of rain and of sunshine. I know the results of rich soil and poor soil. We are dealing with the question of buying beets from farmers. The great Western Sugar Co.'s competition from a market standpoint through these mergers I was speaking about has nothing to do with the operations of the Michigan Sugar Co. But we have to buck up against certain agricultural conditions in Michigan which do not exist in the Western Sugar Co. States. We have to buck up against certain rainfall, certain lack of sunshine, cloudy days, and all those things which enter into production of beets per acre, and which the people of the Great Western Sugar Co.'s territory do not have to buck up against.

Senator SACKETT. You only pay a certain amount per ton of beets?

Mr. CRAWFORD. We pay the minimum price.

Senator SACKETT. You paid $7.75 last year?

Mr. CRAWFORD. Yes, sir.

Senator SACKETT. And the Great Western Sugar Co. paid $7.

Mr. CRAWFORD. Well, you must remember that they have ——

Senator SACKETT (interposing). Just answer the question. Did they?

Mr. CRAWFORD. I am not prepared to answer that question.

Senator SACKETT. I thought you said a while ago that they did.

Mr. CRAWFORD. No; I said we did.

Senator SACKETT. Do you know whether they paid any less than $7 a ton for sugar beets?

Mr. CRAWFORD. I do not think they did.

Senator SACKETT. What difference does it make how much an acre produces if you both pay the same price per ton for sugar beets?

Mr. CRAWFORD. May I illustrate that matter?

Senator SACKETT. Just answer the question, if you will.

Mr. CRAWFORD. If you are a farmer and only growing 6 tons of beets to the acre——

Senator SACKETT (interposing). You are not a farmer but a manufacturer, and you pay so much per ton for sugar beets.

Mr. CRAWFORD. You say, what difference does it make? Here is the difference: If you are a farmer and you grow 9 tons of sugar beets to the acre on your farm and here is another man that grows 13 tons of sugar beets to the acre on his farm, is not this other man going to grow beets more cheaply than you do?

Senator SACKETT. Do you have any difficulty in getting sugar beets?

Mr. CRAWFORD. We have had, because the farmer contends that on the price we now pay, $7 a ton, and also $7.75 a ton, that he can not recover a sufficient cost to pay for the operation, to pay for his work.

Senator SIMMONS. Aren't you in the same fix as the lumber manufacturer who builds an expensive plant and then finds there is not enough timber grown in that part of the country to enable him to operate; isn't that your trouble?

Mr. CRAWFORD. I would not say so. If you will refer to the list of directors on that statement that I filed and to the last 25 years' experience of that company, you will find it had an enviable operating record from the standpoint of profits. You will also find that the men listed on the directorate are men of means, successful business operators, who stand high and rank high in the personnel of the industries of Michigan; you will find that this situation is not due to mismanagement, but that it is due to the agricultural conditions brought about by general changes that are operating throughout the United States to-day, and more specifically the situation in Michigan.

The CHAIRMAN. Mr. Crawford, I want to get through here tonight.

Mr. CRAWFORD. Very well. I am through.

Senator COUZENS. I should like to ask a question or two.

The CHAIRMAN. Certainly.

Senator COUZENS. Have you studied Senator Smoot's sliding scale?

Mr. CRAWFORD. I have.

Senator COUZENS. And you disagree with it?

Mr. CRAWFORD. I disagree with it, and——

Senator COUZENS (interposing). That is enough. Did you listen to Mr. Gallagher's proposal?

Mr. CRAWFORD. I did.

Senator COUZENS. Which do you prefer?

Mr. CRAWFORD. I prefer Senator Smoot's.

Senator COUZENS. Rather than Mr. Gallagher's?

Mr. CRAWFORD. Yes, sir.

Senator COUZENS. That is all.

The CHAIRMAN. Very well.

STATEMENT OF H. H. PIKE, JR., REPRESENTING H. H. PIKE & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. You are going to talk about the sliding scale, are you?

Mr. PIKE. I will do so if I may?

The CHAIRMAN. You may.

Mr. PIKE. I want to bring out six reasons against the sliding scale, although the sliding scale is so complicated that in the short time we have had to study the matter it is a little difficult to figure out what the results of a sliding scale, be it the one now before us, which I believe is Senator Smoot's scale, or another; and my objections are not to the Senator's scale. They are to sliding scales in general.

Senator CONNALLY. You found six objections, but if you had a little time you could find some more, could you?

Mr. PIKE. I should not wonder if I might. I have tried to make these general classifications, and there are possibly subheads under each one of them.

The first objection is the question of marketing. As we studied the matter it seems to us that the sliding scale opens an avenue for fraud, for manipulation, and for very great administrative difficulties.

The CHAIRMAN. You said "we"; who is "we"?

Mr. PIKE. I mean my company.

The CHAIRMAN. Who is your company?

Mr. PIKE. H. H. Pike & Co.

The CHAIRMAN. What is your business?

Mr. PIKE. We are merchants, and we happen to be agents of the Hershey Corporation in selling them their sugar.

Senator SHORTRIDGE. When you say "we," you mean that you represent your views on this subject?

Mr. PIKE. Yes, sir; it is in the shape of the editorial "we." We feel that it would be a deplorable thing that we should get into the position—and when I say we now I say it in the sense of sugar people in general, or more particularly merchants in New York, because the most of the sugar is merchandised through New York—it is deplorable that we should be forced into the position of trying to beat the tariff.

The CHAIRMAN. You can not speak for the other refiners, can you?

Mr. PIKE. I am not speaking for the refiners.

Senator SHORTRIDGE. He is advancing his own views, I take it.

The CHAIRMAN. You say "others"; what others do you refer to?

Mr. PIKE. When I say we I am speaking of the sugar trade. In fact, I can not talk for the sugar trade, but I do think it is fair to say that the sugar trade does feel that it would be in a position by way of self-defense in having to try to beat the tariff. When it comes to administrative difficulties there are a great many that could be thought of right now. If you base it on refined sugar, which your sliding scale has done, there will be the question of the refiners' interest possibly in getting the price higher or lower, which will affect the price that he pays by way of duty. And it would be perfectly possible for him to return to the system which was in effect before the organization of the sugar institute, where the sugar price, which was quoted at a certain figure, say, 6 cents, but by agreement one could allow the buyer perhaps a 5-cent advertising allowance; or he could perhaps allow him a 5-cent warehouse reduction for handling the sugar in his warehouse; or perhaps he could give him a brokerage although he goes to him direct. In other words, one could allow him any number of things.

There was the practice when the sugar institute started, which was in existence between a certain refiner and a certain buyer of sugar, whereby he got a flat rate of 25 cents under the quoted price.

Now, it would seem to me that if you put in a sliding scale as a tariff that it would be a very great incentive perhaps for a group of refiners—and I think they might do it in all honesty—to build up their price a little and have it based on certain allowances.

And, furthermore, I think it would be a very difficult thing to control, and a very difficult thing to find out what was the price. I do not think those disadvantages would apply in quite such great measure if it were based on raws. But there are other objections to basing it on raws.

Mr. Dillingham in his testimony referred to the fact that refined sometimes was going up when raws were going down, and vice versa. I just happened to have this little chart with me, which we got up last year, showing prices on Cuban raws. Superimposed on the cost of refined sugar it shows very clearly what Mr. Dillingham was speaking about, because at this point on the chart, which was approximately April 1, you reached the peak of the market for raw sugar, and then the market started to go down, to zigzag down to the low of the year. On the other hand, after that peak was reached in raws and raws were going down quite rapidly, there were two advances in the price of sugar. The price went from 5.85 to 6 cents, and then was advanced to 6.10. So you had refined going up and raws going down.

The CHAIRMAN. If it had been based on raw sugar that could not happen.

Mr. PIKE. Personally I think it would be easier to determine it if it were based on raw sugar. I should like to put that chart in the record. Possibly it might be of interest to you. And, by the way, that chart also shows another interesting thing, that this was the first year of the operation of the sugar institute, and some one has referred to the very high rates which went into effect when the institute started.

The CHAIRMAN. It may be placed in the record.

(The chart referred to is printed opposite this page.)

Mr. PIKE. In the second place, the sliding scale is a sort of guaranteed price. It is a type of price insurance. It has been stated that the purpose of this sliding scale was to fix the price at 6 cents. It seems to me that this is a very dangerous new departure in the matter of tariffs in general, and it seems to me to be a direct step toward communism, and I am sure one which may hereafter be demanded by other industries as well as by sugar.

Senator HARRISON. You do not think that Senator Smoot would propose anything that looked like communism, do you?

Mr. PIKE. I will leave that for you to find out from the Senator. In the third place——

The CHAIRMAN (interposing). You prefer the House bill, don't you?

Mr. PIKE. I think the House bill is terrible, sir.

The CHAIRMAN. You prefer it to the sliding scale, however?

Mr. PIKE. As to the market matter, in the matters that I have taken up so far, the House bill is preferable.

The CHAIRMAN. You would prefer it?

Mr. PIKE. No. I think as between two very objectionable bills I would not be able to state which was the less objectionable.

Senator WALSH. Do you want the present law?

The CHAIRMAN. If we went back to the House bill, you would have no more objection to that than to the sliding scale.

Senator SHORTRIDGE. The gentleman says he is opposed to both.

Mr. PIKE. I am talking about the sliding scale now.

The CHAIRMAN. But you do not want the sliding scale plan adopted?

Mr. PIKE. No.

The CHAIRMAN. Have you any objection to the House bill?

Mr. PIKE. I certainly have.

The CHAIRMAN. Go on now and tell us your objections to the sliding scale.

Senator HARRISON. You think they are both terrible.

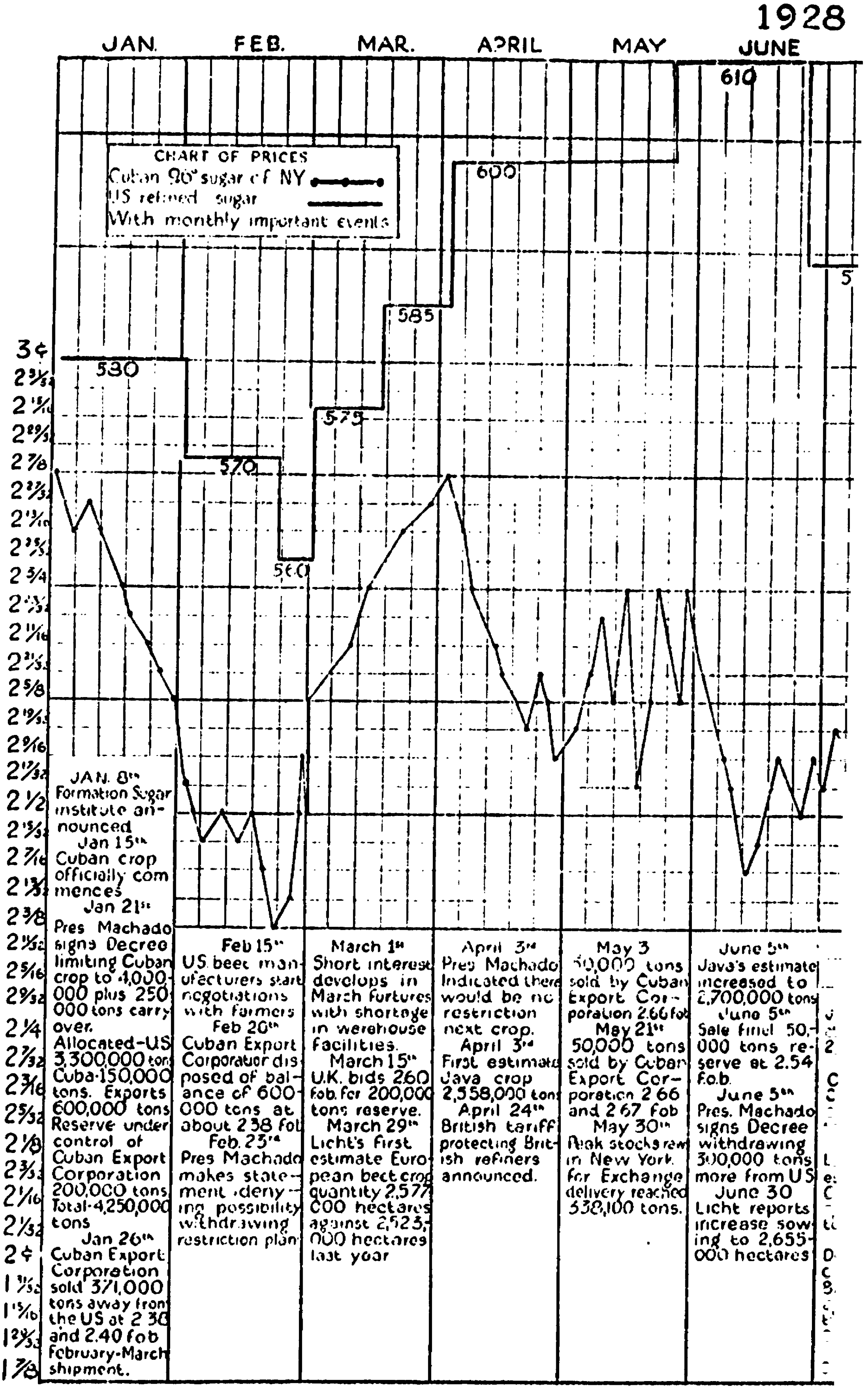
Mr. PIKE. The House bill in the first place is too high, and in the second place it is very objectionable in that it breaks the rate at 94 and puts on a differential against the higher grades of sugars than 94.

The CHAIRMAN. You are the Hershey corporation's selling agent?

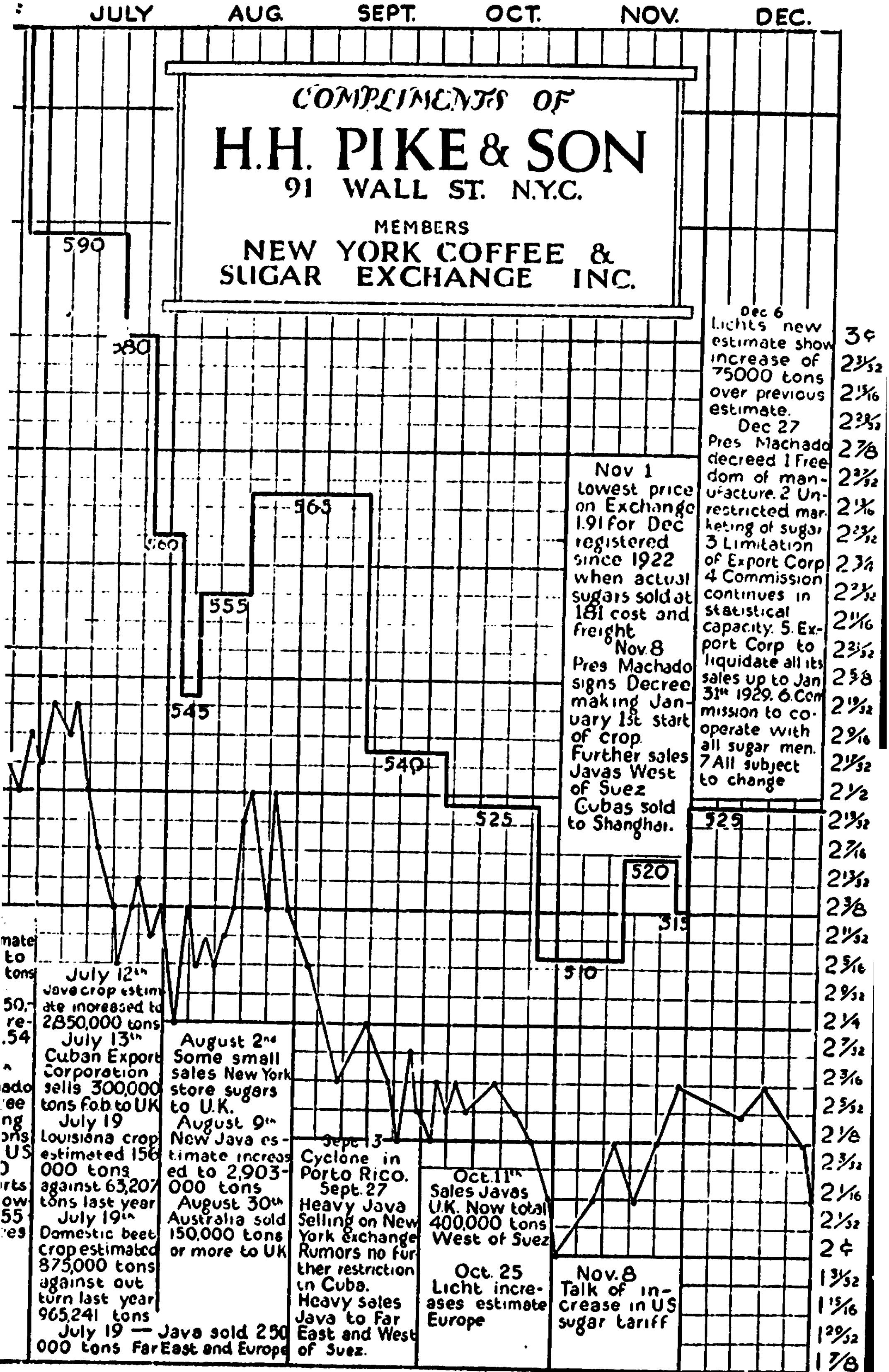
Mr. PIKE. Yes, sir; and I am coming to that in a moment.

The CHAIRMAN. All right. Proceed.

Mr. PIKE. My third point of objection is as to the matter of United States revenue. The Treasury Department will not know under this particular sliding scale within about $86,000,000 how much



1928
JAN.
FEB.
MAR.
APRIL
MAY
JUNE
CHART OF PRICES
Cuban 96° sugar c f NY
US refined sugar
With monthly important events
530
570
560
575
585
600
610
3¢
2¢
JAN. 8th Formation Sugar institute announced
Jan 15th Cuban crop officially commences
Jan 21st Pres Machado signs Decree limiting Cuban crop to 4,000,000 plus 250,000 tons carry over. Allocated-US 3,300,000 tons Cuba-150,000 tons. Exports 600,000 tons Reserve under control of Cuban Export Corporation 200,000 tons Total-4,250,000 tons
Jan 26th Cuban Export Corporation sold 371,000 tons away from the US at 2.38 and 2.40 fob February-March shipment.
Feb 15th US beet manufacturers start negotiations with farmers
Feb 20th Cuban Export Corporation disposed of balance of 600,000 tons at about 2.38 fob
Feb 23rd Pres Machado makes statement denying possibility withdrawing restriction plan
March 1st Short interest develops in March furtures with shortage in werehouse facilities.
March 15th U.K. bids 2.60 fob. for 200,000 tons reserve.
March 29th Licht's first estimate European beet crop quantity 2,577,000 hectares against 2,523,000 hectares last year
April 3rd Pres Machado Indicated there would be no restriction next crop.
April 3rd First estimate Java crop 2,558,000 tons
April 24th British tariff protecting British refiners announced.
May 3 50,000 tons sold by Cuban Export Corporation 2.66 fob
May 21st 50,000 tons sold by Cuban Export Corporation 2.66 and 2.67 fob
May 30th Peak stocks raw in New York for Exchange delivery reached 338,100 tons.
June 5th Java's estimate increased to 2,700,000 tons
June 5th Sale final 50,000 tons reserve at 2.54 f.o.b.
June 5th Pres. Machado signs Decree withdrawing 300,000 tons more from US
June 30 Licht reports increase sowing to 2,655,000 hectares


JULY
AUG.
SEPT.
OCT.
NOV.
DEC.
COMPLIMENTS OF
H.H. PIKE & SON
91 WALL ST. N.Y.C.
MEMBERS
NEW YORK COFFEE & SUGAR EXCHANGE INC.
590
580
560
555
545
563
540
525
510
520
519
525
July 12th Java crop estimate increased to 2,850,000 tons
July 13th Cuban Export Corporation sells 300,000 tons f.o.b. to UK
July 19 Louisiana crop estimated 156 000 tons against 63,207 tons last year
July 19th Domestic beet crop estimated 875,000 tons against out turn last year 965,241 tons
July 19 — Java sold 250 000 tons Far East and Europe
August 2nd Some small sales New York store sugars to U.K.
August 9th New Java estimate increased to 2,903-000 tons
August 30th Australia sold 150,000 tons or more to UK
Sept 3 Cyclone in Porto Rico.
Sept. 27 Heavy Java Selling on New York exchange Rumors no further restriction in Cuba. Heavy sales Java to Far East and West of Suez.
Oct. 11th Sales Javas U.K. Now total 400,000 tons West of Suez
Oct. 25 Licht increases estimate Europe
Nov. 1 Lowest price on Exchange 1.91 for Dec registered since 1922 when actual sugars sold at 1.81 cost and freight
Nov. 8 Pres Machado signs Decree making January 1st start of crop. Further sales Javas West of Suez Cubas sold to Shanghai.
Nov. 8 Talk of increase in US sugar tariff
Dec 6 Lichts new estimate show increase of 75000 tons over previous estimate.
Dec 27 Pres Machado decreed 1 Freedom of manufacture. 2 Unrestricted marketing of sugar 3 Limitation of Export Corp 4 Commission continues in statistical capacity. 5. Export Corp to liquidate all its sales up to Jan 31st 1929. 6. Commission to cooperate with all sugar men. 7 All subject to change
3¢
2 31/32
2 15/16
2 29/32
2 7/8
2 27/32
2 13/16
2 25/32
2 3/4
2 23/32
2 11/16
2 21/32
2 5/8
2 19/32
2 9/16
2 17/32
2 1/2
2 15/32
2 7/16
2 13/32
2 3/8
2 11/32
2 5/16
2 9/32
2 1/4
2 7/32
2 3/16
2 5/32
2 1/8
2 3/32
2 1/16
2 1/32
2¢
1 31/32
1 15/16
1 29/32
1 7/8

revenue will be received from the sugar tariff. This, to my mind, is a direct slap at the Republican administration's principle of the Budget, which I understand President Coolidge was painstakingly building up, and which is still being built up.

Senator HARRISON. Oh, well, if they come within $50,000,000 of it it would be as close as other estimates have been in the past.

Senator SHORTRIDGE. But we are reducing taxes and the national debt at one and the same time.

The CHAIRMAN. And if you Democrats were in power both would be going the other way.

Mr. PIKE. If we do this for sugar it would seem to me to be perfectly reasonable for other commodities to come along and ask for the sliding scale.

The CHAIRMAN. We will take care of that when the time comes.

Mr. PIKE. And if you do it for sugar may the disease not spread? So that I think that suggestion may be pertinent. In the fourth place the consumer has to be considered. It has already been suggested by another witness that for the consumer this bill is so complicated he will not be able to figure it out, that he will have to leave himself in the hands of specialists and adopt their advice; and that is a position the consumer does not want to be put in.

The CHAIRMAN. You say they can not understand it?

Mr. PIKE. There are some fairly bright people who have figured on that schedule, and they do not quite understand it.

Senator WALSH. And they are not all Democrats, either.

Mr. PIKE. Possibly some Republicans, but I do not know. As a matter of fact, as I look at the bill the consumer is not considered, because he is only considered in the upper brackets. It is the normal expectancy that the price will be in the lower brackets. If you were to put the bill in effect to-morrow the maximum price would be on, and the value of refined sugar would have to go up considerable before you got into any reduction in the tariff from your maximum rate. It seems to me, therefore, it is like the actuary who is figuring your insurance rate, and gives you a very handsome dividend when you are 100 years old, but starts your rate 15 years before you were born.

Senator WALSH. If it were put in effect to-morrow, what would the actual rate be?

Mr. PIKE. 2.40, and with constant variation of 50 points against refined.

Now, as to my fifth point, the farmer under this plan, or in the House bill, either, for that matter—but in this plan in particular—there is no guaranty of any money going to him. The manufacturer, so long as it is in the higher brackets—that is, the lower price brackets and the higher duty brackets—will get an advantage, but the farmer will get nothing.

The CHAIRMAN. The farmer gets half of all the company makes in some cases. He will get it in that way.

Mr. PIKE. I think it was a gentleman by the name of Cummings who testified before the Ways and Means Committee, and who afterwards stated that under their sliding scale—and he was talking about the beet-sugar manufacturers—that they would have to put the price up 1 cent before he would get anything.

The CHAIRMAN. Of course, I do not know anything about who testified before that committee.

Mr. PIKE. No; my recollection is now that it was from half a cent up to 1 cent that he would get something. If you put it up 64 points the amount that the farmer gets will be one-half of 14 points, which is negligible. In the meantime the consumers of the country, 118,000,000 people, are paying 64 points more than the whole works, and——

The CHAIRMAN (interposing). Every farmer in Utah and Idaho, if they make $100, after paying the regular price for beets, the beet growers get $50 of that $100.

Mr. PIKE. I do not know what the Utah-Idaho schedule is——

The CHAIRMAN (interposing). Well, I know what it is.

Mr. PIKE. But I understand that the most of the beet sugar schedules work on the basis of price and not profit, and a company may make a very large profit before they start to divide it with the farmer.

The CHAIRMAN. I am telling you what the Utah and Idaho people do.

Mr. PIKE. There is another new departure in this particular bill, the sliding scale bill, which is that it would be a prohibitive rate on imported refined sugar. That is not, as I understand it, our tariff theory. There is only one important refinery in Cuba, and that is the Hershey refinery. Mr. Hershey went down to Cuba in the natural course of his business and established a refinery there and proceeded to make refined sugar. After he goes into that business certain powerful refining interests come here and ask this committee to put on a prohibitive rate on refined sugar; that is, a differential under this present bill of Cuba's of 46 points against refined sugar. This is prohibitive; it is not based on any study of the difference in cost of refining in Cuba as against the cost of refining in the United States. It is a direct blow at Mr. Hershey's business in the refining of sugar in Cuba. And we should like to challenge the justice of putting on an arbitrary prohibitive rate, on refined sugar, I mean, without any investigation of the difference in cost. It is a confiscation of American property in Cuba.

Senator SHORTRIDGE. I do not quite see why you hold that it would be prohibitive.

Mr. PIKE. Because there is not that much profit in the refining of sugar.

Senator KING. There may be unquestionably, according to your view at least and I express no opinion on it, that there is not a differential of an aggregate of 46 points against refined sugar in Cuba.

Senator HARRISON. Senator King, I will say that while you were absent that was discussed and explained.

Senator KING. All right. Never mind.

Mr. PIKE. I have here a schedule showing the various bills that are now under consideration, and if you would care to examine it you will see that the difference between 96 test and 100° sugar at the top, and at the bottom is 46½ points, or 46.4 to be exact. And that does not slide; that is constant. That is a confiscatory duty against a refiner in Cuba, and it is aimed at Mr. Hershey, who is a

OVERSIZE PAGE

At this place in the printed edition of this volume there is an oversize page. It and all other similar pages in the collection are to be found under the heading:

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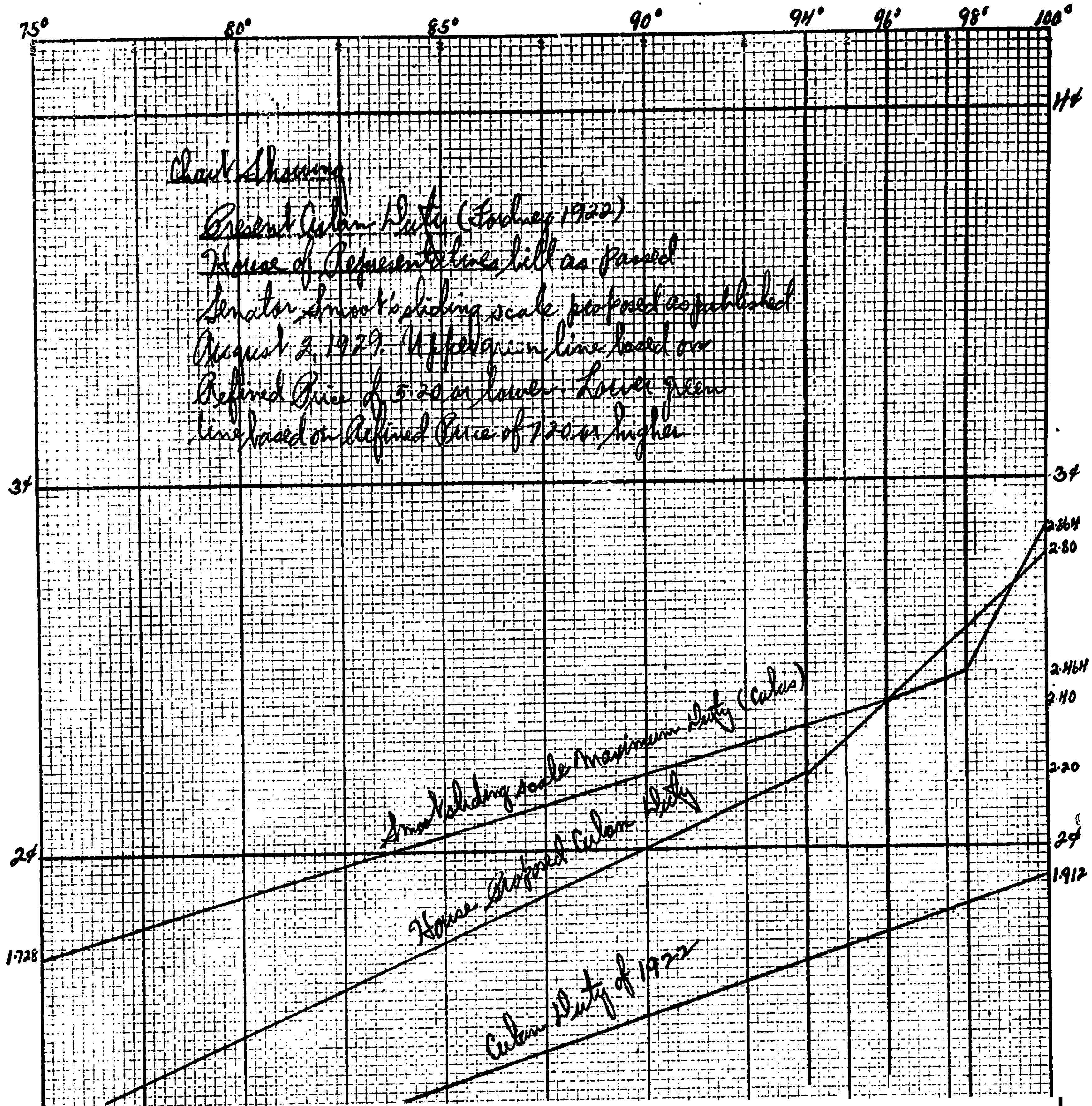
75°
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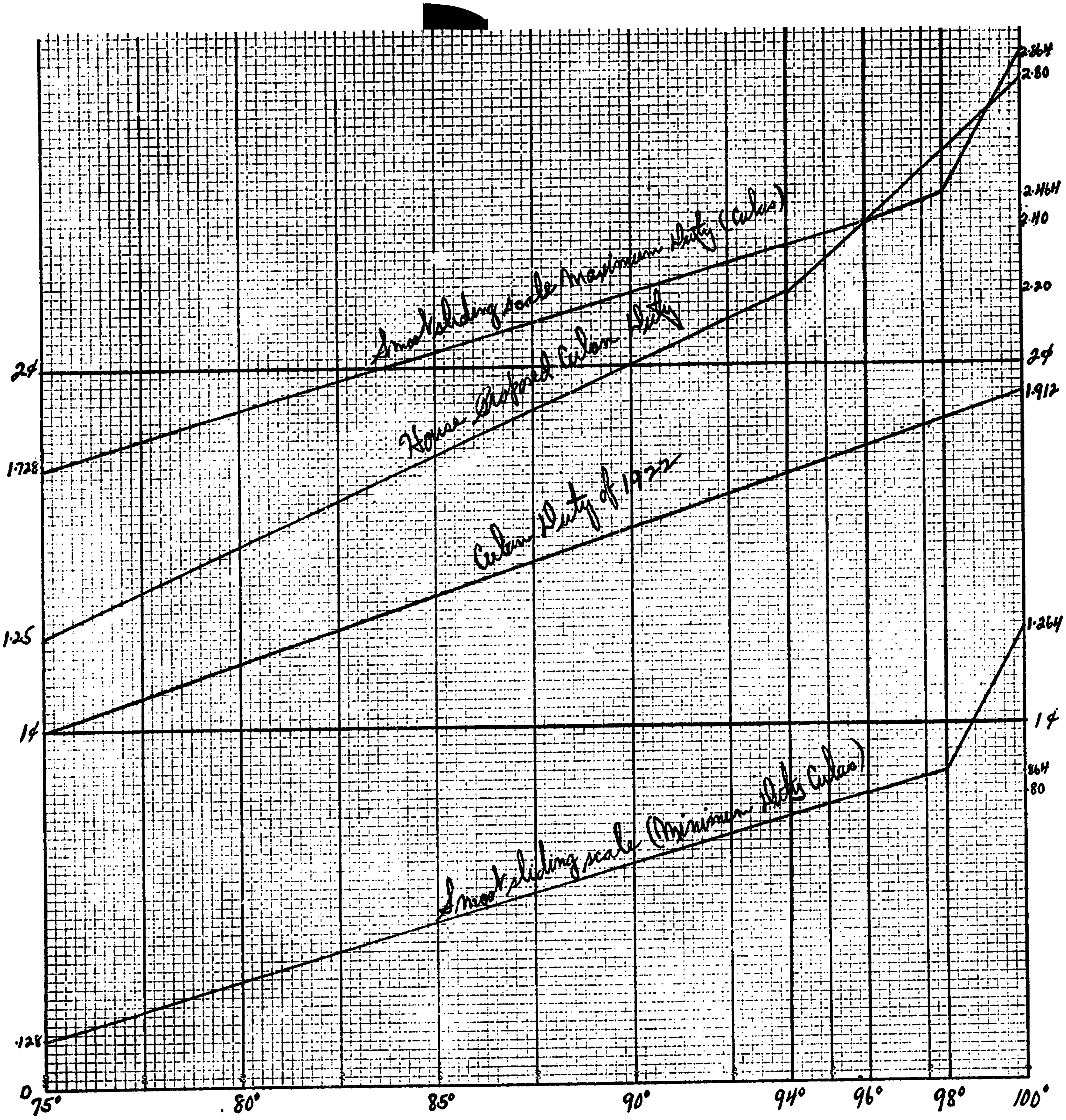
Chart Showing
Present Cuban Duty (Fordney 1922)
House of Representatives bill as passed
Senator Smoot's sliding scale proposed as published
August 2, 1929. Upper green line based on
Refined Price of 5.20 or lower. Lower green
line based on Refined Price of 7.20 or higher
3¢
2.864
2.80
2.464
2.40
2.20
2¢
1.912
1.728
Smoot sliding scale maximum duty (Cuba)
House proposed Cuban Duty
Cuban Duty of 1922


Smoot sliding scale maximum duty (Cuba)
House proposed Cuban duty
Cuban duty of 1922
Smoot sliding scale (Minimum duty Cuban)
2.864
2.80
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citizen of this country, and one that I think this country may very well be proud of.

Senator SHORTRIDGE. If there are two or more sugar refineries in Cuba it would be aimed at all of them and not at Mr. Hershey, I take it.

Mr. PIKE. Well, there are one or two other refineries in Cuba, but they are small. And what do you do? We take a club and hit him and say, we will put on a prohibitive duty against you without any investigation of conditions. I should like to have this chart put in.

The CHAIRMAN. That may be done.

(The chart referred to is printed opposite this page.)

Mr. PIKE. I think if Mr. Hershey were here he would say that if you established the difference in cost he would be perfectly willing that you should place such a differential on Cuban refined. But to simply say you will put 50 points against refined from Cuba, without any investigation, a prohibitive duty—well, I think that is not what this committee means to do, and it is not the American spirit of fair play.

Summing up, we ask that the rate of increase per degree be identical from 75, where you start your scale, up to 100. And we ask that you do not have a sliding scale, as we believe it will lead to a great many evils in the sugar trade.

The CHAIRMAN. We thank you.

Mr. PIKE. And I wish to thank you, Mr. Chairman, and the members of the committee for hearing me.

STATEMENT OF GEORGE W. McCORMICK, REPRESENTING THE MENOMINEE RIVER SUGAR CO., MENOMINEE, MICH.

(The witness was duly sworn by the chairman of the committee.)

Mr. McCORMICK. Mr. Chairman and Senators: I represent the Menominee River Sugar Co., which has one plant in the State of Michigan, in the Upper Peninsula, and two plants in the State of Wisconsin.

The CHAIRMAN. You are going to talk to the sliding scale, are you?

Mr. McCORMICK. That was the purpose of my statement. That was what I understood you wanted.

The CHAIRMAN. That is right. Go ahead.

Mr. McCORMICK. As a member of the Domestic Sugar Producers' Association, and a trustee of that organization, I want to say that we came here for a meeting on Monday last, all of us, and we have been in session day and night almost since that time, studying the proposed sliding scale as set forth by Senator Smoot. Up to the present time we have been unable really to come to any conclusion along the line of what form, if any sliding scale, would serve as a protection for our industry. The fact of the matter is that we have been considering sliding scales since the first suggestion arose last January, and up to this moment I can say for the majority of the sugar producers in the United States who are members of the Domestic Sugar Producers' Association, that we as practical men in this industry have been unable to figure out any sliding scale that we believe is workable and that would serve to protect the domestic sugar industry of the United States.

We grant, of course, that Senator Smoot in preparing this scale is endeavoring to find a means of giving adequate protection undoubtedly to the sugar industry of this country. We have no quarrel with the Senator along that line. We have taken the scale as submitted and endeavored to analyze it. The difficulty we are up against in considering and analyzing it is that it is the first sliding scale that has ever been introduced to our knowledge in a tariff-making law in this country. We have no guide posts by which we can travel for the consideration of the outcome of such a measure.

We are not prepared to say that it will not work. On the other hand, we are unable to see clearly how it is going to work and produce protection for the domestic sugar industry, a protection that we know the domestic sugar industry of this country must have if it is to continue.

Aside from being entirely novel we feel this, that with the beet-sugar industry and the cane-sugar industry of Louisiana in the condition that both are in, ' , testified to before this committee at its former hearings and to-day, and as testified to before the Ways and Means Committee of the House, we feel that it is a very hazardous proposition to introduce at this time a new and untried remedy. We do not believe that that is the way to save the sugar industry at this time.

The whole question, I think, resolves itself into this, for this is the condition, as it seems to me: First, whether the domestic sugar industry of the United States is worth saving; whether it is one of the industries of this country that the people of this country would like to have as a matter of insurance in case of an outbreak, a war, such as we had a few years ago; whether it is something that is worth having as a regulator of the price of sugar manufactured in foreign countries and shipped into this country and sold by foreigners who are not under the control of this Government.

I want to say a word concerning the financial condition of the beet-sugar companies of this country. I happen to represent a company that for 20 years paid an average dividend to its stockholders of 11 per cent, was in an excellent financial condition. I have been manager of that company since 1903.

Senator KING. Where is the company?

Mr. McCORMICK. Menominee, Mich. In the last few y. ·, beginning with the reconstruction period of 1921, our company, as did all the other beet-sugar companies of the United States, took a tremendous loss. That was an aftermath of the war. We got caught with high-priced contracts given to our farmers in 1920, when sugar prices were extremely high, and with the debauch in Cuban sugar selling all that year at 20 cents, we found ourselves with very high-priced beets, and we had to sell some of the sugar that we made of those high-priced beets down as low as $5.50 per hundred.

We took a loss in our own company that year of $415,000. And sitting in a meeting with the beet sugar manufacturers of the United States in this city, we totaled up the losses for that year in the beet-sugar industry, amounting to over $60,000,000.

Senator HARRISON. How much did your concern make the year previous?

Mr. McCORMICK. Do you mean in 1920?

Senator HARRISON. 1919.

Mr. McCormick. The result of the 1919 crop. I haven't that figure here, but from memory I would say that we made something like $150,000.

Senator Harrison. How much the year before?

Mr. McCormick. I haven't those figures. I would have to give it to you from memory.

Senator Harrison. I mean approximately.

Mr. McCormick. That would be in 1918?

Senator Harrison. Yes, sir.

Mr. McCormick. We didn't make a tremendous amount of money. We were under a stiff selling price, fixed by the Food Administration under Mr. Palmer.

Senator Harrison. Mr. Hoover had something to do with it, did he not?

Mr. McCormick. No; not the 1919 crop. After the war Mr. Hoover resigned, and Mr. Palmer, the Attorney General under President Wilson, was made Food Administrator and continued the fixing of the prices on domestic beet sugar throughout that period.

Senator Harrison. Was Mr. Palmer the head of the Food Administration?

Mr. McCormick. Yes; during that period.

Senator Harrison. Do you mean the sugar administration?

Mr. McCormick. No. He succeeded Mr. Hoover in the control of sugar.

Senator Harrison. You did not get officially hit, did you? You were not in that crowd that had to get in behind about that time?

Mr. McCormick. No. We are not angels at all, but happened to be white in that case and lily pure. I am not condemning any fellow for taking a high price for sugar as an afterthought. Sugar was sold for $16 per hundred pounds in New York City, low-grade sugar, and I was selling granulated sugar in Menominee, Mich. for 11 cents.

Senator Thomas of Oklahoma. You stated a while ago that you made $150,000, but that does not mean anything unless we know your investment.

Mr. McCormick. At that time it was about $1,700,000. At the present time, with two additional factories, we took in during 1924, it is approximately $4,500,000.

Senator King. Mr. Figg really had charge of the sugar control after it had passed out of the hands of the regular board into the hands of Mr. Palmer. Mr. Palmer designated him under the law.

Mr. McCormick. That might be. I know when we had to go to the United States district attorney at Grand Rapids to ask for relief, he said that he had to take it up with Mr. Palmer. That is all that I remember about it.

Senator Couzens. I would like to ask you if, in the consideration of this sliding scale, you gave consideration to the so-called "Spreckels scale"?

Mr. McCormick. I was not honored with a copy of that scale. I would like to make one remark on the bounty question.

Senator Couzens. That is not a bounty question. The Spreckels plan is to take the profit to the internal-revenue tax. You did not see that plan?

Mr. McCormick. I just heard of it to-day. I am not in a position to discuss it, because I have not studied it.

Senator Couzens. Have you considered Mr. Gallagher's plan that was submitted some time ago?

Mr. McCormick. Yes; I have been over that plan with Mr. Gallagher. I have read his brief on it. I think, as a sliding scale, it is a fairly good sliding scale.

Senator Couzens. Would you prefer that to Senator Smoot's plan?

Mr. McCormick. I have not sufficiently studied any scales to answer that question. I am talking now, of course, on Senator Smoot's scale. I think that one of the chief objections we have to the scale submitted by Senator Smoot is that it does not give adequate protection to the beet-sugar industry of the United States, and the cane-sugar industry of Louisiana. I am taking the statement of the Louisianans on that.

Senator Couzens. Do you think that the House bill does give adequate protection?

Mr. McCormick. I think it is a great deal nearer to it. I will tell you why. If you will go over a period of seven years from the time the last tariff bill was passed upon until December, 1928, if we applied it to every change in the market from 1922 to the end of 1928, we found that while the Fordney-McCumber bill gave us 1.76 in round figures, the present sliding scale of Senator Smoot would give us 1.59. Over that period that would be our average that we would have obtained of protection. Therefore, it appears to us that if we are going to get in a sliding scale something that is less than we have in the Fordney-McCumber bill, if it were a question of choice, taking an average over a period of seven years, it would seem as though our choice would be the plan that gives us the greatest protection. I am not making a choice, and the Senator is not going to make me answer that question that way.

The Chairman. Take three years, and it would be an entirely different picture.

Mr. McCormick. I don't want to be unfair about this. Take the last year, or this part of 1929 up to the present time, and the 2.40 duty would have applied. That would have brought the duty up to about 1.71 as against 1.76. Those figures are not exactly correct, but approximately so.

The Chairman. Do you mean 2.40?

Mr. McCormick. By adding the 2.40. In other words, carrying your schedule through up to the moment, to the end of June or July, whichever it may be, that these figures would cover in 1929, would bring it up to about 1.71 over the period since the Fordney-McCumber bill was passed.

The Chairman. But I said three years.

Mr. McCormick. I am taking the period of the Fordney-McCumber bill. We want to compare the two. That was all we had to compare.

The Chairman. That would be right up to 1932.

Mr. McCormick. Yes.

Senator Couzens. Did you compute those figures for any other period than during the entire life of the Fordney-McCumber bill?

Mr. McCormick. No, sir. We thought that was a fair average.

Senator COUZENS. You did not take 1928 or 1927 or 1926 or any one year?

Mr. MCCORMICK. I have them all here separately.

The CHAIRMAN. What is it for, five years?

Mr. MCCORMICK. I can give you the years separately, and then total them. Here it is by years. The duty that would have applied in 1922, under the Senator's plan, would have been 1.23; for 1923, it would have been 86 cents; for 1924, it would have been $1.06; for 1925, it would have been $2.16; for 1926, it would have been $2.20; for 1927, it would have been $1.93; for 1928, it would have been $2.15; and in 1929 the full $2.40 would have applied, and that brings it up to the average for the seven years and that part of 1929, which is something like $1.71, which is about 4 or 5 cents less than the Fordney-McCumber rates.

Senator COUZENS. Do you think that it is fair to average over that long period of time? The proposition is to protect you when the price is low, and that is what it would have done in 1928.

Mr. MCCORMICK. In 1929 the full duty would have applied.

Senator COUZENS. It would have given you a substantial increase in 1928.

Mr. MCCORMICK. It would have given us $2.40, but at that we would have had a price of only about $5.05 for refined.

The CHAIRMAN. That is better than you got?

Mr. MCCORMICK. I admit it is, but that would never permit us to exist and pay 7 and 7½ cents for beets. We couldn't do that. No company in the United States could do that.

Senator HARRISON. Will you put that table in the record?

Mr. MCCORMICK. I shall be glad to.

Senator SHORTRIDGE. I understand you are trying to judge the future by the past.

Mr. MCCORMICK. That is all we have to go by. We have to lay a rate by the side of another to make it comparable. We have studied this to the best of our ability.

Senator SHORTRIDGE. I would be of the opinion for the moment that the sliding scale, if adopted, would continue in operation for six or seven years, so it could compare with the past seven years.

Mr. MCCORMICK. If it was a satisfactory bill, I imagine it would continue as the Fordney-McCumber bill has done.

The CHAIRMAN. That would have been a godsend to you in the last few years.

Mr. MCCORMICK. It would not have given us what we needed.

The CHAIRMAN. It would have given you more than you got.

Mr. MCCORMICK. There is no use guessing about that. I have got it right here. We got 1.76. In 1928 it would have given us 2.15; in 1927 it would have given us 1.93; and 2.20 in 1926.

Senator COUZENS. How much would that have reduced your losses during that period?

Mr. MCCORMICK. That is a pretty hard question to ask a man to figure out.

Senator COUZENS. You did figure out whether you would have made a profit or not.

Mr. MCCORMICK. I have not had much time to do that.

Senator COUZENS. Can you prepare a statement showing how these rates under Senator Smoot's scale would have affected that particular industry?

Mr. McCORMICK. You would have to take each year separately?

Senator COUZENS. I mean the last three years.

Mr. McCORMICK. That would have to be figured out. It would be useless to try to guess at that.

Senator COUZENS. I did not know whether you had done it or not?

Mr. McCORMICK. No, I do not think in 10 years' time there are three companies that made a profit.

Senator COUZENS. How about the American Sugar Co.?

Mr. McCORMICK. I don't think the American Sugar Beet Co. will show a profit in that period. I wouldn't say. I would rather let them answer for their own company.

Senator CONNALLY. What do you figure you have to get for sugar in order to make what you think you should make?

Mr. McCORMICK. To begin with, you can not make anything unless you pay the farmer a sufficient price to warrant the growing of sugar beets in competition with other crops.

Senator CONNALLY. Yes; I realize that.

Mr. McCORMICK. That is fundamental.

Senator CONNALLY. Yes.

Mr. McCORMICK. In order to do that, we would have to pay our farmers about $8 per ton in order to get full running, and you can't make sugar unless you have a full capacity run at the lowest cost. I believe, from years of experience, and I have been in the business 28 years, that we can not do that unless we can be assured of netting 6 cents for our sugar.

Senator CONNALLY. I want to ask you something else.

Mr. McCORMICK. All right.

Senator CONNALLY. How do you know that you would get the 6 cents even with the 2.40 rate? What assurance have you of that?

Mr. McCORMICK. I do not think you gentlemen can do that.

Senator CONNALLY. If we give you the 2.40 how do you know you are going to get 6 cents? Would it not depend on the world price of sugar, after all?

Mr. McCORMICK. Yes, sir.

Senator CONNALLY. If they make it cheap in Cuba and can dump it up here cheap, it would not go to 6 cents.

Mr. McCORMICK. I think we have gone through a period of overproduction in the world. There is no question about that. We have been through that period. The people in these large producing countries have seen the error of overproduction. I think that is going to be corrected in a measure. The lack of profit helps to correct that. I do not state this as a criticism, because it is none of my business, but we read in the papers that there is a proposed cartel being arranged among the large sugar producers of the world. If that goes into effect, it will have the effect, naturally, of bringing about a high price of sugar.

Senator CONNALLY. Does that include American interests?

Mr. McCORMICK. No; not a single manufacturing concern in the United States.

Senator CONNALLY. Does it include American capital?

Mr. McCORMICK. I would not be able to answer that.

Senator CONNALLY. You would be glad to see it done, of course?

Mr. McCORMICK. I am in the sugar business.

Senator CONNALLY. That cartel would control production and thereby raise the price of sugar?

Mr. McCORMICK. I prefaced my remarks by saying that it is none of my business, and I was not criticizing it, and I am not.

Senator CONNALLY. You would be blad to see it done?

Mr. McCORMICK. I am not advocating it. I am just making the statement to show what is going on. I think the Cuban interests will admit that they have marketed their sugar rather badly. This country in the treaty of 1903 gave them 20 per cent preferential on this market, and for years they have thrown it away, because they never got together and took advantage of it. I am not criticizing or advocating anything. I am stating what I now know about this situation. If they put their market in an orderly condition and could get what they are entitled to get under the treaty, that might increase the price of sugar in this country 50 per cent, as our sugar is made in Cuba. I think there is no question about that. There is no use trying to becloud the issue.

Senator CONNALLY. Why do you sell beet sugar at 20 cents less than cane sugar is sold? It is just as good sugar?

Mr. McCORMICK. We think that it is a little better.

Senator CONNALLY. It seems to me that the beet-sugar people are cutting their own throats in not demanding the same price as the cane-sugar people are getting.

Mr. McCORMICK. I will speak for myself. I think the differential is slightly greater than it should be, but I want to explain where it originated.

Senator CONNALLY. It makes no difference where it originated. Why do you continue it?

Mr. McCORMICK. There is a differential of 20 cents a hundred as between the beet and cane sugars at Chicago and west, and 10 cents east of Chicago. I am in Michigan, but on the west side of the lake and in the 20-cent territory. As the refineries fix our prices in the East, I think it is fair to assume that the large companies in the West fix the prices of the smaller companies. The beet-sugar industry in our section of the country went out to sell sugar, and they made only one kind—granulated. They made no powdered, no cubes, no soft sugar, or whatever they want to call them, such as are being made now. The people said, "What brand have you to offer?" I mean what kind. "Only one kind?" "What is your price?" They named the same price as the eastern refineries. The reply was, "Why should we give up buying of the eastern refineries and take your sugar when they can sell us granulated sugar and you can not?" The result was they had to give a differential of 10 cents a hundred, and that prevailed for many years. In the West the Great Western Co. and others produced large amounts which their area or territory could not consume, and they wanted to get a market as near home as they could, and they figured that by making a differential—20-cent differential—between cane and beet sugar they could market their sugar nearer home. That is the reason, as I understand it.

Senator KING. You said that there had been an overproduction of sugar. You meant that there was so much production that it became very cheap?

Mr. McCormick. That usually results from overproduction.

Senator King. It was not wasted.

Mr. McCormick. No. It was not thrown into the ocean. Sugar keeps.

Senator King. It was ultimately consumed by the people,

Mr. McCormick. Yes, sir.

Senator King. The sugar stocks throughout the world to-day are not very large, are they?

Mr. McCormick. Do you mean stocks on hand?

Senator King. On hand.

Mr. McCormick. I haven't the data on that, but I would say they are a little above normal.

Senator King. They are not so much above normal as that they will not be consumed within a reasonable time? There are always some stocks on hand, are there not?

Mr. McCormick. Yes.

The Chairman. I can assure you that there is more sugar on hand now than at any time in the history of the world.

Senator King. Because of the 5,200,000 tons produced in Cuba, and some of the refineries have purchased large stocks now being held in the various warehouses; but, generally speaking, there are stocks on hand which ultimately are absorbed, and the stocks on hand to-day will be absorbed.

Mr. McCormick. That is true.

Senator King. When you spoke about there being an overproduction, you did not mean there was a production that was wasted, did you?

Mr. McCormick. There was more sugar than the consumers could take care of, and in order to unload and get their money out of it men made very low prices.

Senator King. Just like wheat?

Mr. McCormick. Yes, sir.

Senator King. It is consumed; it is not thrown into the ocean?

Mr. McCormick. It is not wasted.

The Chairman. I wanted to answer Senator Connally a little more, so as to have the whole picture. When that differential of 10 cents was first started, for the reason you stated, there was a prejudice against beet sugar.

Senator Connally. I understand that. They know that there is no difference now. It is the same.

The Chairman. It was the same then.

Senator Connally. They know that it is the same now.

Senator Harrison. The price of sugar is fixed on the New York price, plus the railroad charge from New York to your place, is it not?

Mr. McCormick. We sell sugar in this way: The beet sugar in the territory of Chicago and west was 20 cents below the New York chain price. The chain refineries were selling at the delivered price in Chicago, and we sell at the delivered price in Chicago.

Senator Harrison. But when the price is ultimately fixed it is fixed on the New York price.

Mr. McCormick. We follow the New York refinery prices.

Senator Harrison. Added to that, of course, is the railroad charge, or transportation charge?

Mr. McCormick. What is commonly called the prepay, which is the freight plus a little freight on the package. For instance, $6 in New York is $5.51 in Chicago, and we have to pay the freight.

Senator Harrison. Suppose that you sold it at the very place where you manufacture your sugar, would you add that freight charge to the New York profit?

Mr. McCormick. We might.

Senator Harrison. That is done?

Mr. McCormick. Just the same as wheat.

Senator Harrison. So you put an additional charge onto the New York price?

Mr. McCormick. It is an additional protection to us, and to the industry as a whole. In the Mountain States they must ship their sugar into the Mississippi Valley and to Chicago and Kansas City and Texas, and all through that part of the country. They do not net the New York price less 20 cents. Their net is about 40 cents under the New York quoted price. That $6 New York price does not mean $6. It means about $5.50 or $5.60 to beet-sugar manufacturers.

Senator Connally. If your price runs to 7 cents with the flat rate of 2.40, would not the consumer be paying too much?

Mr. McCormick. Would it not be kind of nice to strike an average? We fellows have been down in the ditch for 4 years. Wouldn't it be nice to get a little sunlight, and wouldn't the consumer like to help us out?

Senator Connally. I am not talking about the sentiment. I am talking about the practical working of it. You say $6 is a fair price.

Mr. McCormick. I say it is.

Senator Connally. I am talking about if the world price went up to 7 cents with the 2.40, wouldn't it be too high? I am saying that along the line of this sliding scale.

Mr. McCormick. It is going to take 7-cent sugar to rehabilitate the beet-sugar industry of this country.

Senator Connally. Then you do not object to the sliding part, but the scale is not high enough? If we would start with 2.40 and slide up, it would be all right, would it not?

Mr. McCormick. The present scale does not give us protection.

Senator Connally. You are not complaining so much of the sliding feature as you are of the fact that it should start high and go on up?

Mr. McCormick. We ought to have more protection.

Senator Connally. And you can not get it unless the rates are raised?

Mr. McCormick. That is what I say.

Senator Connally. Then your complaint is that the rates in the sliding scale are not high enough?

Mr. McCormick. That is one of the features I am particularly protesting against. For seven years we have been getting less than the Fordney-McCumber bill gave us.

Senator Connally. If you thought that the sliding scale would start at $6 and keep it at $6 and above, you would have no objection to it, would you?

Mr. McCormick. The only serious objection I have is that there has never been an instance in the United States where it has been tried out, and I don't know whether it is going to work or not, and neither do you nor the Senator nor any of the rest of you. I would like to have something substantial for a little while. We have been sitting back there waiting for a long time.

Senator CONNALLY. What do you think it ought to be? Do you thing it ought to be 3 cents for Cuban?

Mr. McCORMICK. We men sat down and drew up a recommendation.

Senator CONNALLY. I want to see the limit of your desires. What are they? Are they 3 or 3½?

Mr. McCORMICK. No. I don't care so much about that. Do you mean 3 full duty or 3 Cuban?

Senator CONNALLY. Any way that you want to express it.

Mr. McCORMICK. Let us talk about something that we all know about. Let us talk about 2.40. If they would start it with this 2.40 at a point that would give us a high cost and a full duty-paid New York price for raw sugar it would take care of us. There is no doubt about that. And if we could get a scale that carried it up to a point beyond what you might think was reasonable or fair, I don't think the beet-sugar industry would seriously object to taking a little off the top brackets. But here is the situation. Take the Senator's scale, and take the beet contracts in his own State and apply it, and under present conditions there is not a beet-sugar company in his State or in Michigan or Wisconsin, or probably in the United States, that can pay the farmer one cent more than it is paying to-day.

Senator CONNALLY. I think you are unfair to Senator Smoot, because I do not think he would have proposed that if he did not think the farmers in Utah would get more for their beets. What do you think you should have?

Mr. McCORMICK. We are on record on that.

Senator CONNALLY. I want to know what that record is.

Mr. McCORMICK. We are on record right before your committee, a 2.40 tariff on Cuban. We put in that record.

Senator CONNALLY. That is what I want.

Mr. McCORMICK. That is what we prefer to anything we have been able to make out of this. I will go this far with you. If this committee in preparing this bill or discussing this bill believes there ought to be something in here at the top, for some reason or other, to protect the American public against grasping beet-sugar manufacturers, we have this suggestion to offer. It has been offered to your committee. It was referred to by Mr. Dillingham this morning. I am not recommending it, but I feel it will take care of the beet-sugar industry. I want to explain it first.

We have presented evidence from a good many people in the industry, farmers and beet-sugar and cane-sugar manufacturers of this country, stating and proving that under a 1.76 duty the industry has slumped down. Therefore, if that industry is to continue it must have a higher protection than 1.76. We ask for 2.40 against Cuba. In the way of a suggestion, in trying to meet what you gentlemen have in your minds here, and what we are given to understand was one of the things that you were trying to work out, to preserve the people of the United States, to prevent their having to pay too much in tariff in case sugar went up, we have prepared this schedule.

We started in with sugar at 2.70 raw, cost and freight, at New York City, and we added the House rate. We added that House rate until raw would sell at $3.98 and a small fraction. Then we abandoned the 2.40 rate and applied the Fordney-McCumber rate of 1.76, which the people of the United States have had for seven years and have not been grumbling very much about, God knows.

Senator HARRISON. How long do you keep the 1.76?

Mr. McCORMICK. We let it ride there.

Senator HARRISON. You just keep it? If it goes to 30 cents, you still keep it?

Mr. McCORMICK. We believe that we have proved that the farmers must have more protection, particularly in the lower brackets. The House bill comes through and gives it to us. When it gets up to this point we feel that we are willing to accept the Fordney-McCumber rate.

Senator HARRISON. Then you do not need the protection after it gets to a certain price?

Mr. McCORMICK. If you want to slide that down beyond that point——

Senator HARRISON. I am asking you.

Mr. McCORMICK. We are not trying to write the measure here. I am trying to throw out a suggestion. We feel if there is to be a sliding down from 1.76, it should not go down any further than it went up above 1.76. It ought to work both ways.

Senator HARRISON. Will you put your suggestion in the record?

Mr. McCORMICK. Oh, yes. We are not recommending it. There comes a point where there is a sudden jump of 64 cents, a drop of 64 cents. We sat down to see if we could prepare a scale that would bridge that difference, and that scale is on this sheet. I will be glad to submit that.

Senator HARRISON. Submit the whole proposition for the record.

Mr. McCORMICK. All right. I shall be glad to do that.

Senator THOMAS of Oklahoma. Let me ask you a question.

Mr. McCORMICK. Yes, sir.

Senator THOMAS of Oklahoma. In the event the sliding scale should be incorporated into law, do you entertain the fear that the industry would have trouble in financing and refinancing its operations?

Mr. McCORMICK. I think if you will give us the sliding scale along the lines I have suggested here, we would be able to finance our business and go on.

Senator THOMAS of Oklahoma. It was testified this afternoon that you could not do that.

Mr. McCORMICK. I think that we could not do it under the one suggested by Senator Smoot, because it does not give us the necessary protection.

Senator THOMAS of Oklahoma. That is the one that is before us.

Mr. McCORMICK. Under the suggestion that I have thrown out, that was prepared in our association, I believe we can paddle our own canoe.

Senator THOMAS of Oklahoma. So far as the so-called Smoot plan is concerned, you do entertain great fears about financing your industry?

Mr. McCormick. I very seriously doubt if any of the companies could do it. The banks would look that over and say they have not got as much as they have before.

Senator Thomas of Oklahoma. If your suggestion were adopted, you could do it?

Mr. McCormick. I think that in our own case we could.

I just want to say one other thing.

When you get up to $6 at New York, the beet contracts with the farmer are such that the farmer will not get a single penny more than he is getting under the minimum guaranty to-day, the guaranteed price. I will be glad to give you a table along that line. That to me is absolutely unfair. It is not only unfair, but absolutely detrimental to the beet-sugar industry. We have got to pay the farmer more in order to get enough beets to run at anywhere near full capacity. The farmer has not had any bounty in our section for several years. They call it a bounty out there. He has been sitting down eating the drumsticks and gizzards, and he wants a little white meat, and I think he is entitled to it.

The Chairman. This statement you have handed to me, instead of $6 it contains $7.04.

Mr. McCormick. Yes.

The Chairman. You have grouped the $6 and the $7.04.

Mr. McCormick. Yes, sir.

The Chairman. Then you run it down gradually for 5 or 6 cents, down to 2.80, and after that it is 10 cents. There is no 64 cents here.

Mr. McCormick. The 64 cents is here [indicating]. That is the 64-cent jump between the Fordney-McCumber bill and the House bill. You could not jump over it. You have to bridge that.

Senator King. I understand your objection to the sliding scale offered by my colleague is that you think it would not give you a high enough price for sugar, and you want a scheme adopted under which the consumer would have to pay about 8 cents a pound for sugar?

Mr. McCormick. Oh, no; not at the present time.

Senator King. It would be over 7 cents.

Mr. McCormick. Oh, no. You want to remember the present supply of sugar in the world and the present production, and you need not worry very materially about the price going up very rapidly. The Senator's scale carries it up to 80 cents. I don't think you should worry about getting an 80-cent duty. If you want the farmer to get something out of this under the lower brackets, you will have to take care of the sugar companies. It would be all right if the farmer would grow beets for $7, but they will not do it in our country. You gentlemen are making a bill that carries an increase on butter; you are carrying an increase on milk and cream; you are carrying an increase on flaxseed; you are carrying an increase on onions, which I understand are grown extensively in your State, Senator Thomas.

Senator Thomas of Oklahoma. Very fine onions.

Mr. McCormick. It is a considerable increase. Is it not unfair. Is it not discriminatory against this industry to raise these prices on competing crops and make it more difficult for the beet-sugar companies to get the beets they want? Is it fair to select this one crop in the sugar industry and put it in a scale so there is no chance to get in the world's market, like you might with wheat, go on up, and other products, go on up? But the beet-sugar farmer can not get any benefit from the increased prices in the world market. I contend that it is unfair.

The CHAIRMAN. Of course, it is unfair. The only question is that they are perfectly willing to put a duty on beans, where all you have to do is to sow them and dig them up and thresh them. The Senator from Mississippi is perfectly willing to put a duty of 7 cents a pound on long-staple coton.

Senator HARRISON. Oh, no.

The CHAIRMAN. Yes; you are. I have seen your letter. You are perfectly willing to put 5 cents a pound on peanuts, where all you have to do is to put the seed in the ground and let them grow and dig them up, and that is all there is to it. But sugar is the most difficult crop for the farmer to raise, passing through all these various processes, and yet they are growling about a duty of 1.76 a hundred.

Senator HARRISON. You favor, of course, a tariff to protect the importation of beet seed in this country so that you can help the farmers, do you not?

Mr. MCCORMICK. Do you know anyone in this country who wants to grow beet seed?

Senator HARRISON. You really do not think that would help them, do you?

Mr. MCCORMICK. I do not see where it would help. Nobody wants to do it. Another thing, that is one of the most scientific industries in the world.

I just want to make this statement, and I want to address those gentlemen who want to object to this little increase in the price of sugar: There are many items in the tariff schedule that not only carry a specific duty but also carry an ad valorem duty, and when the prices on those imported articles that come into this country that carry an ad valorem duty are increasing the tariff increases, but for some unknown reason we have got to have the price of sugar decrease immediately it reaches a certain point on a specific duty. I do not believe that the American consumers are making this cry, and if you believe so I want to disabuse your minds. Those people on the other side, and they are headed by one of the biggest banks in Wall Street, a $2,000,000,000 institution, send a man here with a fabrication showing the earnings of the Great Western Sugar Co., with $40,000,000 of mistakes in it.

They go out—I do not say that they go out, but here is what happens—they have stolen the good name of the University of Wisconsin and attached it to their propaganda to prove their false stories that have been gotten out, and the president of the university has denied any authority for the statements of these so-called economists that got out their reports. I made inquiries and found that there was not a man of them who had made an investigation. He had sent his juniors in there, young college boys, that gathered up a lot of dusty reports and put them together with a preconceived idea to prove this theory that they had. The president of the University of Wisconsin has denied any authority attached to this report that has come out.

Now, let me tell you that butter is on every table, cream and milk are on every table, and eggs are on every table, but you do not see the National City Bank of New York writing articles telling about the terrible things over in Denmark or in China or in New Zealand, because they have no money invested in the poultry business of China or the dairy business of New Zealand. That is why we do not see any hue and cry about the increase in tariff on butter and eggs and cream.

Senator HARRISON. Are you speaking about the Raleigh committee?

Mr. McCORMICK. That is what I am referring to.

Senator HARRISON. Mr. Raleigh, who appeared before the subcommittee, told the committee that he was a good Republican and he was financing this committee.

Mr. McCORMICK. He has told that same story, and one of the economists said to me, "Are you accusing me of getting any money?" I had not thought of accusing him. I said, "I do not accuse you of it, and if you did not, you got out a report that you should have gotten a lot of money for."

Senator HARRISON. What do you say about the Tariff Commission that made its report?

Mr. McCORMICK. Senator, I would like to answer your inquiry, but I do not believe that refers to the question under discussion.

Senator HARRISON. You have had a good deal to say about this Raleigh committee.

Mr. McCORMICK. I am speaking of facts there.

Senator HARRISON. You have said that the difference in the cost of production of sugar here and in Cuba was a certain amount. The Tariff Commission said it was a certain amount. Does the same castigation apply to the Tariff Commission as you apply to this Raleigh report?

Mr. McCORMICK. I hope you give me credit for having sufficiently good sense not to make any statement against the United States Tariff Commission. I would not impugn their motives, but I will say that it does not make very much difference what sugar costs in Cuba; it is what Cuba is dumping it in this market at. That is what affects us.

STATEMENT OF W. R. OGG, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

(The witness was duly sworn by the chairman.)

Mr. OGG. Mr. Chairman, and members of the committee, I have sat here all day, and I know that you are all tired and that you have had a very hard day, and I think it would be very improper to enter into any extended discussion of this matter at this late hour. So I am going to endeavor to condense what I have to say into just a brief a form as I possibly can, and I hope to finish in a few minutes.

Before I proceed with my statement I would like to make this explanation. Mr. Gray, the Washington representative of the American Farm Bureau Federation, asked me to appear here to-day in his stead, because of the fact that he is addressing a series of meetings in Nebraska which were scheduled considerably before this hearing was announced.

The attitude of the American Farm Bureau Federation concerning the tariff was outlined in general form in a resolution adopted at the annual convention last December in Chicago, and the full text of that resolution has been inserted in the hearings of this committee.

The CHAIRMAN. Is Mr. Gray opposed to the sliding scale?

Mr. OGG. Yes, sir.

The CHAIRMAN. What does he want?

Mr. OGG. We favor the same recommendation which we presented to the House committee and also to the Finance Committee of a rate of 3 cents effective against Cuba or $3.75 against the world.

Senator KING. Do you construe the sliding scale which is before us now as affording less protection than the Hawley bill? Is that the reason why you are opposed to it?

Mr. OGG. That is one reason, but not the only reason. We fear that it would not give adequate protection.

Senator KING. There are some that feel that if Senator Smoot's proposition here affords less protection but not adequate protection than the Hawley bill it should command support, and I want to know whether your opposition is based upon that ground.

Mr. OGG. I am going into that briefly.

The CHAIRMAN. He said $3.75 against the world and 3 cents against Cuba. That is 60 cents higher than the House bill.

Senator SHORTRIDGE. He has stated his position as opposed to the sliding scale plan?

Mr. OGG. Yes, sir: I have.

Senator KING. I wanted to understand whether the principal reason was that Senator Smoot's proposition here afforded less protection than the Hawley bill.

Mr. OGG. If you will just defer your question a moment I will go into those different points.

Senator THOMAS of Oklahoma. Has your organization considered the bounty proposal?

Mr. OGG. Like a great many other matters, I presume I could say that it has been considered, but it has never reached the point of getting favorable consideration as yet.

Senator THOMAS of Oklahoma. You must represent in the main the farmers of the country, 6,500,000 farmers, and of those farmers a very few produce sugar, but all farmers consumed sugar, and in considering this whole proposition it occurred to me that you had considered the question of paying a bounty to those who produce sugar and relieve those who consume sugar of an excess tariff.

Mr. OGG. We have no position for or against the bounty proposition. Organized agriculture has not requested or urged the sliding-scale method of tariff making. The farm organizations desire to utilize those devices in tariff making which the industry has found to be so advantageous during the century and a half of tariff making in this country.

The industry has found the specific rate and the ad valorem method, or a combination of the two, to its advantage; and our position is in favor of one or the other or both of those methods in tariff making as a general principle. So our position, therefore, must be one in opposition to any plan of a sliding scale of rates unless it was a strictly ad valorem sliding scale whereby the duty is increased proportionately as the value is increased, which really is not what is commonly known as a sliding scale.

If this scale would accomplish so much good for the grower or for the producers, it seems strange that in the long years of tariff making that industry has not had it or advocated it for the products of industry.

One of the objections that might be offered to a sliding scale proposition is that it is at least a form or an attempt at price control or price fixing. It also has very grave dangers of price manipulation or price collusion. I do not want to go into those matters in detail, unless there are some questions to be asked about them, because they have been discussed over and over again. Just briefly, we feel that there are grave dangers there which present such uncertainties that it would be a mistake to apply this method to the sugar industry at this particular time.

The CHAIRMAN. Do you think that I had no interest as a citizen of the State of Utah in the sugar industry? Do you think that I would want it to die?

Mr. OGG. I do not wish anything that I have said to be construed in that light at all, Senator Smoot.

The CHAIRMAN. I would prefer any kind of a business with a future, knowing that it could live and pay 5, 6, 7 or 8 per cent, than I would have any business that would pay 30 per cent one year and next year lose money.

Senator KING. Nobody questions your motives here, Mr. Chairman.

The CHAIRMAN. I want to stabilize the industry here so we will know where we are.

Senator CONNALLY. Have you a farm bureau cooperating organization among the beet-sugar farmers?

Mr. OGG. The American Farm Bureau Federation has no cooperative associations whatever affiliated with it. It is an organization composed of State farm bureau federations.

Senator CONNALLY. I know that, but are there any farm cooperative societies among the beet-sugar growers?

Mr. OGG. Yes; there are cooperative sugar associations.

Senator CONNALLY. In what States?

Mr. OGG. There is one in Nebraska. I am not sure, but I think there is one in Utah.

Senator CONNALLY. The reason I asked you that question is that I want to know if your organization is authorized to speak for those cooperatives among the beet-sugar growers.

Mr. OGG. We are not.

Senator CONNALLY. So your own organization does not represent the beet-sugar growers. Senator Smoot would be better qualified to speak for the people in his State than your organization which does not pretend to represent them.

Mr. OGG. We have a great many beet-sugar producers who are members of the county-farm bureaus which are members of the State-farm bureaus, and they in turn are members of the American Farm Bureau Federation.

Senator CONNALLY. Has it authorized your organization to speak for it here?

Mr. OGG. We are authorized to speak for it.

The CHAIRMAN. I have received telegrams from them out there and they are opposed to the sliding scale.

Mr. OGG. What I have said in opposition to the sliding scale involves no personal matter whatever against the chairman who has proposed the plan. We are opposed to any plan of a sliding scale, and I presume that it is just a matter of difference of opinion as to which would give the producer more effective relief.

Senator HARRISON. Nobody could ever accuse the chairman of not being sympathetic to sugar.

Mr. OGG. I do not think so.

The CHAIRMAN. Is that all, Mr. Ogg?

Mr. OGG. No; there are two or three other matters.

The CHAIRMAN. We are talking of the sliding scale to-day.

Mr. OGG. On the sliding scale; yes, sir.

Another objection to the sliding-scale plan is that it would tend to penalize the grower in a year of crop shortage. In other words, it says, in effect, that when through adverse weather conditions, and so forth, the crop is short through no fault of the grower, the price level shall not go up in accordance with the short crop, and therefore, by applying a lower rate of duty when the price starts upwards, the importations from abroad are invited, which tend to check the price and thereby prevent the grower from getting a higher return per ton, which he needs in order to compensate him for the lower volume.

The representatives of the growers have testified before this committee and before the Ways and Means Committee of the unprofitable condition of the sugar-beet industry and the sugar-cane industry of this country, and we feel that it would be a great mistake at this time to apply a method which is at best an experiment. It has not been tried in this country before. I understand that Austria tried a sliding scale on grain in 1925 and abandoned it in 1928. There are so many uncertainties in it, whereas, on the other hand, we know from past experience what can be done through the ad valorem method or through the specific method or through a combination of these methods.

Therefore, it seems to us that it is a better policy, if we are going to do something to help the farmer, the sugar-beet producer, and the sugar-cane producer, to adopt those practices in tariffs which have shown themselves to be effective in other industries. It also seems that it would be unjust to agriculture at this time when agriculture needs help so much, when the sugar-beet producers need help so much, to put this plan into operation for their commodity; to single out their commodity from among all others for this trial.

It may be contended that it is because of the burden on the consumer that there is a desire to protect the consumer as well as the producer but why should the sugar industry more than any other industry be singled out for this plan to protect the consumer as well as the producer? For example, the wholesale value of the sugar consumed in this country totals something like $680,000,000, whereas the value of pig-iron utilized totals nearly $800,000,000. That is just one illustration that might be selected. There are a great many other products which are just as great a burden on the consumer.

The CHAIRMAN. Take butter, for instance. Refined sugar is $5.55. Butter is $8.23. That is the value of consumption per capita. Fresh pork is $13 per capita consumption. Fresh beef is $11; flour, $7.85; potatoes, $3.75; and so it goes.

Senator KING. Those facts emphasize the thought of the gentlemen's argument.

Mr. OGG. I will make these comparisons after a while.

The CHAIRMAN. And see what the rates on sugar are as compared to those.

Senator KING. Not to express an opinion, but the question might well be put, as it has been put, why select this item of sugar and spread abroad that an increased tariff would result in a little additional cost to the consumer?

The CHAIRMAN. The reason that we take sugar is that it is a commodity on which anybody that handles it after it leaves the refiners makes no money.

Senator KING. Certainly, I believe in raising the tariff if it is necessary. We will raise it on practically every farm product because they need it, and I do not see why my friends on the other side of the table should be alarmed if increasing the tariff should slightly increase the cost of sugar to the people of America.

The CHAIRMAN. They all forget that if they do not raise $140,000,000 from sugar they would have to raise it from some other source.

Senator KING. Certainly, and I do not want to be dependent on Cuba or any other country for sugar. I think it would be better to raise all the sugar we could consume in America.

Mr. OGG. I just want to conclude with this brief summarization. Our position, in brief, is that we want the producers of the raw material, the sugar-beet producers, and the sugar-cane producers adequately protected, and we believe that the rates that they recommend will afford that protection; and we do not see why the general public should object to an adequate rate of duty on those products any more than they object to an adequate rate of duty on any other product in the entire dutiable list.

I have a table here, which I will not take the time to read, showing the index fingers of wholesale prices of various commodities—sugar compared with other products. We find that the wholesale price of sugar now compared with the pre-war level is very much lower than the price of all other commodities.

Senator KING. Speaking generally, is not sugar food?

Mr. OGG. I think that it is one of the cheapest foods that can be bought at prevailing prices.

Just to answer the question which was raised a while ago, I believe by Senator King, as to whether or not the proposed plan of a sliding scale would give adequate protection, as I stated, we are fearful that it would not; and I would like to invite your attention to the average prices received by the growers of sugar beets compared with the average price of the refined sugar at New York for various recent years. I shall not take the time to read all of this, but just pick out one or two. In 1922, when the average price of refined was $5.904, the average price received by the grower was $7.91. But to go back to another year, in 1921, when the price of refined was only $6.207, the grower received an average price of only $6.35. So that there is a grave danger; and I think this difference demonstrates in some measure that there is a very grave danger that the producer will not receive an amount even enough to equalize the cost of production in some years, even on the assumption that the sliding scale would stabilize the price at $6; and we are not certain that the scale would stabilize the price at $6; but, even assuming that it would, these price comparisons would indicate that there is very grave danger of their not getting the cost of production in many years.

In view of the fact that I have not had an opportunity to go into details orally, I should like the privilege of filing a statement, Mr. Chairman.

Senator HARRISON. Mr. Chairman, I submit that when this matter was up before it took us two weeks to get hearings. I think this testimony should be printed immediately without being submitted to witnesses, so that we can get it and have it before us.

The CHAIRMAN. Unless you get your statement here to-morrow morning, Mr. Ogg, we can not use it.

Mr. OGG. I can have it ready in the morning.

The CHAIRMAN. And I will also state that if they are printed now without any corrections the statements will appear just as given. Many of the other statements that were made to this committee have been changed materially.

Senator HARRISON. I move, Mr. Chairman, that this testimony be printed as it is given, so we can get it immediately. There is not any use in submitting it to witnesses and taking a week or two to get it back.

The CHAIRMAN. If you will have your statement at my office by 8 o'clock to-morrow morning, Mr. Ogg, the statement will be put in the record.

(The brief referred to is as follows:)

BRIEF OF THE AMERICAN FARM BUREAU FEDERATION CONCERNING PROPOSALS FOR A SLIDING SCALE OF DUTIES ON SUGAR

TARIFF POLICY OF THE ORGANIZATION

The general policy of the American Farm Bureau Federation concerning the tariff is determined by the voting delegates from the various States at the annual conventions of the organization. At the last convention, which was held in Chicago December 10, 11, and 12, a policy was outlined in an extended resolution on the tariff, a copy of which has already been placed in the record of the hearings of the Senate Finance Committee. (See p. 7 of Hearings on Schedule 5, June 26, 1929.)

To avoid a repetition of the entire resolution the attention of the committee is invited to pertinent sections of it which have a bearing on the proposal for a sliding scale of rates on sugar. The following excerpts are quoted:

"Our home market is always our best market, both for agriculture and industry, whether the commodity marketed is money or the products of the factory and the farm. This market must be held inviolate for the benefit of our own citizens."

This sets forth the principle that the farmer must be assured the home market in tariff legislation.

"Rates of duty on foreign-grown farm commodities which seek markets in our country must be adequate to permit our farmers to enjoy that profit which guarantees the American standard of living. Various commodities which are directly or indirectly competitive with our domestic farm crops should carry high rates of duty.

"*The Sugar Industry.*—We urge that the situation regarding entry of sugar into the United States be brought to the attention of Members of Congress without delay, and we respectfully ask them to use their best efforts to place a limit on the free entry of sugar from the Philippines and Porto Rico to a point which will guarantee reasonable protection to the United States sugar industry and that the tariff rate against all foreign sugar be increased so as to give adequate protection to this great American enterprise."

This constitutes a demand for an adequate rate of duty which will protect the sugar industry and assure to the American farmers an American standard of living. A high tariff rate on sugar is favored without reservation.

"The rates of duty should be based on the value of farm crops to the American producers thereof and should be of such nature that as the value increases the rate of duty automatically will increase."

This is an indorsement of the ad valorem plan of tariff rates which by its very nature is the antithesis of the proposed sliding scale of rates on sugar.

Since the annual convention, the matter of tariffs has been given extended study and research and has been considered carefully by the board of directors, by the legislative committee, and by the executive officers of the American Farm Bureau Federation. The present stand on the tariff is the outcome of these deliberations. As late as June 20 the board adopted a resolution indicating its continuing interest in securing adequate protection for the sugar producers. The resolution which was adopted is as follows:

"That the board reiterate their stand that was taken at the last annual meeting by the American Farm Bureau Federation in regard to tariff on imports from the Philippines."

The Principle of a Sliding Scale of Rates

The primary purpose of a sliding scale of tariff rates is to stabilize the price of the commodity around a given level. When the price rises above this level, the import duties are reduced so as to encourage importations and thereby force down the price; when the price drops below this level, the import duties are raised so as to discourage importations and thereby raise the price.

Several different plans have been suggested for a sliding scale, but all of them have this primary objective. In the plan suggested by the chairman of the Finance Committee, the rates vary from $1 to $3 per hundred pounds based on 96° raw sugar in an inverse ratio to the variations in the price of sugar. Starting at $5.20 per hundred for refined sugar at New York, as the price goes up the duty goes down, until the minimum rate of $1 per hundred is reached, when the price reaches $7.20. It has been asserted that this scale will stabilize the price of sugar at 6 cents per pound.

OBJECTIONS TO SLIDING-SCALE PLAN

The following objections are offered to a sliding scale of rates on sugar:

1. It is a form of price fixing.
2. It encourages price manipulation and fraudulent collusion.
3. It penalizes domestic producers in years of domestic crop shortage for the benefit of the foreign producer and at the expense of the Federal revenues.
4. It does not assure sufficient protection to give the home market to the domestic industry.
5. It is diametrically opposed to the methods in tariff protection which industry has found so advantageous in the past century and a half, and which agriculture now desires to avail herself of.
6. It is a dangerous experiment which the sugar industry can not afford to risk at this time.
7. It is unjust to agriculture to single out one of its basic crops for a trial of this experiment; if it is to be tried out, it should be done on other products than sugar.

Let us consider each of these objections briefly.

IT IS PRICE FIXING

The avowed purpose of the sliding scale is to regulate the level of prices of sugar in the United States so that they will tend to remain within given limits. To carry out this purpose, the tariff is invoked to depress the price when it rises above this level and to stimulate it when it drops below this level. Apparently the intent is to seek to stabilize the price of refined sugar at New York at $6 per hundred pounds.

The proposed plan says in effect to the farmers: "You must not get more than a certain price; we propose to regulate the flow of imports so that you shall not receive more than a certain price." In fairness, it should be said that it likewise says in effect that the farmer must not receive less than a certain price.

Whether this plan will succeed in maintaining the price level at this point is, of course, uncertain, but the intent and the methods to be used in bringing this about are evident.

So far as we know this is the first attempt in the United States to use the tariff for the purpose of determining the domestic price of a commodity.

Organized agriculture has refused arbitrary price fixing in its campaign for farm relief legislation, and it opposes such an effort now in connection with the tariff. The farmers need and desire a more profitable price level. The rates of duty on sugar which they have requested should bring about this result; but they do not want their prices fixed by arbitrary fiat.

IT WOULD ENCOURAGE PRICE MANIPULATION

The sliding-scale plan would encourage price manipulation and clandestine price agreements for the mutual benefit of domestic refiners of foreign sugar and foreign producers at the expense of the Federal revenue and domestic consumers.

For example, let us suppose that the price of refined sugar in New York is \$6; the amount of duty would be \$2.20 against the world and \$1.76 against Cuba. Under these circumstances it is expected that with a refiners margin of \$1.30 the price of Cuban raw sugar c. i. f. New York would be \$2.94. Suppose in a period of short supplies elsewhere the Cuban interests should decide to take advantage of the situation by advancing the price of Cuban raw sugar c. i. f. New York from \$2.94 to \$3.84 per hundred, or a difference of 90 cents. Assuming that the same margin of \$1.30 would be taken by domestic refiners, the price of refined sugar in New York would be \$6.50; the duty would be \$1.36 instead of \$1.76, or a loss to the Federal Treasury of 40 cents per hundred pounds; the consumer would pay an increase in price of 50 cents per hundred, and the Cuban interests would be enriched by 90 cents per hundred additional.

Or let us suppose that the domestic refiners determine to take advantage of the situation. According to testimony given to your committee (p. 166 of Hearings on Schedule 5) all of the domestic refiners of foreign sugar in America to-day are members of the Sugar Institute except the California and Hawaii Co. Suppose the refiners agree to increase the price from \$6 to \$6.50 and absorb the difference between the price of refined and the price of the Cuban raw sugar in the refiners' margin. Based on a price of \$6.50 for refined sugar the duty would be \$1.36. After deducting the duty of \$1.36 and the cost of the Cuban raw sugar c. i. f. New York, which would be \$2.94, the domestic refiners would have a margin of \$2.20 compared with a margin of \$1.30 at the price of \$6, or a profit of 90 cents. Under this scheme, the Government would lose 40 cents in revenue by reduction in the duties from \$1.76 to \$1.40 and the consumer would pay an additional burden of 50 cents for sugar, all of which would go to the enrichment of the refiners.

It may be objected that it would be difficult to increase the price at New York in this manner. For the sake of argument, let us assume for the moment that this contention is true, and let us consider another situation, in which there is a falling market in Cuban raw sugar due to heavy production, speculation, or other causes. As a result the price for Cuban raw sugar drops from \$3.84 to \$2.94, but through the efforts of the Sugar Institute or some other agency against price cutting the price of refined sugar at New York is maintained at \$6.50. The duty when the price is \$6.50 would be \$1.36, which with the Cuban price of raw sugar at \$2.94 would leave the domestic refiners with a margin of \$2.20 compared with the former margin of \$1.30, or a net additional profit of 90 cents. This profit would be paid at the expense of the consumers and the Government. The Government would lose 40 cents in revenue and the consumer would pay 50 cents more for his sugar than conditions would warrant.

Let us take another illustration. Suppose the domestic refiners of Cuban sugar and the representatives of the Cuban interests should enter into collusion concerning prices. Suppose it should be agreed that the price of refined sugar in New York should be raised from \$6 to \$6.50 per hundred pounds, or a difference of 50 cents, and that the price of Cuban raw sugar should be raised from \$2.94 to \$3.84, or a difference of 90 cents. A secret rebate of 50 cents from the Cuban interests to the domestic refiners would give the refiners an additional profit of 50 cents and would leave an additional profit of 40 cents to the Cuban interests; the United States Treasury would lose 40 cents in revenue by virtue of the reduction in the duty from $1.76 to $1.36 as the price advanced from $6 to $6.50, and the American consumer would pay an additional burden of 50 cents per hundred pounds.

The situation for such collusion apparently is favorable. The Cuban interests are accustomed to marketing agreements and attempts to arbitrarily affect prices. A convenient avenue for such negotiations is provided by the heavy concentration of investments in the Cuban industry in a few hands. The domestic refiners with but one exception are all associated together in a sugar institute, according to the testimony before this committee. (See pp. 165–167, Hearings of Senate Finance Committee concerning Schedule V.) The conditions following the formation of the institute are described in the following significant statement which appears on page 166 of the Hearings on Schedule V:

"So from that time, of course, there has not been the cutting of price."

We do not wish to be misunderstood. We are not charging that these various interests are planning such collusion, but we desire to convey to the committee some of the grave dangers which are involved in a sliding scale of duties on sugar.

PENALIZES DOMESTIC PRODUCERS WHEN CROP IS SHORT

A sliding scale of rates penalizes the American producer during a year of crop shortage. When the domestic crop is short due to unseasonable weather or other conditions over which the producer has no control, he must receive a higher price per ton for his product in order to compensate him in some measure from the losses entailed through the lower volume of production per farm.

But the sliding scale plan steps in at this juncture and says in effect the price shall not go up; it must remain stabilized. It accomplishes this purpose by lowering the rate of duty when the domestic price level rises, thereby checking the rise in prices by stimulating the importation of a foreign supply.

This is unfair to agriculture; in some years it might prove ruinous to the domestic sugar industry when coupled with a domestic crop failure.

The farmers can not regulate production to supply as industry can. Manufacturing plants can curtail their production by closing down for a month or a week, or by running three days of each week; but the farmer can not do this. The American farmer with rare exceptions must produce a year's supply during that season and he must decide before he plants the crop how much acreage to devote to each crop during the coming season. Once the crop is planted, he must produce it; his overhead expense in seed, fertilizer, equipment, and labor renders it necessary for him to carry on his cultural work to its conclusion even in the face of a loss at the close of the season in order to avoid a total loss of his seed, fertilizer, and labor for the whole crop. Farmers have not been successful in group movements toward the regulation of production to the demand. Even if they could bring this about through agreements, the hazards of weather would allow no certainty as to the probable total supply for a given acreage planted.

This being the case, why add this additional penalty and uncertainty for the farmer to face in years of adverse cultural conditions when the crop is short?

IT DOES NOT PROVIDE ADEQUATE PROTECTION

The farmers have been promised tariff readjustment which will give them adequate protection from foreign-grown crops and which will assure to them the domestic market to the full extent of their ability to supply it.

There is no doubt but that agriculture can supply our entire consumptive demands for sugar if it is given a chance. It has not had a fair chance thus far to demonstrate what it can do. Modern research has paved the way for the complete independence of the United States from the rest of the world for its sugar supply. Not only do we have a sugar-cane industry and a sugar-beet industry in their infancy, but we have a corn-sugar industry and an artichoke-sugar industry also in the making. Modern chemistry has now achieved methods of extracting a high grade of sugar from corn and from Jerusalem artichokes. We have the soil, the climate, the farmers, and equipment to prodce our sugar requirements. The farmers are ready to embark on the undertaking if Congress will do its part. They can not do it without equality of bargaining power and equality of competition with foreign producers. The existing rates are too low to maintain the sugar industry in a prosperous condition. Farmers are producing sugar cane and sugar beets at a loss. Unless relief is afforded through the tariff, the industry may be very greatly curtailed and we may be thrown even more at the mercy of foreign interests, particularly Cuba, for our sugar supply. We had a sample of what that means back in 1920 when the price of sugar shot up to 25 and 26 cents per pound when we were at the mercy of the Cuban sugar interests.

Apparently it is the intent of the proposed plan of sliding scale to stabilize the price of refined sugar at $6 per hundred pounds at New York. But what assurance is there that the price will stabilize at that level rather than a lower level? According to the published explanation of this scale, a stabilized price at $6 at New York would justify a price of $2.94 c. i. f. New York for Cuban raw sugar. One witness stated before the House Ways and Means Committee that he would not be surprised to see Cuban sugar drop to $1.50 or even $1. Suppose this occurs, then what? The highest rate of duty would then become effective, namely, $2.40, which would justify a price of $5.20 or $4.70 for refined sugar at New York, which would be about $1 below the stabilized price. In the absence of price control in Cuba and with increased production, to beat down the price, it is very doubtful if the sliding scale would keep up the price to $6.

Furthermore there is no assurance that the price will be established at a level that will be profitable to the growers. According to the testimony of Lester E. Bergeson, representing the Utah Farm Bureau before the House Ways and Means Committee, a base price of $5.74 for sugar in New York resulted in a price of $5.63 per ton for the grower in 1922, based on a yield of 11.25 tons; in 1926 a base price for sugar of $5.95 in New York brought a price to the grower of $6 per ton, based on a yield of 5.82 tons per acre; in 1925, with a high yield of 14.00 tons per acre, a base price of $5.96 in New York yielded a price to the farmer of $6.06 (pp. 3015–3017, hearings).

Testimony by Clyde Schulz, vice president of the Indiana Sugar Beet Growers Association before the same committee, was to the effect that the average cost of production of the members of that association was $7.568 per ton on an average yield of 8.5 per acre and that the growers had received on the average a price of $7 for the past three years (pp. 2993–3000).

Testimony by William H. Hancock, president of the Northwestern Ohio and Southern Michigan Sugar Beet Growers Association, before the committee stated that the cost of production in that region was $6.89 per ton, which with a price of $7 per ton only yielded a profit of 11 cents per ton, and asserted that "under such conditions it is obvious that we can not continue to produce sugar beets unless such protection is afforded the industry as is required to enable us to receive a reasonable profit." He stated further that an examination which they had made of the books of certain sugar companies revealed that the companies would not be able to continue paying a price sufficient to defray the cost of production unless a material increase in the duty on foreign sugar is made effective.

F. A. Litel, representing the Mountain States Beet Growers Marketing Association, testified that "it is not a profitable crop and we can not make money at $7 per ton" (p. 2931).

M. L. Noon, of Jackson, Mich., representing the Michigan Farm Bureau Federation before the House committee, testified as follows:

"We have 16 mills in Michigan, 4 of which were not operated the past season on account of the fact that the cost of production of sugar beets and the guaranteed price of $7 per ton paid for the beets does not leave sufficient margin of profit to the farmer to meet his increased fixed charges" (p. 3000).

The Sevier County Farm Bureau of Sevier County, Utah, in a communication filed with the committee, stated that it cost the growers there $80 an acre, which with a 10-ton yield would be $8 per ton to produce sugar beets, whereas they were receiving a price of $7 per ton, with the result that "our average grower is losing $10 per acre in the production of beets" (pp. 3101–3102).

The following table gives a comparison of the average price received by the producers of sugar beets in the United States compared with the average price of refined sugar at New York during the period 1920 to 1926, inclusive, together with the average yields per acre of sugar beets in the United States. The data concerning the yields and prices to the producers are taken from the year books of the United States Department of Agriculture, and the data concerning the prices of refined sugar are taken from the data inserted in the record of the hearings of the House Ways and Means Committee on Schedule 5 by the chairman.

	Average price received by producers for sugar beets	Yields per acre	Average price of refined sugar at New York		Average price received by producers for sugar beets	Yields per acre	Average price of refined sugar at New York
	Per ton	*Tons*	*Per 100 pounds*		*Per ton*	*Tons*	*Per 100 pounds*
1926	$7.61	7.7	$5.473	1922	7.91	10.66	5.904
1925	6.39	9.91	5.463	1921	6.35	9.77	6.207
1924	7.95	10.39	7.471	1920	11.63	9.55	11.390
1923	8.99	9.20	8.441				

These brief statements give at least a hint of the distress facing the domestic sugar industry unless tariff relief is afforded. The prospect of a change in the form of duty to a sliding-scale plan in which the rate of duty would fluctuate up and down in inverse ratio to the price is one of uncertainty for the domestic producer—uncertainty as to what the rate will be when coupled with a fluctuating price level and uncertainty as to whether or not such stabilization as may be effected will be at a level which will enable him to continue in the production of this commodity.

AGRICULTURE HAS NOT ASKED FOR IT

Organized agriculture has not asked for the application of a sliding scale of rates of sugar; on the contrary, many organizations have expressed disapproval of it.

The sliding-scale plan is just the opposite of the plan of tariff protection which industry has found so advantageous in the past century and a half of tariff making. The sliding-scale plan reduces the rate of duty as the value increases, whereas the ad valorem basis allows an increase in the duty as the value increases. Industry has used the ad valorem method of tariff rates very largely. In many instances she has used the specific rate or a combination of the specific and ad valorem rates, but she has not seen fit to utilize the sliding-scale plan. Agriculture is asking that the same devices which have been profitable to industry for generations be applied to the relief of agriculture in this hour of her extremity.

If the sliding-scale plan is so beneficial why has it not been imposed on industrial products or why is it not now sought for industrial products?

A DANGEROUS EXPERIMENT

The sliding scale plan is at best nothing but an experiment. It is not at all certain that it will work out as its advocates predict, while on the other hand there are grave dangers lurking in it for the domestic industry.

Austria in a general tariff revision effective January 1, 1925, adopted a sliding-scale duty on wheat, rye, barley, and other grains but abandoned the scheme two years later by restoring fixed duties which were approximately equal to the former maximum basic rate on wheat. This change became effective July 15, 1928.

The sugar industry in this country can not afford to risk such an experiment at this time. Testimony by spokesmen for the growers is available to the committee which shows the distressing condition facing them. Many representatives of the growers have presented data to show that they are selling their product below the cost of production or at an unfroftable margin. Unless very material relief is afforded—relief which the growers can count on—we seem to face the prospect of becoming more and more dependent upon a foreign supply for our sugar requirements.

UNFAIR TO TRY OUT EXPERIMENTS ON AGRICULTURE NOW

Why should agriculture be selected for a trial of this experiment? And among the various agricultural products why should those which yield sugar be singled out from all others to bear the risks incident to this trial?

The wholesale value of the sugar available for consumption in 1926 was $683,100,000 based on a total amount available of 6,210,000 short tons at an average wholesale price of $5.50 per hundred pounds. (P. 667, Table 627, Statistical Abstract of the United States 1928; p. 95, Table 9, Wholesale Prices 1890 to 1926, U. S. Bureau of Labor Statistics.) Contrast with this an estimated total consumption of 39,858,000 long tons of pig iron (Table 695, p. 713, Statistical Abstract of the United States, 1928); this amount at an average monthly wholesale price of approximately $20 per long ton (Table 13, p. 36, Survey of Current Business, February, 1928, U. S. Department of Commerce) would reach a total value of $797,160,000. Pig iron is a raw material which is put through many additional processes before it reaches the consumer. If we visualize the additional cost added by these processes of manufacture, the burden on the consumer for these products would be enormous. If the argument for adopting a sliding scale is based on the burden to the consumer, then pig iron is more deserving of this experiment than sugar. The same might be said of many other commodities. There are many other articles which impose a heavier burden on the consumer than sugar. If this is the impelling reason for the adoption of a sliding scale then let it be tried out on some of these industrial products rather than upon agriculture.

A comparison of the index numbers of wholesale prices shows that sugar is considerably nearer to the pre-war price levels than most other products, as shown by the following table:

Index numbers of wholesale prices by groups of commodities, 1926

[1910–1914 equals 100 [1]]

Sugar	128.3	Building materials	178.6
Farm products	142.2	Chemicals and drugs	129.2
Foods	151.8	House-furnishing goods	167.3
Cloths and clothing	179.3	Miscellaneous	109.1
Fuel and lighting	208.7	All commodities	153.7
Metal and metal products	135.8		

Thus, compared with pre-war prices, sugar in 1926 was relatively much cheaper than the average of all other commodities and cheaper than every group listed above except those listed under miscellaneous. The index number of all commodities in 1928 was 153—virtually the same as in 1926, whereas the price of sugar averaged only slightly higher in 1928 as compared with 1926.

If wholesale prices be compared, it is significant to note that sugar is much cheaper than many other important commodities in relation to pre-war prices. The wholesale price of sugar in 1926 was $5.50 per hundred pounds and in 1910 it was $5, whereas the price of various other commodities ranged as follows:

	1910	1926
Pig iron, foundry No. 2 northerm, per long ton	$15.963	$20.616
Common average bar iron, from mill, Pittsburgh, per pound	.016	.03
Wire nails, per 100 pounds	1.888	2.750
Shovels, Ames No. 2, per dozen	7.738	12.790
Tin in pigs, per pound	.342	.653
White granite plates, per dozen	.462	.960
Shoes, men's black vici kid, Goodyear welt, per pair	2.60	6.00
Lancaster ginghams, per yard	.066	.125
Sheetings, 4-4, Indian Head, per yard	.064	.123

To single out sugar for this price-fixing experiment is unfair. If the sliding-scale plan is to be tried at all we insist that it first be tried out on some industrial product like aluminum, or steel, or rayon, which may be better able to withstand the risks incident to the experimentation.

To single out sugar for the application of a plan which seeks to prevent increases in the price above a certain level through the medium of the tariff is unjust discrimination. If it be argued that this is justified as a protection to the consumer, there is no more justification for this argument than there would be for a vast number of other commodities, many of which constitute a

[1] Data taken from p. 68, Index Numbers of Farm Prices, U. S. D. A., January, 1928, except price of sugar, which is taken from p. 95, Wholesale Prices, 1890 to 1926, U. S. Bureau of Labor Statistics.

greater burden on the consumer than sugar. If the sliding-scale plan is applied to sugar alone, it will mean that an attempt will be made to prevent an increase in the price of sugar above a certain level, whereas producers of all other commodities on the dutiable list will be able to secure the rates provided in the tariff act regardless of how high the price levels for these commodities may go. A very great number of the industrial items in the tariff act bear ad valorem rates of duty which provide a proportionately higher rate of protection as the price level goes up, no matter how high it may go. There are but few agricultural commodities which bear an ad valorem rate. We submit, therefore, that to apply a price-limitation plan to sugar, such as the sliding-scale plan involves, is unjust discrimination against agriculture, and particularly so when agriculture is less able to incur the risk incident to trying out this experiment than industry is.

We desire that Congress provide rates of duty upon sugar which will make it possible to build up this industry and make us independent of Cuba and other foreign countries for our supplies of sugar. We are not content with merely maintaining the industry in the status quo, but we desire to promote it and develop it. We believe that such a policy if adhered to by Congress will in the long run be the best way to protect the consumers' interest through providing an ample domestic supply of sugar and at the same time foster and promote an important agricultural industry. Such a policy would be an aid to the solution of the agricultural surplus problem in that it would permit the transfer of acreage from wheat, corn and other surplus crops to sugar beets. The result of such a transfer would be not only to materially relieve the surplus problem, but to improve the soil through crop rotation.

Agriculture has been promised the domestic market to the full extent of its ability to supply it. A special session of Congress has been called primarily to enact agricultural relief legislation through the tariff and through an agricultural marketing act. The platform of the Republican Party at its last convention included the following pledge:

"A protective tariff is as vital to American agriculture as it is to American manufacturing. The Republican Party believes that the home market, built up under the protective policy, belongs to the American farmer, and it pledges its support of legislation which will give this market to him to the full extent of his ability to supply it."

The platform of the Democratic Party at its last convention included the following pledge:

"It is a fundamental principle of the party that such tariffs as are levied must not discriminate against any industry, class, or section. Therefore, we pledge that in its tariff policy, the Democratic Party will insist upon equality of treatment between agriculture and other industries."

We ask that these pledges be carried out in the pending tariff legislation. It is difficult to see how agriculture can be assured the domestic market for sugar if a scheme of price fixing is inaugurated which will prevent him from securing the advantage of market conditions which normally would justify a higher domestic price level. It is likewise difficult to see how agriculture would be treated on a plane of equality with other industries if the price of one of its products is to be limited by tariff restrictions when the prices of industry are unrestricted. If the sliding-scale plan is applied to sugar it will reduce the protection when the price level rises, whereas on a large number of industrial products the protection will increase through ad valorem duties when the values of the products rise. We submit that this is unfair discrimination against agriculture.

We reiterate our recommendation of a rate of \$3.75 on 95° sugar which with the 20 per cent preferential to Cuba would mean a rate of \$3 on Cuban sugar; and also our recommendations that the reciprocal trade treaty with Cuba be abrogated and that products from the Philippine Islands and Porto Rico bear the same rates of duty as imports from all other countries.

STATEMENT OF ROYAL D. MEAD, WASHINGTON, D. C., REPRESENTING THE HAWAIIAN SUGAR PLANTERS' ASSOCIATION

Mr. MEAD. Mr. Chairman, the hour is very late. I will simply say that, so far as the Hawaiian Planters' Association is concerned, we are opposed to the sliding scale.

Senator THOMAS of Oklahoma. What are you for?
Mr. MEAD. We are for the House rate.

BRIEF OF B. G. DAHLBERG, REPRESENTING LOUISIANA SUGAR PRODUCERS

Senator BROUSSARD. Mr. Chairman, may I insert in the record a statement in behalf of the Louisiana sugar producers? It will be filed by 8 o'clock in the morning.

The CHAIRMAN. If it will be filed by 8 o'clock in the morning, I have no objection at all.

(The brief referred to is as follows:)

To the COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: Pursuant to your consent, I am taking this occasion to supplement further my oral testimony before your subcommittee by protesting most earnestly against the proposed imposition of a sliding scale tariff upon sugar imported into the United States.

It is respectfully submitted that the imposition of such a tariff is seriously inimical to the interest of the American sugar producer, and this for the following reasons:

First. I am advised that there is grave doubt as to the constitutionality of any act putting it in the power of any individual or individuals to determine the rate of duty on imported goods.

Second. A sliding-scale tariff is experimental. The fact that Congress has never heretofore made use of it, although such tariffs have from time to time during the last century or more been in force in other countries, creates a strong presumption against it. The American producer is on the point of going out of business; he needs immediate relief and is in no condition to be experimented on.

Third. It is uncertain. No one can tell in advance what the duty will be. The sugar business is conducted on the basis of future deliveries, and this uncertainty must tend to impede trading in the product, at every turn, to the great disadvantage not only of the producer, but of every one else engaged in any branch of the industry.

Fourth. It opens the door for fraud and price manipulation, since it is difficult to understand, and gives the expert trader and manipulator a tremendous advantage in dealing with the ordinary producer.

Fifth. It smacks of price fixing or price insurance, and is therefore a dangerous new departure. If applied to the sugar industry, other industries will at once demand price insurance for their own products.

Sixth. A constant change in the rate of the duty presents great difficulties from the standpoint of administration.

Seventh. Its uncertainty is a great disadvantage to the Government, since the amount of revenue which it will produce in any given year can not be predicted within many millions of dollars.

Eighth. In a year of bad crops, when the beet or cane farmer has little to sell, and when the price is therefore likely to be higher, it penalizes him by cutting down the rate established for his protection.

I have had but a short time to examine the proposed sliding scale submitted at the hearing to-day and referred to there as the "Smoot sliding scale," but I wish to call your attention to the following disadvantages inherent in it:

First. It does not give the producer the relief which he must have. In fact, during the period since the Fordney-McCumber Act went into effect, the average tariff rate which it provides for would be even less than that now in force.

Second. It is based on the price of refined instead of raw sugar. This is like placing a duty on hides based on the price of shoes. There have been many times when the price of raw sugar was rising or going down while that of refined sugar was moving in the opposite direction.

Third. Inasmuch as the duty is determined by the price of refined sugar during the previous three months, it would be possible for a small group of refiners in New York by manipulation of the price of refined sugar to affect the rate of duty on raw sugar and consequently the price which the producer would be forced to take. If, for example, the price of refined sugar were forced up during the months of August, September, and October, the tariff would be at its lowest during the following three months, which is the time when domestic sugar, both cane and beet, comes on the market, and the American cane grower and beet grower would get the bottom price for his crop.

The bill already passed by the House of Representatives, providing for a $2.40 flat rate on Cuban sugar, gives the producer relief which is definite and certain and in the traditional American form. I respectfully submit that this is the relief to which he is entitled and which he has a right to expect.

B. G. Dahlberg,
President of The South Coast Co., The Southern Sugar Co., Cypremort Co., and The Celotex Co.

SUPPLEMENT

SLIDING SCALE

BRIEF OF JAMES H. POOL, REPRESENTING THE NATIONAL SUGAR REFINING CO., NEW YORK CITY

SUGGESTIONS RELATIVE TO THE SMOOT PROPOSAL FOR A SLIDING SCALE OF DUTY ON SUGAR

This proposal in many ways is distinctly superior to that incorporated in House bill H. R. 2667. It can, however, be further improved by minor modification.

Ascertainment of net refined price.—If the duty shall be varied weekly, then the refined price should be the weighted average over a period of 12 or 13 weeks. If the weighted average shall be calculated for a three months' period, on the other hand, then the duty should be varied semimonthly on the 1st and 15th days of the month.

Increment of duty per degree.—The increment of duty per degree for sugars polarizing above or below 96° should be under all circumstances 1½ per cent of the duty on 96° sugar. This 1½ per cent per degree represents accurately the greater or lesser value of raw sugar polarizing other than 96° to both producer and refiner and is well established in the trade. The constant increment of 0.04 cents per degree for full duty paying sugars, or 0.032 cents per degree for Cuban sugars, may closely represent the increment in value of sugars under rates of duty that will, in general, apply. However, as the duty on Cuban sugar drops below 2.13 cents per pound, this increment becomes progressively excessive. Should the duty on Cuban sugar drop as low as 0.8 cent per pound, the increment proposed in the draft would differ by 2 cents per 100 pounds of raw sugar for each full degree of polarization above or below 96° from the scientifically determined increment in general use by buyers and sellers in the purchase and sale of raw sugars.

Compensatory duty on refined sugar.—It is entirely logical and equitable that an adequate compensatory duty for the protection of domestic producers of refined sugar should be levied against the importation of foreign direct consumption sugars. The proposal in its present form does not afford adequate protection and is susceptible to evasion. At 6 cents, granulated, the protection is only 0.132 cent per pound against a 99° plantation granulated sugar from Cuba, or 0.332 cent per pound against 100° granulated sugar from Cuba. At granulated prices below 6 cents the protection is even less. Against refined sugar of 98° or lower there is no protection. In this connection it is pointed out that some direct-consumption sugars test considerably less than 98 sugar degrees, and further that it would be entirely feasible to produce a high-quality refined sugar mixed with some harmless adulterant to reduce the test below the point at which the larger increments accrue.

Recommendation.—Correct increments per degree, irrespective of the amount of duty, and adequate protection of substantially one-half cent per pound against refined sugar importation from Cuba can very simply be provided for in the proposed sliding scale of duties by adopting the following wording for paragraph No. 501:

"PAR. 501. Sugars, tank bottoms, sirups of cane juice, melada, concentrated melada, concrete and concentrated molasses, testing by the polariscope not above seventy-five sugar degrees, and all mixtures containing sugar and water, testing by the polariscope above fifty sugar degrees and not above seventy-five sugar degrees, 0.685 cent per pound, and for each additional sugar degree 0.015 cent per pound additional and fractions of a degree in proportion; and in addition thereto, for each 0.01 cent that the New York net cash price per pound of hard refined sugar based on a weighted average for a period of twelve consecutive weeks and determined weekly shall be less than 7.20 cents per pound but not less than 5.20 cents per pound, a duty equal to 1 per centum of the duties hereinbefore provided for in this paragraph; and further, in addition thereto, on all sugars testing above ninety-eight sugar degrees, or which have been advanced in value or condition beyond that of what is commonly known as raw sugars, six-tenths cent per pound additional: *Provided*, That when such refined sugar price is less than 5.20 cents per pound, 5.20 cents shall be used as such net refined price for the purpose of ascertaining the amount of duties payable."

Paragraph 506.—Paragraph 506, as written into the House bill H. R. 2667, is entirely unsatisfactory in that it makes possible the importation of refined sugar that has been tinctured, colored, or in any way adulterated, at a rate of duty far lower than contemplated. We respectfully request that it be reworded as follows:

"PAR. 506. Sugar candy and all confectionery not specially provided for, and sugar after being refined, when tinctured, colored, or in any way adulterated, when valued at less than 10 cents per pound, 4 cents per pound; valued at 10 cents per pound, or over, 40 per cent ad valorem."

In the preparation of this draft, the discussion of the amount of duty has purposely been avoided. The motives prompting its submission are solely to point out what appear to be minor defects and to make suggestions that will better carry out the evident purpose of the draft. It is, therefore, respectfully requested that this memorandum be not taken as an unqualified indorsement of the sliding scale nor of the rates contained in the draft.

SUGAR

[Par. 501]

LETTER FROM WILLIAM GREEN, REPRESENTING THE AMERICAN FEDERATION OF LABOR

WASHINGTON, D. C., *June 26, 1929.*

Hon. REED SMOOT,
Chairman Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR: A deep seated feeling prevails among the membership of the American Federation of Labor that the increase in the sugar tariff schedule as reported by the House of Representatives, and which your committee is now considering, is unjustifiable. I am therefore writing you in behalf of the officers and members of the American Federation of Labor for the purpose of expressing to you our opposition to any increase in the sugar schedule.

The whole theory of a protective tariff is based upon the assumption that it is to be applied for the protection of labor, and to serve in the establishment and maintenance of American standards of living. Facts show that in the sugar producing and manufacturing industries the cheapest kind of labor is employed. Mexicans and children are employed in many of the beet fields of Colorado and elsewhere. The wages paid to these children and these Mexicans are very low, much below the wages which should be paid in order to maintain a decent American standard of living.

In the State of Michigan the representatives of certain sugar interests sought to employ convicts in the beet sugar producing territory. Our representatives report that when they seek the enactment of reasonable child labor legislation they are always opposed by the representatives of these beet growers and the refineries. No industry can justify its existence through the exploitation of child labor, much less should such an industry be accorded an increase in the tariff schedule.

For your information I inclose a copy of a handbill distributed by an employment agency in San Francisco, appealing for 500 Filipinos or Mexicans to accept employment in the sugar beet fields of certain States.

The conclusions reached and expressed in this communication are based upon incontrovertible facts which have been supplied me by our representatives in certain sugar producing States. These facts are available for presentation if their accuracy is questioned or if the conclusions herein expressed are challenged. I repeat what I said in a letter addressed to Congressman Frear a short time ago, that in my judgment the sugar schedule of the House tariff bill is indefensible.

Very respectfully yours,

WM. GREEN,
President American Federation of Labor.

WANTED

Five hundred Filipinos or Mexicans, single or with families, to work in beet fields in Iowa and Minnesota.
Free transportation and board en route to job.
For further information call at 1023 Stockton Street, San Francisco.
No fee charged for job.

SUPPLEMENTAL MEMORANDUM FROM H. H. PIKE, JR., REPRESENTING H. H. PIKE & CO. (INC.), NEW YORK CITY

Hon. REED SMOOT,
United States Senate, Washington.

MY DEAR SENATOR: When I testified before your committee with regard to the tariff on sugar you asked me to give you a memorandum of the Hershey Corporation's sales prices on sugar. We have just completed this record and now hand it to you herewith. The sheet showing prices up to March 8, 1928, was prepared by the Hershey Corporation themselves, as they did their own selling up to that date. My company took over the handling of Hershey sugar on March 9, 1928, and from that date on the quotations are given you by us of our own knowledge.

As you will see, we have never undersold other American refiners, as it has been against our policy to do so.

We feel very strongly that there should be no added differential on refined sugar, as it would be detrimental to American interests, encouraging the production of white sugar in our island dependencies. As I testified before your committee, with the single exception of the Hershey refinery, no refinery has been built in Cuba since 1920, and it is a practical certainty that no new refineries will be built, as at any time that business may be finished by an act of your legislature putting on a prohibitive rate on foreign refined coming into this country.

So long as that is true, and as a matter of fact our refiners have a practical protection through fear of tariff discrimination, why should we put on a differential which will cost all the people of this country a tremendous amount of money when the threat of protection accomplishes the same purpose?

I want to take this opportunity to tank you personally for the very courteous attention which was given to me at the hearing.

Yours very respectfully,

H. H. PIKE, Jr.

Statement of prices at which Hershey standard fine granulated sugar was sold from March 9, 1928, to July 24, 1929

	Our price	List prices of competitors
Mar. 9, 1928, to Apr. 3, 1928	5.75	5.75
Apr. 4, 1928, to May 10, 1928	5.85	5.85
May 11, 1928, to May 23, 1928	5.90	5.90
May 24, 1928, to June 26, 1928	[1] 5.95-6.00	[1] 5.95-6.00
June 27, 1928, to Aug. 1, 1928	5.80	5.80
Aug. 2, 1928, to Aug. 16, 1928	[1] 5.40-5.45	[1] 5.40-5.45
Aug. 17, 1928, to Oct. 9, 1928	5.50	5.50
Oct. 10, 1928, to Nov. 11, 1928	5.20	5.20
Nov. 12, 1928, to Nov. 27, 1928	5.10	5.10
Nov. 28, 1928, to Jan. 8, 1929	5.15	5.15
Jan. 9, 1929, to Jan. 16, 1929	5.05	5.05
Jan. 17, 1929, to Mar. 5, 1929	5.00	5.00
Mar. 6, 1929, to May 9, 1929	4.75	4.75
May 10, 1929, to June 21, 1929	4.75	4.75
June 22, 1929, to June 24, 1929	4.85	4.85
June 25, 1929, to July 9, 1929	5.00	5.00
July 10, 1929, to July 23, 1929	5.25	5.25
July 24, 1929, to present price	5.50	5.50

[1] According to territory.

Statement of prices at which Hershey standard fine granulated sugar was sold and competitors' list price at time of sale

Date	Prices at which sales were made	Exceptions: Prices at which a few sales were made	List price of competitors	
			Low	High
1926				
July 2 to July 27	5.60		5.60	5.70
July 28 to Aug. 24	5.65-5.70		5.60	5.80
Aug. 25 to Sept. 1	5.55-5.60		5.55	5.80
Sept. 2 to Sept. 21	5.60-5.70		5.60	5.80
Sept. 22 to Sept. 27	5.80		5.80	5.90
Sept. 28 to Nov. 1	5.90		5.90	6.00
Nov. 2 to Nov. 18	5.80		5.70	5.90
Nov. 22	6.00		5.85	6.10
Nov. 23 to Dec. 6	6.00-6.10		5.95	6.25
Dec. 7 to Jan. 3, 1927	6.25	Dec. 11, 2,200 bags,[1] 6.10 Miami	6.20	6.40
1927				
Jan. 4 to Feb. 8	6.25-6.40		6.20	6.50
Feb. 15 to Mar. 7	5.95-6.05		5.95	6.05
Mar. 26	5.90		5.80	6.20
Apr. 6 to Apr. 8	5.75-5.80		5.75	5.90
Apr. 11	5.75		5.75	5.90
Apr. 14	5.90		5.90	6.10
Apr. 21	6.00		5.95	6.10
Apr. 26 to Apr. 28	6.10			
May 12 to May 31	6.00-6.10		6.00	6.20
June 6	6.10		6.10	6.20
June 23 to July 11	6.00-6.10		6.00	6.20
July 13	6.00		6.00	6.20
July 21 to July 24	5.80	2,500 bags,[1] 5.70 Miami	5.80	6.10
July 25 to July 26	5.70		5.70	5.80
July 27 to Aug. 18	5.70-5.80		5.70	5.80
Aug. 19	5.70		5.70	5.80
Aug. 20 to Aug. 25	5.60-5.70		5.60	5.80
Aug. 26	5.60		5.60	5.80
Aug. 30	5.70		5.70	5.90
Sept. 1	5.80		5.80	6.00
Sept. 9	5.80		5.80	6.00
Sept. 17	5.90		5.80	6.00
Oct. 6	5.70		5.70	6.00
Oct. 14 to Oct. 17	5.70-5.80		5.60	6.10
Oct. 14	5.60		5.60	5.80
Oct. 25 to Nov. 10	5.70			
Nov. 9 to Nov. 15	5.60-5.70		5.60	6.00
Dec. 1 to Dec. 15	5.50-5.65		5.60	6.00
Dec. 20 to Dec. 21	5.60-5.70	11,400 bags,[1] 5.50 western territory	5.60	6.00
Dec. 30	5.50-5.70		5.50	6.00
1928				
Jan. 1 to Jan. 29	5.70-5.80		5.70	5.80
Jan. 30 to Feb. 16	5.70			5.70
Feb. 17 to Feb. 28	5.60			5.60
Mar. 1 to Mar. 8	5.75			5.75

Total sales during above period approximately 5,000,000 bags.

[1] Sugar damaged in transit, sugar which had become hard or lumpy by reason of climatic conditions, or otherwise damaged, or to meet offers of other refiners.

BRIEF OF RUDOLPH SPRECKELS, REPRESENTING THE SPRECKELS SUGAR CORPORATION, SAN FRANCISCO, CALIF.

COMMITTEE OF FINANCE,
United States Senate, Washington, D. C.

The statement filed by the California & Hawaiian Sugar Refining Corporation with your honorable committee confirm the statements made by me before your committee.

I made no statements inimical to the interests of the Hawaiian sugar producers. My suggestions were made in behalf of more rational marketing methods which would yield to those interests greater profits while giving to others in the sugar industry on the mainland a chance to enjoy fair profits.

MARKET POSITION OF "C. & H."

(1) The California & Hawaiian Sugar Refining Corporation admit that the stock of that company is owned entirely by 33 Hawaiian plantation companies. That the plantation owners of the California & Hawaiian built the Crockett refinery. That they ship their sugar by American vessels, omitting, however, mentioning the fact that the same interests are among the principal owners of the stock of the Matson Navigation Co., which enjoys a virtual monopoly on the transporting of raw sugar from Hawaii. They stress the fact that they produce their raw sugar on American soil and employ American capital, but they are silent regarding the kind of cheap labor generally employed by them in Hawaii. They admit that they distribute their refined sugar in 36 States in competition with other domestic producers and with Atlantic seaboard and Gulf refiners, markets which they could not invade except for the unreasonable advantage they enjoy under our tariff law. This gives conclusive proof that their natural markets in the 11 Western States can not consume the vast quantity of sugar they refine on the Pacific coast.

HAWAIIAN SUGAR IS A DOMESTIC PRODUCT AND MUST BE SOLD IN DOMESTIC MARKETS

(2) They admit that we must secure a large part of our Nation's sugar requirements from Cuba and that if the Atlantic seaboard and Gulf refiners imported and refined Cuban sugar in excess of requirements, they would demoralize the American refined market, but they go on operating their own refinery to full capacity wholly disregarding the injustice they do the beet and cane producers on the mainland and those engaged in refining imported sugar to supply the needs of the people within their natural territories.

SELF-IMPOSED LIMITATION OF OUTPUT

(3) They admit that the plantation owners of the "C. & H." built the Crockett refinery solely as an outlet for their sugar crops. They argue that self-imposed reduction of output may be a proper function for refiners of foreign products in an effort to keep distribution of sugar in this country within the bounds of the economic law of supply and demand. But they hold themselves to be entitled to ignore the rule they prescribed for their competitors who refine Porto Rican and Philippine sugars in addition to Cuban sugars. They say the tariff is primarily designed to foster and enlarge the domestic sugar industry. In view of the earnings statements of their 33 plantations who own and operate the "C. & H." refinery, and the rapid increase in their sugar production, is proof that they need no added duty on raw sugar but that their competition in beet-sugar territory has resulted in those producers blindly requesting an increased duty without apparently realizing that unless a proper refiner's margin can be maintained, an increased duty will enable the Hawaiian plantations to use the added benefits to sell their refined sugar on a still lower margin basis and correspondingly injure the beet and other domestic sugar producers and refiners on the mainland.

BASIC REASONS (1) WHY "C. & H." REFINERY WAS ESTABLISHED; (2) WHY IT IS NOW MAINTAINED, AND (3) WHY ITS MAXIMUM CAPACITY IS ITS NORMAL CAPACITY

(4) The contention of the "C. & H." that they could not market their raw sugar and therefore were forced to establish their own refinery seems an absurdity. The earning records of the well-managed Hawaiian plantation prior to the building of the refinery at Crockett, Calif., would seem not to indicate that necessity drove them to take that step. Their refinery was established in 1906 yet they admit they sold large quantities of raw sugar to refiners on the Atlantic seaboard until 1915, when the Atlantic refiner declined to buy it any longer. They sold their sugar under a contract and that refiner evidently would not renew it. On the other hand, it is inconceivable that with the great demands for raw sugar on the Atlantic seaboard the Hawaiians could not have marketed their sugar in competition with less favored, duty-paid sugar imported from Cuba. In their statement the "C. & H." say they increased the capacity of their refinery since the year 1916 to handle their entire raw sugar output, and yet they say, "if the Atlantic seaboard and Gulf refiners, who purchase and refine principally foreign

sugars, have enlarged the capacity of their respective plants beyond the sugar requirements of the country, that is a matter within their own discretion and control and for which they can not complain as against strictly domestic institutions." Are not the United States refiners more nearly domestic institutions than are the Hawaiian plantations employing thousands of Asiatic and other imported laborers?

MARKETS FOR HAWAIIAN SUGARS

(5) The "C. & H." statement in trying to defend its invasion into the natural territory of the beet and seaboard and Gulf refineries, makes it clear that they go beyond their natural markets. They say, "Because of a low intercoastal steamship rate, the C. & H. for several years has been able to ship refined sugar through the Panama Canal to New Orleans, and thence upriver by Government barge line to Chicago, at a freight rate of approximately 70 cents. More recently some shipments have been made by steamer to New York, and thence by barge and lake steamer to Chicago at a freight rate of approximately 65 cents." The freight rates from New York to Chicago by barge are 36 cents and for the Gulf refiners the freight rates to Chicago by barge are 44 cents. These differences in freight rates clearly indicate that the C. & H. has and is going beyond its economic territory, and it is self-evident that if they were not particularly favored under a tariff law and maintained a lower cost of refining by selfishly operating at full capacity, they could not afford to ship their refined sugar into the markets of the beet and cane refiners.

PRICE POLICY DISCUSSIONS WITH COMPETITORS

(6) I did not charge that the C. & H. has or is participating in any understanding or concert of action with respect to the price at which it has sold or is going to sell its product, and I am confident no other refiner would do so. But Mr. Rolph has not and can not deny my statement before your honorable committee, that at a meeting of the Sugar Institute when the unjustifiable price decline by the Imperial Refinery from 4.90 to 4.75 cents was discussed, he said in substance, "You gentlemen should be glad the Imperial cut the price to 4.75 cents, because if they had not done so the C. & H. would have announced a price of 4.65 cents."

While I do not know what the facts are, it was the opinion of myself and others that the Imperial Co. had received intimations from some source that unless the price was cut to 4.75 cents that the C. & H. would cut its price to 4.65 cents. That the C. & H. is a disturbing factor in the market, is evidenced by what occurred on May 9 and May 10, 1929. On May 9 the Godchaux refinery announced an advance from 4.90 to 5 cents and on the following day the C. & H. announced a decline to 4.75 cents, causing unwarranted demoralization in the market and losses to beet and cane companies. On June 18 Godchaux reduced the price from 5 cents to 4.85 cents. There was no apparent justification for such a cut, and I believe they had received intimations that unless the price was reduced the C. & H. would announce a cut to 4.75 cents.

Aside from what I stated herein, I have every reason to commend the C. & H. for its marketing ethics throughout many years when some other refiners were known to resort to deviations from their openly announced prices and terms and gave secret concessions in prices and terms.

EARNINGS OF C. & H.

(7) The C. & H. earning statement submitted does not disclose if the earnings are net or before income tax or other charges. Their statement that the refinery earnings are predetermined by arbitrary withholdings is interesting. In order to arrive at a clear understanding, your committee should require the filing of the raw sugar sales contract and other contracts or agreements between the refinery and its plantation owners. They say, "Had the C. & H. been operating as an independent refining unit, and it had been paying the San Francisco market price for the raws shipped it, its refining profits during the above period would have amounted to $10,592,854." That would seem to indicate that the C. & H. refinery received a concession of $833,520.24 below the price of raw sugar.

THE PRICE OF SUGAR IS MADE IN THE NEW YORK MARKET

(8) Answering the C. & H. statement regarding where the price of raw sugar is made, I agree that in this country it is determined by sales in the New York

market. I deny that the price of refined is generally based upon the cost of raw sugar, because the average margin between the price of raw, and the average price of refined, has for some years at least been far below requirements for proper earnings by refining companies.

Knowing the advantages enjoyed by the C. & H. has made that company a source of fear in the minds of the other refiners in this country, and absurd as it may seem, they are greatly influenced in the conduct of their business by the attitude, real or imaginary of the C. & H.

WHAT CONSTITUTES THE MARKET PRICE OF SUGAR

(9) I agree in a large part with the C. & H. statement regarding what constitutes the market price of refined sugar. However, I disagree with their contention that so called secondhand sugar sold by buyers at a lower level than the then existing refiner's quotations, constitutes the right market price of refined sugar. Refiners having sold sugar prior to an advance for delivery during a 30-day period, which is the prevailing method, it is obvious that there is little likelihood of another sales movement during that period and the resale of the sugar purchased by customers of refiners under the refiner's advanced list price, insures to those purchasers a profit and since the sugar has passed out of the hands of refiners, it must be disposed of by the trade before another buying move can be expected. What has been a disturbing factor is the fact that refiners have not required buyers of their sugar to withdraw the sugar within the 30-days period as provided in their contracts, and have thus permitted buyers to purchase at a low price far beyond their requirements during the 30-day period. The C. & H. are to be commended for having maintained a policy of requiring their trade to take delivery within the period fixed in their sales contract and they have a legitimate cause for complaint against other refiners who do not enforce the terms of their contracts.

C. & H. PRICE POLICY

(10) I agree that when other refiners continue to deliver low-priced refined beyond the 30-day period fixed in their sales contract, the C. & H. is justified in meeting the price of such second-hand sugars but not prior to the expiration of the 30-day period, unless, of course, the price of raw sugar has declined sufficiently to justify a lower refined price. While unrestricted competition is desirable, there are limits beyond which competitors should not go because a rule-or-ruin policy is just as indefensible as monopoly.

RAW SUGAR BAGS

(11) The use of the raw sugar bag by the C. & H. for shipping refined sugar is a distinct saving to the refinery. It is true cane refiners sell their raw sugar bags, but the price for a 325-pound bag, second-hand, is but 13 cents, so 100-pound bag used by the C. & H. gives that company an advantage of at least 8 cents over other American refiners. The C. & H. of course overlooked stating that the beet and cane-sugar interests on the mainland receive no raw sugar bags so have no credit against their purchase of new bags. I therefore have no reason to modify my statement that the C. & H. enjoy an average advantage of from 8 cents to 9 cents per hundred pounds from that source.

C. & H. SUGAR IS DOMESTIC SUGAR

(12) Your honorable committee will recall that I stated that I represented only myself and my company so the C. & H. desire to make it appear that I had misinformed your committee regarding whom I represented, is uncalled for. However, since they brought up the question of the attitude of the beet interests regarding the competition of the C. & H. I assert that in private conversations I have had with some of those representing beet companies, they expressed dissatisfaction with the attitude of the C. & H. Mr. Rolph can not truthfully deny that he said he intended to force the beet people with whom he competes, to change their differential between beet and cane refined from 20 cents to 10 cents per hundred pounds. The trouble is that fear of reprisal by the C. & H. no doubt prevents the domestic sugar producers on the mainland from publicly stating their grievances against that company.

If the C. & H. is sincere in its statement of policy, and is willing that the beet and cane sugar produced on the mainland secure the benefits of the tariff, they should welcome the proposal I made for a sliding-scale duty on raw sugar and a reasonable margin between the price of duty paid raw sugar and the price of refined.

Respectfully submitted.

RUDOLPH SPRECKELS.

BLACKSTRAP MOLASSES

[Par. 502]

BRIEF OF W. E. SUITS, REPRESENTING THE AMERICAN FEED MANUFACTURERS ASSOCIATION, CHICAGO, ILL.

Hon. REED SMOOT,
United States Senate, Washington, D. C.

MY DEAR SENATOR: We understand that Schedule 5, paragraph 502, of the tariff bill of 1929, H. R. 2667, has an amendment offered as applied to blackstrap molasses, by Senator Broussard, of Louisiana, which would materially increase the duty on importations of blackstrap.

The rate applied to blackstrap molasses was the subject of laborious and lengthy hearings and investigations by the Ways and Means Committee. It has been definitely established that any increase in the tariff on blackstrap molasses will work a hardship on the farmers, who purchase at least 40 per cent of the imported blackstrap for feeding to their livestock and poultry, either in feeds manufactured by our industry and sold to the farmers or molasses which they mix and feed themselves on the farms. Besides this the farmers purchase a large percentage of the products derived from or composed in part of industrial alcohol. The prices of these would necessarily be increased in proportion to any increase in the cost of blackstrap molasses.

The consumption of blackstrap in the United States in 1928 was something over 300,000,000 gallons, of which the domestic production was only around 10,000,000 gallons. Doubling the Louisiana output of blackstrap molasses would not have any material effect on the necessary importations.

Under the circumstances, acting as representative of an industry which last year both purchased and sold to the farmers of the United States about 100,000,000 gallons of blackstrap molasses in mixed feeds, I respectfully urge that no change be made in the tariff on blackstrap and that it remain as approved by the Ways and Means Committee of the House of Representatives.

Very truly yours,

W. E. SUITS.

LETTER FROM HON. EDWIN S. BROUSSARD, UNITED STATES SENATOR FROM THE STATE OF LOUISIANA

JULY 29, 1929.

Hon. REED SMOOT,
Chairman Committee on Finance, United States Senate, Washington, D. C.

MY DEAR SENATOR SMOOT: Please do me the favor to read this letter.

I am aware that your labors on the Finance Committee have been most arduous, but I feel that I must put before you facts in support of an increase of duty on blackstrap molasses. I have reduced some of these facts to condensed, concrete statements and figures, which are attached to this letter.

In document marked "1" is shown that the feed mixer pays, under the existing rate on molasses, the sum of 4½ cents per ton of feed he manufactures. Molasses is, pound for pound, of equal nutritive value to corn, but the feed mixer does not want to pay any tax on millions of gallons of cheap molasses that displaces corn in his mixed feed.

Document "2" shows that blackstrap molasses never had, previous to the existing tariff law, less than a 1-cent tariff, while it has had as high a duty as 10 cents per gallon.

Even under the low tariff law under the Wilson administration it had 2½ cents on molasses "not above 56°, and 4½ cents on that above 56°" per gallon.

Document "3" shows the demand for molasses for the manufacture of alcohol and mixed feed in this country is 250,000,000 gallons, and that in continental United States, Hawaii, and Porto Rico we produce over 200,000,000 gallons of blackstrap. With increased rates on sugar and blackstrap, we shall, within two years, produce all the Nation needs.

The arguments of the pharmacists, the paint manufacturers, the barbers' suppliers, and others opposed to an increase of duty are equally ridiculous. Not one gives the difference of costs in the manufactured article.

I do not care to burden you with too long a letter; but I do hope you can see the justice of my amendment now before the Finance Committee to increase that rate of duty.

Thanking you for your attention, I am

Yours very truly,

E. S. Broussard.

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1. Schedule 5, Paragraph 502, Molasses

EFFECT OF TARIFF ON COST PER TON TO FEED MIXERS

In 1922 the House had put twenty-five one-hundredths of 1 cent per gallon on blackstrap up to 52 per cent. Feed mixers opposed this. They predicted ruin to their industry, and the Finance Committee struck it out. But this is all it meant:

Mixed feed contains, usually, 20 per cent molasses.

Therefore, mixed feed contains 400 pounds molasses per ton.

Weight of molasses, 11.7 pounds per gallon (or 171 gallons to the ton).

Accordingly, there are (400÷11.7=) 34.1+ gallons blackstrap in a ton of feed.

The proposed House duty was twenty-five one hundredths of 1 cent less 20 per cent favor of Cuba, equaling twenty one-hundredths of 1 cent per gallon as against Cuba.

Total amount of blackstrap, 34.1 gallons×(twenty one-hundredths of 1 cent) 0.0020=0.0682 cent of increase of cost to feed mixers per ton.

At duty of 1 cent on 52 per cent blackstrap the total tariff cost, after taking off 20 per cent preferential to Cuba, is as follows:

34.1 gallons×(1 cent less 20 per cent=) 0.008 cent=0.2728 cent increase of cost per ton of mixed feed.

At 2 cents duty the increase would be 0.2728×2=0.5456 cent per ton.

At 3 cents it would be 0.2728×3=0.8184 cent per ton.

At 4 cents it would be 0.2728×4=$1.0912 per ton.

Under present law the duty is one-sixth of 1 cent per gallon less 20 per cent ×34.1=0.04535 cent increase per ton of mixed feed.

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2. Duty on Molasses

It will be seen from the following that molasses has been protected by an adequate tariff under every tariff act passed from the beginning of the Government under the act of July 4, 1789, until the act of September 20, 1922, when only one-sixth of 1 cent per gallon was imposed up to 48 per cent total sugars and a very inadequate additional rate for each additional per cent of total sugars.

The following shows the rates imposed per gallon on molasses, to wit:

Act of July 4, 1789 (George Washington, President), 2½ cents per gallon.

Act of August 1, 1790 (George Washington): 2½ cents per gallon.

Act of January 1, 1791 (George Washington): 3 cents per gallon.

Act of June 30, 1797 (John Adams, Federalist): 1 cent per gallon.

Act of June 30, 1800 (John Adams, Federalist): 1 cent per gallon.

Act of April 27, 1816 (James Madison, Democrat): 5 cents per gallon.

(Duty as put into effect April 27, 1816, held through two terms of James Monroe, Democrat.)

Act of September 1, 1828 (John Quincy Adams, National Republican): 10 cents per gallon.

(Duty as put into effect September, 1828, and July, 1832, held through succeeding term of Martin Van Buren, Democrat.)

Act of August 30, 1842 (John Tyler, Whig): 4½ mills per pound.

Act of July 30, 1846 (James K. Polk, Democrat): 30 per cent ad valorem.

(The July 30, 1846, system and rate held through succeeding administrations of Zachary Taylor, a Whig; Millard Fillmore, Whig; Franklin Pierce, Democrat; James Buchanan, Democrat.)

Act of April 1, 1861 (Abraham Lincoln, Republican): 2 cents per gallon.
Act of August 5, 1861 (Abraham Lincoln, Republican): 5 cents per gallon.
Act of August 1, 1862 (Abraham Lincoln, Republican): 6 cents per gallon.
Act of June 30, 1864 (Abraham Lincoln, Republican): 8 cents per gallon.
(This duty held through the successive term of Andrew Johnson, Republican.)
Act of December 31, 1870 (U. S. Grant, Republican): 5 cents per gallon.
Act of March 3, 1875 (U. S. Grant, Republican): Existing duty of 5 cents per gallon increased 25 per cent.
Act of March 3, 1883 (James A. Garfield, Republican): 4 cents per gallon on molasses less than 56° test; 8 cents per gallon above 56°.
(Duty of March 3, 1883, held through successive terms of Chester A. Arthur, Republican, and Grover Cleveland, Democrat.)
Act of August 1, 1894 (Grover Cleveland, Democrat): 2 cents per gallon on molasses testing 40° and less than 56°; 4 cents per gallon testing above 56°.)
Act of August 5, 1909 (William H. Taft, Republican): Against the Philippine Islands, in packages of 100 kilos, $3.
Act of October 13, 1913 (Woodrow Wilson, Democrat): Not above 40°, 15 per cent ad valorem; above 40° and not above 56°, 2¼ cents per gallon; above 56 degrees, 4½ cents per gallon.
Act of May 27, 1921 (Warren G. Harding, Republican): Not above 40°, 24 per cent ad valorem; above 40° and not above 56°, 3½ cents per gallon; above 56°, 7 cents per gallon.
Act of September 20, 1922 (Warren G. Harding, Republican): Not above 48 per cent, one-sixth of 1 cent per gallon; above 48°, two hundred and seventy-five one thousandths of 1 cent additional for each per cent of total sugars; not above 52° not imported to be commercially used or extraction of sugar or for human consumption, one-sixth of 1 cent per gallon; above 52° and not above 56 per cent of total sugars, not imported to be commercially used or for the extraction of sugars or for human consumption, one-sixth of 1 cent additional for each per cent of total sugars.

3. Domestic Production of Blackstrap and Demand for Alcohol and Mixed Feed

Witnesses opposed to an increase of duty on blackstrap have claimed that Louisiana produces only 3,500,000 gallons of molasses and that only 7,500,000 gallons were produced in this country per year.

In 1926 and 1927, before Louisiana had produced enough cane of the new varieties to distribute seed generally, we did produce only a little over 6,500,000 gallons per year. But Louisiana, as may be verified by the attached table, marked "A," produced more than 35,000,000 gallons in a single year.

The testimony about total domestic production is equally misleading.

From Summary of Tariff Information, 1929, page 986, it is seen that 200,000,000 gallons are used in this country to make alcohol and 50,000,000 gallons in making mixed feed.

The Summary of Tariff Information, 1929, page 985, gives the production in 1928 of blackstrap at 155,038,050 gallons in the United States and Territories, and also shows that in refining sugar 12 gallons are extracted per ton of sugar. At page 977, shows, "Raw cane sugar in terms of refined entering United States" in 1926 was 3,832,228 tons, which, multiplied by 12, equals 45,986,736 gallons turned out by American refiners. Add to this the 155,038,050 gallons produced in continental United States, Hawaii, and Porto Rico, and we find the total production at home to be 201,024,786 gallons, a deficiency of less than 50,000,000 gallons.

Low prices have decreased domestic production of sugar. An adequate duty on both sugar and molasses will, within two years, bring a production in excess of the 250,000,000 gallons needed to make alcohol and mixed feed.

A. *Production of molasses in Louisiana, years 1911 to 1928, inclusive*

[Figures taken from Yearbook of Agriculture, 1928, of the United States Department of Agriculture]

	Gallons		Gallons
1911	35, 062, 525	1920	16, 856, 867
1912	14, 302, 169	1921	25, 423, 341
1913	24, 046, 320	1922	22, 718, 640
1914	17, 177, 443	1923	15, 719, 400
1915	12, 743, 000	1924	9, 590, 000
1916	26, 154, 000	1925	17, 783, 000
1917	30, 728, 000	1926	6, 614, 000
1918	28, 049, 000	1927	6, 624, 000
1919	12, 991, 000	1928 (preliminary)	14, 601, 000

NOTE.—Figures for molasses, 1911–1914, are as reported by the Louisiana Sugar Planters' Association; figures for later years as reported by Division of Crop and Livestock Estimates.

LETTER FROM PHILO B. MILES, REPRESENTING P. B. & C. C. MILES, PEORIA, ILL.

JULY 13, 1929.

FINANCE COMMITTEE,
United States Senate.

GENTLEMEN: In the campaign last fall one of the main issues, if not the main issue, was farm relief. The farm relief bill has been passed and we are of the opinion that it will do considerable good if handled properly. There are many, however, and especially among some of the principal farmers, that are rather skeptic about it doing much good for a long pull.

Congress could help the farmer very materially, we think right away, by putting a stiff tariff on blackstrap molasses used for making alcohol. The use of corn for this purpose would increase the consumption about 40,000,000 bushels and might raise the level of values 10 cents per bushel. In a fairly good crop where the farmers sell about 600,000,000 bushels of corn, at an advance of 10 cents per bushel, it would bring them in $60,000,000, which would be quite an item for them and would increase their buying power very materially and an advance in corn would help other grains. If the level of corn was raised 10 cents per bushel it would of itself only increase the price of alcohol less than 4 cents per gallon, so we do not see how the automobile manufacturers who are opposing this duty are going to be much hurt. In fact, the automobile manufacturer, in our judgment, would be better off for the buying power of the farmer would more than balance the extra cost of the alcohol.

In regard to duty on building material would say that building materials are excessively high at the present time and it is almost the unanimous opinion that no duty should be placed on these things.

We hear but very little about the extra duty on sugar and are not prepared to express an opinion on that. Neither do we hear much about the extra duty on fruits and vegetables from the South.

Sincerely yours,

PHILO B. MILES, *President.*

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