To Include Sugar Beets and Sugarcane as Basic Agricultural Commodities Under the Agricultural Adjustment Act

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

SECOND SESSION

ON

S. 2732

A BILL TO INCLUDE SUGAR BEETS AND SUGARCANE AS BASIC AGRICULTURAL COMMODITIES UNDER THE AGRICULTURAL ADJUSTMENT ACT AND FOR OTHER PURPOSES

FEBRUARY 23, 24, AND 26, 1934

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TO INCLUDE SUGAR BEETS AND SUGARCANE AS BASIC AGRICULTURAL COMMODITIES UNDER THE AGRICULTURAL ADJUSTMENT ACT

FRIDAY, FEBRUARY 23, 1934

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

The committee met, pursuant to call at 10 a.m., in room 312 Senate Office Building, Senator Harrison presiding.

Present: Senators Ha son (chairman), King, George, Walsh, Connally, Gore, Costigan lark, McAdoo, Byrd, Lonergan, Couzens, Keyes, La Follette, Hast gs, and Walcott.

Also present: Senator Arthur H. Vandenberg; Hon. Henry A. Wallace, Secretary of Agriculture; Mr. Louis H. Bean, Department of Agriculture; Mr. James LeCron, Department of Agriculture.

The CHAIRMAN. The committee will come to order. The committee will proceed to consider the bill, S. 2732, introduced by Senator Costigan.

(Senate bill 2372 is here printed in full, as follows:)

A BILL To include sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 9 of the Agricultural Adjustment Act, as amended, is amended by striking out the period at the end of the first sentence, and inserting a colon and the following: "*Provided, however,* That in the case of sugar beets and sugarcane the rate of the processing tax shall in no event be in excess of the amount of the reduction, by the President, of the tariff on sugar in effect on January 1, 1934, under paragraph 501 of the Tariff Act of 1930."

SEC. 2. Subsection (d) of section 9 of the Agricultural Adjustment Act, as amended, is amended by adding after paragraph (4) thereof the following:

"(5) In case of sugar beets and sugarcane—

"(A) The term 'processing' means the processing of sugar beets or sugarcane into refined sugar or into any sugar which is not to be further refined. When raw sugar is produced by one person and the final refining is done by another person, the final refining of the sugar shall be deemed to be the processing.

"(B) The term 'processor' means the person completing the processing.

"(C) The term 'sugar' means sugar in any form whatsoever, derived from sugar beets or sugarcane, including also molasses, raw sugar, direct-consumption sugar, and any mixture containing sugar (except blackstrap molasses, beet molasses, and sirups), and, for the purposes of section 8a (1) of this Act, sirups. Such molasses, raw sugar, direct consumption sugar, sugar mixtures, and sirups, included within the word sugar', as herein defined, shall be considered to constitute sugar to the extent of their total sugar content.

"(D) The term 'blackstrap molasses' means the commercially so-designated 'byproduct' of the cane-sugar industry not used for human consumption or for the extraction of sugar, and the total sugar content of which does not exceed 55 per centum.

"(E) The term 'beet molasses' means the commercially so-designated 'byproduct' of the beet sugar industry, not used for human consumption, or for the extraction of sugar except as delivered from one beet factory to another for such purpose.

"(F) The term 'raw sugar' means sugar, as defined above, manufactured or marketed in, or brought into, the United States, in any form whatsoever, for the purpose of being, or which shall be, further refined.

"(G) The term 'direct-consumption sugar' means sugar, as defined above, manufactured or marketed in, or brought into, the United States, in any form whatsoever, for any purpose other than to be further refined.

"(H) Whenever any person has paid a tax on the processing of sugar beets or sugarcane into sugar, he shall not be liable for a tax on any byproduct thereof, unless such byproduct is further refined."

SEC. 3. Section 8 of the Agricultural Adjustment Act, as amended, is amended by adding at the end thereof the following new section:

"SEC. 8a. (1) Having due regard to the welfare of domestic producers and to the protection of domestic consumers and to a just relation between the prices received by domestic producers and the prices paid by domestic consumers, the Secretary of Agriculture may, in order to effectuate the declared policy of this Act, from time to time, by orders or regulations, forbid processors, handlers of sugar, and others (A) from importing sugar into continental United States for consumption, or which shall be consumed therein, and/or from marketing, transporting, receiving, or processing sugar from the Territory of Hawaii, Virgin Islands, Puerto Rico, Philippine Islands, and from foreign countries, including Cuba, respectively, in excess of quotas based on average importations therefrom into continental United States for consumption, or which was actually consumed therein, during such three years, respectively, in the years 1925–1933, inclusive, as the Secretary of Agriculture may, from time to time, determine to be the most representative respective three years, and the Secretary of Agriculture may by orders or regulations allot such quotas from time to time among the processors, handlers of sugar, and others, and from time to time readjust such quotas or allotments; and/or (B) from marketing, in the current of or in competition with, or so as to burden, obstruct, or in any way affect, interstate or foreign commerce, sugar manufactured from sugar beets and/or sugarcane produced in the continental United States beet sugar producing area, the State of Louisiana, the State of Florida, and any other State or States, in excess of quotas equal to the production or the marketings of sugar manufactured from sugar beets and/or sugarcane produced in such area the State of Louisiana, the State of Florida, and such other State or States, respectively, in such three years, respectively, in the years 1925–1933, inclusive, as the Secretary of Agriculture may, from time to time, determine to be the most representative respective three years, and the Secretary of Agriculture may by orders or regulations allot such quotas from time to time among the processors, handlers of sugar, and others, and from time to time readjust such quotas or allotments.

"(2) The Secretary of Agriculture may (A) for any year, determine the quota for any area producing less than two hundred and fifty thousand long tons of sugar during the next preceding year, without reference to the aforesaid three-year periods, and (B) readjust from time to time any quota or allotment fixed pursuant thereto.

"(3) Any person violating any order or regulation of the Secretary of Agriculture issued under this section shall, upon conviction, be punished by a fine of not more than $5,000 and by imprisonment for not more than two years.

"(4) Any person exceeding any quota or allotment fixed for him under this section by the Secretary of Agriculture, and any other person knowingly participating, or aiding, in the exceeding of said quota or allotment, shall forfeit to the United States a sum equal to three times the current market value of such excess, which forfeiture shall be recoverable in a civil suit brought in the name of the United States. All sums recovered shall be paid into the Treasury and are hereby appropriated for the purposes named in section 12(b) of this Act.

"(5) The several district courts of the United States are hereby vested with jurisdiction to prevent and restrain any person from violating the provisions of this section and of any order or regulation issued by the Secretary of Agriculture pursuant to this section.

"(6) Upon the request of the Secretary of Agriculture, it shall be the duty of the several district attorneys of the United States, in their respective districts, under the directions of the Attorney General, to institute proceedings to enforce the remedies and to collect the forfeitures provided for in this section."

SEC. 4. Paragraph (5) of subsection (d) of Section 9 of the Agricultural Adjustment Act, as amended, is hereby renumbered (6).

SEC. 5. Section 9 of the Agricultural Adjustment Act, as amended, is amended by adding after subsection (e) thereof the following new subsection:

"(f) For the purposes of part 2 of this title, processing shall be held to include manufacturing."

SEC. 6. Subsection (f) of section 10 of the Agricultural Adjustment Act, as amended, is amended by striking out the period at the end of such subsection and adding a semicolon and the following: "except that, in the case of sugar beets and sugarcane, the President, if he finds it necessary in order to effectuate the declared policy of this Act, is authorized by proclamation to make the provisions of this title applicable to the Philippine Islands, the Virgin Islands, American Samoa, the Canal Zone, and/or the island of Guam."

SEC. 7. Section 11 of the Agricultural Adjustment Act, as amended, is amended by adding after the word "tobacco" a comma and the words "sugar beets and sugarcane."

SEC. 8. Subsection (e) of section 15 of the Agricultural Adjustment Act, as amended, is amended by striking out the period at the end of such subsection and adding a colon and the following: "*Provided further*, That the President, in his discretion, is authorized by proclamation to decree that all or part of the taxes collected upon the processing in continental United States of sugar coming from the Philippine Islands, the Virgin Islands, America Samoa, the Canal Zone, and/or the island of Guam shall not be covered into the general fund of the Treasury of the United States but shall be held as a separate fund and paid into the treasury of the said possessions, respectively, to be used and expended by the governments thereof for the benefit of agriculture, and/or paid as rental or benefit payments in connection with the reduction in the acreage or reduction in the production for market, or both, of sugar beets and/or sugarcane, in any of the said possessions, through agreements with producers or by other voluntary methods."

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A REQUEST THAT THE AGRICULTURAL ADJUSTMENT ACT BE AMENDED TO MAKE SUGAR BEETS AND SUGARCANE BASIC AGRICULTURAL COMMODITIES

To the Congress:

Steadily increasing sugar production in the continental United States and in insular regions has created a price and marketing situation prejudicial to virtually everyone interested. Farmers in many areas are threatened with low prices for their beets, and cane, and Cuban purchases of our goods have dwindled steadily as her shipments of sugar to this country have declined.

There is a school of thought which believes that sugar ought to be on the free list. This belief is based on the high cost of sugar to the American consuming public.

The annual gross value of the sugar crop to American beet and cane growers is approximately $60,000,000. Those who believe in the free importation of sugar say that the 2 cents a pound tariff is levied mostly to protect this 60-million-dollar crop and that it costs our consuming public every year more than 200 million dollars to afford this protection.

I do not at this time recommend placing sugar on the free list. I feel that we ought first to try out a system of quotas with the three-fold object of keeping down the price of sugar to consumers, of providing for the retention of beet and cane farming within our continental limits, and also to provide against further expansion of this necessarily expensive industry.

Consumers have not benefitted from the disorganized state of sugar production here and in the insular regions. Both the import tariff and cost of distribution, which together account for the major portion of the consumers' price for sugar, have remained relatively constant during the past 3 years.

This situation clearly calls for remedial action. I believe that we can increase the returns to our own farmers, contribute to the economic rehabilitation of Cuba, provide adequate quotas for the Philippines, Hawaii, Puerto Rico, and the Virgin Islands, and at the same time prevent higher prices to our own consumers.

The problem is difficult, but can be solved if it is met squarely and if small temporary gains are sacrificed to ultimate general advantage.

The objective may be attained most readily through amendment of existing legislation. The Agricultural Adjustment Act should be amended to make sugar beets and sugarcane basic agricultural commodities. It then will be possible to collect a processing tax on sugar, the proceeds of which will be used to compensate farmers for holding their production to the quota level. A tax of less than one half cent per pound would provide sufficient funds.

Consumers need not and should not bear this tax. It is already within the Executive power to reduce the sugar tariff by an amount equal to the tax. In order to make certain that American consumers shall not bear an increased price due to this tax, Congress should provide that the rate of the processing tax shall in no event exceed the amount by which the tariff on sugar is reduced below the present rate of import duty.

By further amendment to the Agricultural Adjustment Act, the Secretary of Agriculture should be given authority to license refiners, importers, and handlers to buy and sell sugar from the various producing areas only in the proportion which recent marketings of such areas bear to total United States consumption. The average marketings of the past 3 years provide on the whole an equitable base, but the base period should be flexible enough to allow slight adjustments as between certain producing areas.

The use of such a base would allow approximately the following preliminary and temporary quotas:

	Short tons
Continental beets	1,450,000
Louisiana and Florida	260,000
Hawaii	935,000
Puerto Rico	821,000
Philippine Islands	1,037,000
Cuba	1,944,000
Virgin Islands	5,000
Total	6,452,000

The application of such quotas would immediately adjust market supplies to consumption, and would provide a basis for reduction of production to the needs of the United States market.

Furthermore, in the negotiations for a new treaty between the United States and Cuba to replace the existing Commercial Convention, which negotiations are to be resumed immediately, favorable consideration will be given to an increase in the existing preferential on Cuban sugars, to an extent compatible with the joint interests of the two countries.

In addition to action made possible by such legislative and treaty changes, the Secretary of Agriculture already has authority to enter into codes and marketing agreements with manufacturers which would permit savings in manufacturing and distributing costs. If any agreements or codes are entered into, they should be in such form as to assure that producers and consumers share in the resulting savings.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 8, 1934.*

The CHAIRMAN. Senator Costigan, do you want to make an initial statement, before we begin with the Secretary of Agriculture?

Senator COSTIGAN. With the indulgence of the committee, Mr. Chairman, I should like to make a brief statement.

The CHAIRMAN. We will be glad to hear you.

STATEMENT OF HON. EDWARD P. COSTIGAN, UNITED STATES SENATOR FROM THE STATE OF COLORADO

Senator COSTIGAN. Mr. Chairman, about 10 months ago, on April 18, 1933, at the last session of the Congress, I offered and discussed in the Senate an amendment to the Agricultural Adjustment Act, designed to have sugar beets and cane included among specified basic agricultural commodities. That amendment passed the Senate the following day, by a vote of 44 to 37, but was subsequently, through conference action, excluded from the law.

Between April 1933 and February of this year, the Department of Agriculture, as indicated by successive statements on sugar, rejected the much discussed voluntary sugar marketing or quota agreement, and openly announced approval of legislation to have sugar beets and cane declared basic agricultural commodities.

Perhaps, for purposes of a readily available record, some reference should be made, at the outset of this hearing, to the public utterances of Secretary Wallace of the Department of Agriculture, and Mr. Chester Davis, administrator of the Agricultural Adjustment Act.

On December 12, 1933, speaking at Chicago, Secretary Wallace said, in part:

It is true that the time is coming when we shall have to reconsider many of the devices employed in the adjustment act. While I think in many ways the act marks an epoch in the history of American agriculture, nevertheless that is not reason for regarding it as sacred.

The Secretary then discussed various possible amendments to the law, and continued as follows:

Whether any of these particular proposals are to be considered in this coming session of Congress, I do not know, but I might mention one which is quite likely to come, and that is the inclusion of beef cattle and sugar as basic commodities, under the terms of the adjustment act. One or two others may also be added, but the case for beef cattle and sugar seems to be beyond dispute.

On January 18, 1934, Secretary Wallace appeared before the Committee on Agriculture and Forestry of the Senate, and once more affirmed his decision or suggestion to have sugar declared basic. On that occasion he said:

When the Agricultural Adjustment Act was enacted farm prices of sugar beets and sugarcane were very close to their fair exchange value, and as a consequence, sugar was not included as a basic agricultural commodity under the act. Anticipating marketing pressure, as a result of the large prospective crop of 1933–34, however, the Agricultural Adjustment Administration negotiated with representatives of the industry, to the end that a marketing agreement, in the interests of cane and beet producers might be consummated.

Secretary Wallace then said:

The draft of a marketing agreement, which was finally presented for the approval of the Agricultural Adjustment Administration, was, however, unsatisfactory, because it emphasized the interests of processors rather than the income of producers, because it did not provide for effective production control, and because the protection of consumers' interests was virtually confined to the Secretary's power to terminate the agreement. The administration—

the Secretary continued—

explored various alternative proceedings. Our ultimate conclusion was that, irrespective of any action which might subsequently be taken with respect to market quotas, or the regulation of competition, we should be in position to make supplementary payments to producers of beets and cane, and to limit the acreage sown of those crops, if and to the extent that such action appeared necessary for the effectuation of the purposes of the act—

referring, I assume, to the Agricultural Adjustment Act.

Without rereading the purposes of the act, Mr. Chairman, I should like to ask that they be incorporated in my statement.

The CHAIRMAN. Without objection, they will be incorporated.

(The matter referred to is as follows:)

Declaration of policy

SEC. 2. It is hereby declared to be the policy of Congress—

(1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marekting conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the pre-war period, August 1909 to July 1914. In the case of tobacco, the base period shall be the post-war period, August 1919 to July 1929.

(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909 to July 1914.

Senator COSTIGAN. On January 25 of this year, subsequent to the last statement of the Secretary, Mr. Chester C. Davis, administrator of the Agricultural Adjustment Act, spoke before the annual banquet of the Illinois Agricultural Association, at Danville, Ill., and had this to say, with reference to sugar:

Since farm prices for sugar beets and sugarcane approximated their fair exchange value at the time the Agricultural Adjustment Act was passed, they were not regarded as basic agricultural commodities. Attempts to draft an acceptable marketing agreement have not materialized. To bring benefits to the producers, adjustment payments to the producers may be necessary. To make that possible, sugar must be designated as basic.

Subsequent to these statements in Secretary Wallace's Chicago address, and on January 4, of this year, the first day for the introduction of bills, I renewed my effort to have sugar beets and cane declared basic commodities, by introducing a bill to amend the Agricultural Adjustment Act to that end.

On February 8, 1934, President Roosevelt transmitted a message to the Congress; a message with which members of this committee are familiar; favoring, in part, the action mentioned. Shortly thereafter, these recommendations of the President were incorporated in an administration bill introduced in the House of Representatives by Chairman Marvin Jones, of the Agricultural Committee of the House, and by me on February 12, 1934, in the Senate. Hearings have been held on the bill before the House Committee on Agriculture this week, and this is the opening of the hearing before the Senate Finance Committee.

I have only this brief further statement to make about the bill: My general views on it have been submitted to the Senate, first on February 12, when the bill was introduced by me in the Senate, and again on February 20. Following certain comments of the able Senator from Michigan (Mr. Vandenberg), on unexpected testimony given before the House committee during the hearings on the bill this week, because of the record which I have reviewed, I undertook, on February 20, to interpret and in a measure defend the President and Secretary Wallace against what appeared to be a clear indication of bad faith, due to the suggestion of Mr. Weaver, Chief of the Sugar Division of the Department of Agriculture, that the bill is the first step in the direction of the extermination of the domestic sugar industry. Representatives of the sugar-producing States were reasonably alarmed by the intimation given in that testimony, that the administration was either directly or indirectly, and particularly under the guise of helpfulness, seeking to destroy an American industry deemed important enough to be declared basic. I have publicly resented such an insinuation of ambushed hostility, and declared that President Roosevelt's approval of the bill to make sugar basic is a guarantee of good faith.

Secretary Wallace is here, and will of course speak for the Department of which he is the distinguished head. Because of my connection with the efforts to have sugar declared basic, I feel bound to say in advance of his testimony that if the administration has a purpose to destroy the domestic sugar industry, that design has never been in any respect communicated to me; that on the contrary my experience with the administration, and the official record, and the bill now before this committee, are all inconsistent with such a program. Naturally, I am constrained to add that unless the bill is to be a constructive addition to the President's farm-relief efforts, looking to benefits for growers and stabilized prices and conditions for the industry, every representative of sugar-producing States must be expected to oppose it.

The CHAIRMAN. Secretary Wallace, the committee will hear you now.

The committee thanks you for your preliminary statement, Senator Costigan.

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE

Secretary WALLACE. Mr. Chairman, I regret exceedingly that it has been impossible for me to prepare a carefully thought out statement. It happened that the recent fireworks came while I was out of town, and I did not return until late Tuesday evening. As you know, I met you rather accidentally Wednesday afternoon, and you asked me when it would be possible for me to appear before this committee. I thought that it would be appropriate, while this matter is commanding public interest, that we proceed with it. Unfortunately, I found such a press of business yesterday, that I was unable to write out a carefully considered statement, and in this somewhat informal statement, I trust it will be possible to keep in mind the many ramifications of this vast problem, without doing an injustice to any part of the United States. I hope that all of us will approach this problem, not from a narrow, local, partisan viewpoint, but from the point of view of ascertaining what will bring the maximum of prosperity to all of the people of the United States, without doing an injustice to any particular section.

From the first, the Department of Agriculture, in its approach to the sugar problem, has found that this more than the problem of any other agricultural commodity, transcends the province of the Department of Agriculutre alone; that it gets into the State Department in a very definite way; that the War Department, because of its concern with our insular possessions, is interested in a very definite way; that the Interior Department is concerned, because of its interest in the Virgin Islands; that the consumers, because of conditions prevailing in the past, have been unusually sensitized to the sugar problem; that certain progressive-minded individuals, who have in mind certain ancient practices of the sugar processors, the refiners, have been very deeply interested in the way in which this problem might be handled. In other words, this problem, perhaps more than the problem of any other agricultural commodity, is of concern to the entire Nation, and if I may say so, to the entire world.

Sugar furnishes an extraordinary example of what happens to a commodity when the various governments of the world take an interest in the application of tariffs and bounties, and other artificial devices. I suppose there is no commodity which has been so affected by governmental interference on the world-wide scale. The result has been to distort the judgment of producers in practically every nation in the world, because they felt that they were planning for a much more profitable market than eventually came to pass; the result being that everywhere over the world, production has been built up apparently behind the government walls of each nation, only later to overflow those walls and produce a world-wide chaos in the commodity. Sugar is the striking example of what tariffs eventually produce.

The one concern of the Department of Agriculture necessarily has been to discover some way of giving to the domestic sugar producers the same kind of justice that we were endeavoring to obtain for the other agricultural products; that has been our one concern, and shall continue to be our concern. We have never at any time had any other concern than that.

Of course, in the Agricultural Adjustment Act, the measurement of justice is to restore prices to pre-war parity, to that relationship existing during the 1909–14 period. It has happened, during a great part of the depression, that sugar beets have been closer to that parity than most other agricultural products. It also happened that during the period immediately after the enactment of the Agricultural Adjustment Act. it seemed as though sugar prices might reach a point which could enable the sugar-beet growers to attain very close to parity. During the slump which followed the 1933 speculative expansion which came to a head the 18th of July, sugar was affected the same as other agricultural products; and a little later, we rejected the sugar stabilization agreement, and we felt called on, because of the disparity in purchasing power for sugar-beet farmers, to see what could be done to bring them under the provisions of the Agricultural Adjustment Act, and treat them as a basic commodity.

Senator GORE. When you say you rejected the stabilization agreement, just what do you have in mind, Mr. Secretary? I do not believe I identify it.

Secretary WALLACE. The agreement that was worked out by the various sugar interests, providing for quotas. We have, under the Agricultural Adjustment Act, the power to enter into agreements with processors. The processors of sugar prepared such an agreement, which was rejected.

The CHAIRMAN. That was last fall?

Secretary WALLACE. That was in September.

Senator GORE. That included, generally, the processors of imported raw sugar, as well as domestic processors?

Secretary WALLACE. While the Cubans were not a party to the agreement, there was by implication a quota set for them, as well.

Senator KING. It may be that you refer generally, Senator Gore, to the hearings which were had here, at which representatives of the sugar beet and cane industry all over the United States were present.

Secretary WALLACE. The insular possessions; yes.

Senator GEORGE. Well, there was a substantial understanding reached at that time, in a concrete form, which was accepted by the beet producers, the cane producers, and the Cuban representatives.

Secretary WALLACE. That is correct, sir.

Senator GEORGE. And that was rejected by you?

Secretary WALLACE. That was rejected.

Senator GEORGE. Though they accepted it?

Secretary WALLACE. Though they accepted it.

Senator GEORGE. Your judgment, you thought, was better than theirs?

Secretary WALLACE. I felt that it could not be accepted under the terms of the Agricultural Adjustment Act.

Senator KING. Sugar was not under the Agricultural Act, in the sense that it was not denominated a basic commodity. Excuse me, I do not want to interrupt you. I just want to get your point of view.

Secretary WALLACE. Well, we can enter into an agreement with respect to other commodities that are not designated as basic.

The CHAIRMAN. Your rejection was approved by the President of the United States, of the marketing agreement?

Secretary WALLACE. That is correct, sir.

Senator MCADOO. Was it based upon the legal difficulty that existed, Mr. Secretary, or was it rejected for economic reasons?

Secretary WALLACE. Well, the reasons are very detailed, and those that could with propriety be made public, were made public at the time, and can be ascertained from the record. As I say, we are very anxious indeed to do the domestic sugar producers the same kind of justice as is done to other agricultural commodities. At the present time, it appears that in order to give the beet sugar farmers of the United States a fair exchange value, it would be necessary to increase the price of beets about 20 percent.

Senator GORE. From what to what?

Secretary WALLACE. Parity is about $6.50 a ton, and the current price, as I understand it, will approximate about $5.30 a ton. I do not remember the exact figures, but it is approximately that.

TABLE 1.—*Average prices paid for sugar beets and parity prices*

State	Dollars per ton		
	1931	1932	1933
Ohio	....	5.34	(1)
Michigan	6.33	5.73	(1)
Nebraska	5.46	4.58	(1)
Montana	6.01	5.39	(1)
Idaho	6.03	5.10	(1)
Wyoming	5.71	4.97	(1)
Colorado	5.44	4.62	(1)
Utah	5.82	4.77	(1)
California	7.40	6.62	(1)
Other States [2]	5.97	5.22	(1)
United States	5.94	5.26	5.32
Parity prices [3]	6.52	5.74	6.46

[1] Data by States not yet available.
[2] States producing sugar beets for which figures are not shown above.
[3] Pre-war average multiplied by index of prices paid by farmers.

We have now offered the sugar beet people, in the amendment under consideration and as described in the President's message, an extraordinarily good proposition, a better proposition than has been offered to any other agricultural commodity. It is a proposition so good that it would seem to me that any Mountain States Senator or Congressman, going home, would have something really to talk about. It may be that there should be certain clarifications written into the amendment, but let me indicate how good, in principle, this amendment is, and the explanations contained in the President's message.

Senator GEORGE. Is it necessary, Mr. Secretary, to give substantially the same benefits to the cane sugar as it is to the beet sugar? That is, 20 percent, as you indicate?

Secretary WALLACE. I do not believe it is quite that, but I would rather consult with our technicians upon that.

Senator GEORGE. Well, Mr. Secretary, let me ask you this: In the event that cane and beet sugar are brought within the terms of the Agricultural Adjustment Act, as basic commodities, and a processing tax is levied, I believe it is the view of the Department that the processing tax must also be made applicable to the floor stocks. My recollection is that that was the view that prevailed at the time of the levying of the processing tax on cotton. In view of the large importations, and the new production, is it not worth while to think of a provision in this bill that the Secretary at least would have the discretion not to levy a floor tax on stocks on hand?

Secretary WALLACE. Well, that is a thing which should be gone into with very great care. Another method of handling it would be to start the processing tax at a low point and then step it up. That has been used in the case of some commodities, but I would not care to express an offhand opinion on that.

Senator GEORGE. I am suggesting it to you, because of the large importations it would seem to me to be wholly unnecessary, and would avoid the tremendous work of ever collecting the processing tax on stocks in hand.

Secretary WALLACE. Yes. It is obviously a matter which should be looked into.

Senator GEORGE. And obviously, if the floor tax is made applicable to stocks on hand, there would be no way to except, as the President in his message indicated, the consumer from that increased tax, or at least the processors who have these stocks on hand for various purposes.

Secretary WALLACE. If I may return to the thought of how good this proposition is for the domestic producers——

Senator COUZENS. Before you enter into that, Mr. Secretary, may I ask, broadly speaking, if this bill is intended to freeze the domestic sugar industry?

Secretary WALLACE. I wonder, Senator, if I could come back to that, after making this point?

Senator COUZENS. Yes; if it is more convenient, I will wait.

Secretary WALLACE. Yes. I will be only too happy to answer, if you will allow me to make this point.

Senator COUZENS. Yes; all right.

Secretary WALLACE. The domestic beet people are given a quota, in the President's message, which is about the average production of the past 3 years, including this year, which is a period of higher production of beet sugar than has obtained in any other 3-year period on record, a very favorable quota, indeed, 1,450,000 tons.

Senator COUZENS. That is net tons?

Senator GORE. How much?

Senator COSTIGAN. 1,450,000 short tons.

Secretary WALLACE. If I may read the figures, year by year, since 1925, it is 1,063,000 tons, 1,046,000 tons, 935,000 tons, 1,243,000 tons, 1,026,000 tons, 1,140,000 tons; and, beginning in 1931, 1,343,000 tons; 1932, 1,318,000 tons; 1933, 1,366,000 tons. This is consumption for calendar years, by the way, and 1933 crop was 1,700,000 tons.

TABLE 2.—*Quantity of raw cane sugar (or its equivalent) from each crop source used in supplying domestic consumption in the United States during years 1924–33, inclusive*

[In short tons, raw basis]

Period	Total, all crop sources	Grown in continental United States		Grown in United States insular areas				Grown in foreign countries	
		Beet	Cane	Puerto Rico	Hawaii	Philippine Islands	Virgin Islands	Cuba	All other foreign countries
CALENDAR YEARS									
1933	6,316,000	1,366,000	315,000	791,000	989,500	1,241,000	4,500	1,601,000	8,000
1932	6,248,500	1,318,500	160,000	910,500	1,024,000	1,042,000	4,500	1,762,500	26,500
1931	6,561,500	1,343,000	206,000	748,500	967,000	815,000	2,000	2,440,000	40,000
1930	6,710,500	1,140,500	197,500	780,000	806,000	804,500	6,000	2,945,500	30,500
1929	6,964,000	1,026,500	189,000	460,000	928,500	724,500	4,000	3,613,000	17,500
1928	6,642,500	1,243,000	138,500	698,500	819,000	570,500	11,000	3,125,000	35,000
1927	6,348,000	935,000	46,500	678,000	762,000	521,000	6,500	3,491,000	6,500
1926	6,796,500	1,046,000	84,000	551,000	740,500	375,000	6,000	3,944,500	47,500
1925	6,603,000	1,063,500	149,500	603,500	763,000	485,000	10,000	3,486,000	40,500
1924	5,817,500	892,500	98,000	409,500	608,500	318,000	2,500	3,384,500	104,000

Senator GORE. Is that in 1934?

Secretary WALLACE. And this 1,450,000 tons is about the average of 1,325,000, 1,372,000, and 1,700,000.

Senator GORE. What is the 1,700,000?

Secretary WALLACE. This past year's crop—1933.

Senator COSTIGAN. To be accurate, 1,756,000.

Secretary WALLACE. 1,756,000.

Senator GORE. Thank you for that explanation. How do you account for that sudden rise?

Secretary WALLACE. Favorable weather in certain States, but, in the main, general acreage expansion in others, sir.

Senator GORE. Weather conditions and not economic conditions?

Senator KING. Possibly it was due to greater saccharine content, wasn't it, largely?

Secretary WALLACE. Only in small measure was the higher percentage of sucrose recovered in 1932 and 1933 a contributing factor. Weather conditions are responsible only for that small contribution to the expanded production.

Senator KING. Yes; I think so.

Secretary WALLACE. Causing, however, only a small increase in sugar percentage.

Senator GORE. That is beet and cane?

Secretary WALLACE. No. This is beet only.

Senator GORE. Oh, I beg your pardon. Now, the cane is about how much—200,000 or 250,000?

Secretary WALLACE. If you care to have me do so, I will read them over for the same years.

Senator GORE. I wish you would; yes.

Secretary WALLACE. Louisiana and Florida together, beginning in 1925, 150,000, 84,000, 46,000, 139,000, 189,000, 198,000, 206,000, 160,000, and 315,000 for the last year.

Senator GORE. What year—1933?

Secretary WALLACE. 1933.

Senator GORE. On what account is that—the good weather in that section of the country?

Secretary WALLACE. There is another factor at work there. The mosaic disease almost exterminated the Louisiana cane industry some years back. The Department of Agriculture set to work to discover a disease-resisting variety or varieties and were singularly successful in the enterprise, and Louisiana is now ready to expand very greatly.

Senator GORE. There is no way we could propagate that mosaic disease down there, is there?

Secretary WALLACE. I do not think anyone in the Government seriously has in mind causing inefficiency.

Senator GORE. Causing what?

Secretary WALLACE. Causing inefficiency.

Senator GORE: Oh!

Secretary WALLACE. No one.

Senator GORE. Do you not think that would be a normal saving in the number of tons of sugar raised in Louisiana, for that matter? I mean hasn't it been the most expensive parasite that ever fastened itself to the economic structure of this country? You need not answer that unless you would like to.

Secretary WALLACE. We will allow you to go on record, Senator.

Senator GORE. I am on record. I appreciate your shyness.

Secretary WALLACE. I am willing to answer that in very great detail—more detail than the Senators would have the patience to listen to.

Senator GORE. We will come back to that. Now, I want to ask you, how many acres are devoted to cane production in this country?

Secretary WALLACE. Do you have that there, Mr. Bean?

Mr. BEAN. In the season 1931–32, the last for which I have the record, there were harvested 140,000 acres.

Senator GORE. One hundred and forty thousand acres?

Mr. BEAN. That is the largest acreage on record.

Senator GORE. At $100 an acre, that would be $14,000,000.

Secretary WALLACE. If I may be allowed to return again to the singularly favorable proposition which is being offered to the sugar producers of the United States, they are being allowed quotas, based on an experience, materially above that of the past 10 years, singularly favorable quotas. I am referring to the quotas as given in the President's message.

Senator COSTIGAN. Pardon me, Mr. Secretary, but were those quotas mentioned in the President's message illustrative or final, from the viewpoint of the Department?

Secretary WALLACE. The bill, as drawn, leaves some leeway and option, and I think that is a matter which should be cleared up by the Congress, so that there can be no confusion of mind about that. In deciding the quotas definitely, I think it is exceedingly important, however, that you give a very real hearing to the State Department, the War Department, perhaps the Tariff Commission, so that you get a completely well-rounded viewpoint, before you determine just what the quota should be. I think you are probably in the best defensive position, if you will take a definite 3-year period, and stay by it, and if that last 3-year period is taken, it is singularly favorable to the domestic sugar producers.

Senator KING. May I make one observation? Have you taken into account, Mr. Secretary, in recommending this quota, the fact that we haven't quite yet accepted Mrs. Sanger's view, and there is a great deal of fecundity in the United States, and we are increasing largely our population?

Secretary WALLACE. May I be allowed to proceed with this thought? I am still struggling to get it expressed, and then I will be only too glad to follow with Senator Couzens' and yours. Not only are we giving a singularly favorable quota to the domestic producers, but we also are offering them a complete parity price which is something that we have been unable to do, despite our desire, for the other basic commodities. I would like to call attention to the position of these other basic commodities, on which we are operating. I was only able to get our people at work on the figures this morning and haven't got them in complete detail. With respect to cotton, in the year 1930, the producers actually received $659,000,000, and if they had had a parity price, they would have received about $1,250,000,000.

Senator GORE. That is 1930?

Secretary WALLACE. 1930. In 1931, they actually received $491,000,000. If they had received parity price, they would have received $1,316,000,000.

Senator KING. Parity with respect to other agricultural commodities, or with respect to a given number of years?

Secretary WALLACE. No; parity as defined in the Agricultural Adjustment Act, which means purchasing power for those things which farmers buy. In other words, for the farmers of the cotton South to have bought their customary quantity of goods from the North and the other regions, they should have had $1,316,000,000, instead of $491,000,000, in the year 1931.

In 1932 the cotton producers received $372,000,000, compared with a parity value of $865,000,000.

In 1933 they actually received in cash $618,000,000 and in addition benefit payments of about $160,000,000. Have you the parity on that, Mr. Bean, 1933?

Mr. BEAN. $889,000,000.

Secretary WALLACE. The parity value is substantially greater.

Senator GORE. And that takes into account the decline in price of the things they purchased, as well as the decline in receipts?

Secretary WALLACE. Yes. With respect to corn, in 1930, the value of production at prices farmers actually received was $1,224,000,000. The parity value would have been $1,903,000,000. In 1931 the actual value was $929,000,000. The parity value would have been over $2,000,000,000.

For 1932 the actual value was $559,000,000. The parity value would have been nearly four times as great—$1,997,000,000.

For 1933 the actual value was $917,000,000. This is based on the December 1 values. Parity price would have been $1,631,000,000.

In the case of wheat the value of production in 1930 was $575,000,000. Parity value would have been $1,092,000,000.

For 1931 the actual value was $413,000,000. Parity value would have been $1,022,000,000.

For 1932 the actual value was $238,000,000. Parity value would have been $704,000,000.

For 1933 the actual value was $358,000,000. Parity value would have been $508,000,000.

In the case of hogs they received $944,000,000 in 1931.

Senator GORE. You do not have that for 1930, Mr. Secretary? I noticed the others started with 1930.

Secretary WALLACE. Mr. Bean has in here a figure which he says is "about the same."

Mr. BEAN. I mean the parity value would have been about the same.

Secretary WALLACE. In 1930 they received $1,331,000,000, and parity value was about that.

In 1931 they received $944,000,000, and parity value would have been $1,448,000,000.

In 1933 they received $580,000,000, and parity value would have been about $1,302,000,000.

TABLE 3.—*Value of production and parity values of cotton, wheat, corn, and hogs*

[In millions of dollars]

	1930	1931	1932	1933
Cotton:				
Value of production	659	491	372	618
Parity value	1,247	1,316	865	889
Wheat:				
Value of production	575	413	238	358
Parity value	1,092	1,022	704	508
Corn:				
Value of production	1,224	929	559	918
Parity value	1,903	2,060	1,097	1,631
Hogs:				
Value of production	1,331	944	540	580
Parity value	1,567	1,448	1,220	1,302

Now, it happens, because these products are on the export market, that it is impossible, under the Agricultural Adjustment Act, to give them at once, or in the near future, parity price for the entire production. In the case of these export products, the processing tax is remitted on the exportable part, which cuts down the amount to be divided among the domestic producers, which is especially true in the case of cotton. For that reason, these great export crops, as long as they are substantially on the export market, cannot receive parity, by the operation that we are using, until such time as the acreage is cut down very greatly. We have asked producers of these great export crops for substantial reductions—cotton for this coming year, a reduction of nearly 40 percent; corn for this coming year, 20 percent; hogs, 25 percent; wheat, 15 percent. Very substantial reductions have been asked. They are not likely to get parity price, although they have been benefited very greatly, already; but nevertheless they have not been offered and are not likely to obtain a proposition as favorable, relative to their immediate past, or the average of the past 10 years, anywhere near as good as is offered to the domestic sugar producers. To me, it is one of the most astounding exhibitions I have ever seen.

Senator McADOO. Mr. Secretary, may I interrupt to ask you if I got you right, about the reduction of acreage on cotton?

Senator COSTIGAN. Pardon me, Senator McAdoo, may I ask the Secretary to what he referred, when he said, "It was one of the most astounding exhibitions" he had ever seen?

Secretary WALLACE. It is one of the most astounding exhibitions I have ever seen, that the real sugar producers of this country have not been delighted with this plan; and I can only account for it on the basis that they are not acquainted with the details of it, that they haven't been informed; that, on the contrary, certain interests, who are not primarily interested in the sugar farmer, but who are interested in other things, certain things—I would not care to embarrass those interests by naming them—have, by skillful use of propaganda of one sort and another, misled the sugar farmers concerning the very real benefit which they can obtain under this plan. I again sympathize with the representatives of the sugar producers, in their desire to have this thing set out in a more precise and a more definite way, so that they will know just what they are getting, and I think that is a duty of Congress and a duty of the

Department of Agriculture, working in conjunction with the State Department and the War Department, to work this thing out on a broad basis, instead of having it approached on a continually piecemeal basis, which makes for these irritations—good, perhaps, for political purposes, but not good from the standpoint of the Nation as a whole. It seems to me that it is time for a truce between these warring interests. We have problems of sufficient magnitude elsewhere, so that we ought to declare a truce on this sugar matter, and keep it from being settled in this piecemeal way. We should give assurances of stability on a reasonable basis, to our domestic producers, so that sugar will be retired from this position of being a miserable political football.

Senator McAdoo. Mr. Secretary, don't you think that it would be wise to inform the committee as to who these propagandists are?

Senator Gore. Are we in executive session? If we are, I think they should be given.

The Chairman. We are not in executive session.

Senator Gore. I think, when we go into executive session, that ought to go in, sir.

Senator McAdoo. Why not make it public?

Senator Gore. I have no objection to making it public. The Secretary seemed to wish to avoid giving embarrassment to anyone.

Senator Couzens. I think the Secretary is prepared to answer my question.

Secretary Wallace. All right. I will do that.

Senator McAdoo. May I ask, Senator Couzens, before he does that, if he will answer my question about these propagandists?

Secretary Wallace. I think that it tends, Senator, to distract from the main purpose of arriving at a consensus of constructive opinion, to call people names.

Senator McAdoo. Well, I wouldn't call them names, but I would like to know. You don't want to denounce them, but it would interest me very much, because I have been getting a great many telegrams and letters about this subject, and I would like to know what is back of it.

Secretary Wallace. I would be glad to inform you, in private, Senator.

Senator McAdoo. All right, sir.

Senator Costigan. Mr. Secretary, you refer, in part, I assume, to the concern expressed by the growers in the sugar-beet States, particularly, following the report that the administration was in favor of destroying the sugar industry in the United States. When you speak of the discontent of the growers, of course, you recognize that such a response is understandable?

Secretary Wallace. Oh, that kind of response is perfectly understandable, sir, and I would sympathize with them completely, in making an outcry to the limit, against a suggestion that their means of livelihood be taken away from them.

Senator King. Mr. Secretary, isn't it a fact that the opposition—that is the only source of opposition that I have heard of—no one has approached me in regard to the matter, and the only information I have gotten is from the farmers themselves—the opposition comes from the fact that the theory or philosophy upon which the basic agricultural commodities were placed into a certain category, was that we had an exportable surplus, and the American beet producers and the American can producers realize that we not only do not have an exportable surplus, but that the consumptive needs of the American people are four times as great as the domestic production, and they have resented efforts to compel a restriction in production, so long as we have such a demand at home, to meet the needs of the people?

Secretary WALLACE. I would much rather answer that question coming from the Republican side than coming from you, Senator King. Let us have Senator Couzens ask it.

Senator KING. I am asking it, as a statement of fact

The CHAIRMAN. Senator Couzens wants to ask a question.

Senator COUZENS. I have started in, several times, but I have been waiting for other Senators to stop long enough to let the Secretary answer the question, because, so far as I am concerned, that is one of the prominent issues.

Secretary WALLACE. Is this the question you wanted to ask? Shall we call this a pooled question with yours?

Senator COUZENS. No. I would prefer to have my question answered as nearly as possible, yes or no.

The CHAIRMAN. What is your question?

Senator WALCOTT. Let him repeat the question.

Senator COUZENS. The question was whether or not it was intended by this bill to freeze the sugar production industry in the United States.

Secretary WALLACE. Senator, I do not care to answer a question of that sort yes or no. If you want me to answer it in greater detail, I will be glad to do so.

Senator COUZENS. I will listen as long as you want to talk, if the other Senators will put up with it.

The CHAIRMAN. Go ahead, Mr. Secretary.

Secretary WALLACE. In the first place, the Agricultural Act is an emergency act.

Senator COUZENS. This bill does not say anything about emergency. There is no such indication in this bill.

Secretary WALLACE. This bill could be carried out only under the powers of the Agricultural Adjustment Act, which is an emergency act.

Senator COSTIGAN. The bill consists of a series of amendments to the Agricultural Adjustment Act.

Secretary WALLACE. I don't think any of us, in times like these, can afford to look on any quota arrangement as a completely freezing arrangement, from the long-time point of view. Arrangements setting quotas are necessarily to some extent experimental and subject to review.

Senator COUZENS. I can understand that.

Secretary WALLACE. The act itself is terminable at any time by the President. It would be freezing, we will say, for the next year.

Senator COUZENS. Well, I understand, but I am trying to get what is in contemplation, because I have a suspicion, justified or not, that it is contemplated to freeze the sugar industry, as a long-range program, and, if I am in error, I would like to be corrected on it.

Secretary WALLACE. I haven't heard a definite freezing suggested. I have heard great longings for more stability than we have had in the past. Mind you, the great increase in sugar production in the Philippines has caused grave concern both to our domestic sugar producers, and to Cuba. Under the tariff of 2 cents a pound on Cuban sugar the result has been to make it possible, in the Philippines, where production costs are not greatly different from Cuba, to bring about an extraordinary increase, and on that account there has been a feeling, over large segments of the sugar industry, that they should be subjected to a freezing or stabilization in the near future, in order that the terms of the competition might be more definitely defined. When you talk with the State Department, I think you will find that they also feel that many of their problems are hooked up with the Philippine situation.

Senator GORE. Mr. Secretary, in a general way, does this bill undertake to administer the same treatment that is applied to farm products of which we have exportable surpluses? That is, does it apply the same remedy, to underproduction and to overproduction?

Secretary WALLACE. If I may answer your question and Senator King's, together, Senator King is worried about the domestic sugar producers not having a right to expand as much as they please.

Senator KING. Well, I did not say "as much as they please", but expand; but I do think that they ought to have the right to expand as much as they please, so long as we have such a limit to domestic production, and our consumptive demands are so great.

Secretary WALLACE. Yes; and it seems to me your question is getting around to the same point, Senator Gore.

Senator GORE. I can see the point in your reference to the Philippines increasing production.

Secretary WALLACE. With regard to that particular point, it is indeed, Senator King, if I may be permitted to say so, a very, very delicate point, so far as the great export crops are concerned, and I am very fearful, speaking as a man interested in farmers, that certain interests who want to divide the unity of the farmers, which we have now more than we have ever had before, are endeavoring to split the western farmer from the southern farmer, the middle western farmer from the southern farmer, and the unity of the middle western and southern farmers from the mountain farmers, and that is a thing which I am earnestly endeavoring to prevent.

Now, the questions which you raise might much more appropriately come from the Republicans than from the Democrats. To indicate just what I mean, suppose there were an increase in domestic sugar production, domestic sugar-beet production, we will say, to 2,000,000 tons: of sugarcane production to, perhaps, 600,000 tons; a decline in Cuban imports, we will say, to 500,000 tons, or perhaps even less than that; the result would be to destroy Cuba's purchasing power for our export crops. In the case of lard, for instance, Cuba has normally been our third greatest market for lard.

Senator GORE. It is also fourth or fifth for flour, isn't it?

Secretary WALLACE. It is also a very substantial market for flour. In 1927, we exported $11,000,000 worth of lard to Cuba. In 1932, we exported only a million dollars' worth of lard to Cuba. Now, this matter is one of very grave concern to the Corn Belt.

TABLE 4.—*United States trade with Cuba*

	Total		Lard exports		Wheat-flour exports	
	Exports	Imports	Quantity	Value	Quantity	Value
			Pounds		*Barrels*	
1927	$155,000,000	$257,000,000	80,120,000	$10,841,000	1,239,000	$8,692,000
1928	128,000,000	203,000,000	83,606,000	10,318,000	1,140,000	7,638,000
1929	129,000,000	207,000,000	80,006,000	9,774,000	1,266,000	7,990,000
1930	94,000,000	122,000,000	64,996,000	7,210,000	1,056,000	6,231,000
1931	47,000,000	90,000,000	44,913,000	3,920,000	924,000	3,748,000
1932	29,000,000	58,000,000	22,008,000	1,208,000	770,000	2,948,000
1933	25,000,000	58,000,000	11,492,000	818,000	740,000	2,923,000

TABLE 5.—*United States: Value of merchandise exported to Cuba, 1929–32*

Commodity or commodity group	Year ended Dec. 31—			
	1929	1930	1931	1932
	1,000,000 dollars	*1,000,000 dollars*	*1,000,000 dollars*	*1,000,000 dollars*
Cotton, manufactured and semimanufactured	12.9	9.9	6.1	4.8
Grains and preparations:				
Wheat flour	8.0	6.2	3.7	2.9
Other	2.7	1.0	.5	.6
Lard, excluding neutral	9.7	7.2	3.9	1.2
Automobiles and other vehicles	7.5	4.8	1.7	1.0
Paper manufactures	2.4	1.9	1.1	1.0
Petroleum and products:				
Gasoline, naphtha	2.3	4.1	.6	.9
Petroleum, crude	1.4	1.0	.9	.3
Gas and fuel oil	2.0	1.6	.8	.2
Other	2.0	2.2	.9	.5
Leather and manufactures	4.7	2.9	1.3	.8
Jute manufactures	1.3	.9	.7	.8
Chemicals, industrial and special	1.7	1.4	.9	.8
Machinery:				
Industrial	5.1	2.7	1.4	.7
Electrical	3.5	3.2	1.4	.6
Agricultural	1.2	.6	.2	.1
Rubber and manufactures	3.1	2.5	1.1	.7
Iron and steel:				
Advanced manufactures	2.9	2.4	1.1	.7
Steel-mill products	3.8	2.3	.9	.6
Semimanufactured	1.7	1.2	.5	.3
Coal, bituminous	2.5	2.1	1.4	.5
Wood:				
Sawmill products	2.7	1.4	.7	.4
Manufactures	1.5	1.2	.8	.4
Meat products:				
Bacon	2.1	2.0	.9	.3
Pickled pork	1.7	1.4	.3	.2
Other	2.3	1.2	.8	.4
Glass and glass products	1.1	.7	.5	.3
Vegetables and preparations:				
Potatoes, white	1.1	.7	.2	.2
Other	1.2	.6	.4	.3
Fruits and nuts	1.0	.7	.4	.2
Silk, manufactured	1.6	1.2	.5	.2
Pigments, paints, and varnishes	1.0	.6	.3	.2
Vegetable oils, inedible	1.0	.6	.4	.1
Milk, condensed, evaporated, and dried	2.3	1.2	.3	.1
Fertilizers and fertilizer materials	1.0	.7	.1	.1
Copper and manufactures	1.7	.5	.2	.1
Other commodities	19.6	15.1	8.3	4.9
Total	125.3	91.9	40.2	28.4

Foreign Agricultural Service. Compiled from Foreign Commerce and Navigation of the United States.

In the case of wheat flour, in 1927, we exported $8,700,000 worth to Cuba. In 1932 we exported a little less than $3,000,000 worth to Cuba. In the case of automobiles, we exported $8,000,000, in 1929, and last year, $1,000,000. The total trade with Cuba has been seriously cut down. In 1927, our exports to Cuba was $155,000,000, and this last year it was only $25,000,000.

Now, the point I am making is this, that if, by means of a tariff, and what substantially is a bounty, combined, the domestic sugar producers are allowed to increase their product beyond the immediate past, that increase will be at the expense of our efficient producers, whether they are farmers or whether they are manufacturers; and for my part, I will say that Ogden Mills is a better Democrat than you folks.

Senator GORE. Hear, hear. I agree with you.

Secretary WALLACE. I will hold with Ogden Mills, that it is a mistake to go beyond a certain point in sacrificing the efficient elements of our agriculture and our industry, to the inefficient elements. Now, in carrying out a policy of that sort, it is important not to carry it out to the immediate logical end; not to the immediate logical end, but to have in mind the human values involved, and certain other values that may be involved.

I have said on various occasions that I thought it a mistake to expand our inefficient industries, but that in any devices, of whatever nature, it is important to consider the sympathetic handling of those inefficient industries. It may be necessary to take into account certain social conditions. What we are proposing, so far as the beet-sugar farmers are concerned here, is substantially to stabilize them, but not to allow them to take away the export markets of our efficient agriculture and our efficient industry; and that is the reason this is being offered.

Senator GORE. Let me say, with the utmost respect, that at last you are talking sense.

Secretary WALLACE. I beg your pardon?

Senator GORE. Let me say, with the utmost respect, that at last you are talking sense.

Senator HASTINGS. Mr. Chairman, I would like to ask the Secretary a question.

The CHAIRMAN. Senator Hastings.

Senator HASTINGS. If you could do it without injuring the beet-sugar industry of this country, wouldn't you say that it was to the best interests of the country as a whole to entirely wipe out the industry in this country—speaking now, as you have been speaking, of the interest of the whole country? Isn't it your judgment that it would be to the best interests to wipe out all of the beet-sugar industry of this Nation?

Secretary WALLACE. If we were starting over again, Senator, clear back in the early days of the Republic, and were approaching the problem from the standpoint of Alexander Hamilton and Henry Clay, and if at that time we had had infinite vision concerning the future, we would, from the standpoint of Alexander Hamilton and Henry Clay, have refused to start the beet-sugar industry; but, being faced with the immediate social situation——

Senator HASTINGS. Then, may I follow that up?

Senator KING. Let him finish the sentence.

Senator HASTINGS. Pardon me. Hadn't you finished, Mr. Secretary?

Secretary WALLACE. I was going to say, from the standpoint of the immediate social situation, we have an industry which has become the backbone of the Mountain States. That is, of certain of the Mountain States. I have forgotten just how many farmers. We will say 60,000 farmers depend on this industry. Do you happen to remember the number, Mr. Bean?

Senator KING. I think it is considerably more than that.

Secretary WALLACE. Do you know, Senator Costigan, the exact number?

Senator COSTIGAN. The figures have been given as approximately that, but directly and indirectly the people dependent on the sugar industry are much larger in number—many hundreds of thousands.

Secretary WALLACE. Yes. The industry does represent a very vital part of the Mountain States' economy. Now, that is a fact that you have to recognize.

TABLE 6.—*Number of farms with acreage in sugar beets and all acreage harvested*

[Data from fifteenth Census of Agriculture, 1930]

State	Total number of farms	Number of farms reporting sugar beets	Total crop land harvested	Acreage in sugar beets
			Acres	*Acres*
Ohio	219, 296	1, 883	10, 115, 052	17, 693
Michigan	169, 372	5, 648	7, 738, 221	43, 683
Wisconsin	181, 767	1, 183	9, 618, 331	6, 406
Minnesota	185, 255	1, 612	18, 445, 306	33, 175
Iowa	214, 928	468	22, 275, 868	11, 594
North Dakota	77, 975	289	21, 254, 600	8, 249
South Dakota	83, 157	355	17, 856, 178	11, 333
Nebraska	129, 458	2, 167	21, 399, 340	83, 926
Kansas	166, 042	152	24, 308, 361	6, 149
Montana	47, 495	1, 451	7, 840, 979	34, 916
Idaho	41, 674	4, 110	3, 150, 097	47, 814
Wyoming	16, 011	1, 256	2, 007, 751	44, 353
Colorado	59, 956	8, 368	6, 750, 398	209, 835
Utah	27, 159	5, 245	1, 159, 890	40, 104
California	135, 676	352	6, 549, 907	39, 844
Other States		616		4, 723
Total, United States	6, 288, 648	35, 155	359, 242, 091	643, 797

The total acreage in sugar cane in the United States produced for sugar amounted to 195,223 acres, on 6,717 farms, according to the 1930 census.

According to the above census figures, the number of farms (not farmers) engaged in the production of sugar beets and cane (for sugar production) constitutes but .56 of 1 percent of the total number of farms and but .3 of 1 percent of the total harvested crop land in the United States.

Senator HASTINGS. Then I would like to know whether it is your thought, following out the suggestion made by Senator Couzens, being reasonably sure that if you were doing this whole job of building the country over, that you would have eliminated the beet-sugar industry entirely, whether or not this is the beginning of a gradual elimination of that industry, so that we may ultimately get to a point where the whole people will benefit by an entire elimination?

Secretary WALLACE. It would seem to me, in view of the fact that the industry is established, that it is much sounder from every point of view to go ahead with the status quo, so that you avoid causing those very grave human damages which are done by sudden jerks. I may say, Senator, that I feel that way with regard to the entire tariff policy, that if we should, as a nation, eventually decide for materially lower tariffs, that in that case our plan would have to do with the protected phases of industry and of such agricultural commodities as sugar beets, and that we should give the same concern to taking care of such inefficient industries in case there is a changed tariff policy, as we are now giving to taking care of agriculture, because of the way in which it has been victimized by the tariff policy. I refer to the great agricultural export crops. I think that in any case common sense should be used.

Senator HASTINGS. Are you quite sure that the beet industry would not be very much better off if you let it alone, instead of messing it up with this kind of legislation?

Secretary WALLACE. This proposes to give the domestic sugar producers a benefit payment in consideration for their refusing to expand their production beyond the quota; and I think that that gives them a sure thing. It is the surest thing that has been offered to any agricultural product, and, so far as I know, to any industry. It gives them a special preferred position. Of course, it may be unwise to give anybody a special preferred position, but that is what we are proposing to do.

Senator CONNALLY. Mr. Secretary, may I ask a question?

The CHAIRMAN. Senator Connally.

Senator CONNALLY. The theory of all protection, whether of sugar or any other domestic product, is to help the producer. We talk about the tax, but the proposition is to do something in order to protect him from outside competition.

Senator COSTIGAN. That is the theory.

Senator CONNALLY. That is the theory. Now, in connection with nearly every other agricultural commodity, we are holding production down—cotton, wheat, and hogs. Now, in harmony with that theory, and at the same time trying to help the domestic agriculturalists, wouldn't it be better for the whole country to limit and hold down the domestic sugar production, and lower the tariff, which would help the domestic consumer, and pay the domestic producers a bounty, provided they would not go ahead and try to expand? Wouldn't that save money? Wouldn't the consumers save money? Wouldn't the Treasury be better off, even if it did pay the bounty, and wouldn't the sugar producer be better off, and not try to overexpand, and keep what he has got, and get more for his sugar through the bounty, than he has ever gotten before?

Secretary WALLACE. For years I have held with Senator Costigan that the bounty is the proper approach, because of the way in which the tariff adds to the consumer's bill for sugar. The tariff adds very materially—oh, more than $150,000,000 a year to the consumer's bill for sugar, and it gives the domestic producer of sugar a benefit of only about $30,000,000.

Senator CLARK. About 60, isn't it?

Senator COSTIGAN. Sixty is the figure mentioned in the President's message.

Secretary WALLACE. No, no; that is the total value. The benefit, as I remember it, because of the tariff, has usually been about $30,000,000.

Senator COSTIGAN. Yes. I was referring to the other.

Senator CONNALLY. Every time you raise the tariff, of course, the consumer has got to pay it on all that is bought. The bulk of the benefit of the tariff goes to the Philippines and to Puerto Rico and to the Virgin Islands.

Secretary WALLACE. The bulk of it goes to the insular possessions.

Senator CONNALLY. I figured that out when I was on the sugar tariff here. I made a little speech over there and, as I remember it, only one fifth of the added burden that the consumer pays because of the tariff goes to the American sugar producer. It goes to the Philippines, Puerto Rico, and the Virgin Islands, so we are paying $5 for every $1 that the domestic sugar man gets. Now, why wouldn't it be business sense and common sense to give to the domestic man, if you want to help him, a straight-out bounty, and lower the tariff, and at the same time save the money of the consumer?

Secretary WALLACE. It sounds like eminently good sense to me. The beet-sugar producers have expressed their fears to me concerning a bounty because, sometime back in the nineties, a bounty was given them and shortly thereafter was taken away from them. It seems to me the present situation is not at all analogous to the situation that existed at that time.

Senator CONNALLY. Well, if we put the bounty on now, in this administration, they will have it a long time, because we are going to stay in power.

Senator GORE. Mr. Secretary, I understood you to say a moment ago that the total value of the domestic-sugar crop is about $60,000,000?

Secretary WALLACE. Something like that, sir.

Senator GORE. And the computed benefit resulting from the tariff to the consumers of sugar is about $30,000,000?

Secretary WALLACE. Roughly estimated at that.

Senator GORE. And the total expense to the American people, on account of the tariff on imported sugar, is about $150,000,000 a year?

Secretary WALLACE. It is more than that.

Senator GORE. Now, it is a fact, Mr. Secretary, the sugar industry cannot exist in this country without some sort of tariff or protection of some kind; isn't that a fact?

Secretary WALLACE. I think the Tariff Commission has found that it costs materially more to produce sugar here than it does in Cuba.

Senator GORE. Now, Mr. Secretary, reverting to your suggestion about the status quo, there has got to be taken into account, now, in the determination of your future policy the fact that this is a good deal like a dam having been built in a river, where it perhaps ought never to have been built; people have been allowed to build their homes below the dam, where they ought never to have been allowed to build them; and yet you would not blast the dam out, all at once, and overwhelm the settlers?

Secretary WALLACE. Well, Senator, there is one thing to keep in mind, of course. It may be worth while to have some sugar grown in this country, under different auspices than it is grown in the islands or in Cuba, just for competitive purposes.

Senator COUZENS. Isn't there another consideration, that from the standpoint of selfsufficiency, we should have some sugar produced in the continental United States?

Secretary WALLACE. By the way, Senator, I would like to suggest to you, on this, that it has been found by the Department of Agriculture that rubber can be produced in the United States; that is we can produce all the rubber we consume in the United States, at a very materially higher cost than we now get it, and the increased cost, on a percentage basis, would be little more than the increased cost of domestic sugar. I think it could be worked out. We could have all our rubber produced inside the United States. Would you advocate that? The Department of Agriculture would be only too happy to go ahead. It enhances our prestige, you know; you know how happy our scientists are to enhance their prestige. The thing can be done.

I think we can produce rubber in the United States at 30 cents a pound, and eventually at less than that.

Senator GORE. We can produce bananas in Maine, for that matter.

Secretary WALLACE. Now, here is a case. Should we start it?

Senator COUZENS. I think the Secretary has missed my point. Rubber is not necessary for life or existence. I spoke about self-sufficiency with respect to living. I was at the London Economic Conference last summer. All the delegates I talked to, nearly everyone had in mind, in some way or other, through bonuses or subsidies or export bounties, or whatnot, that they should be prepared at all times to feed their people. I don't mean to infer by that that they had all had intimations that there was going to be a war, but back in the minds of all of us was the fact that they should at all times be as nearly as possible able to feed their own people; and in view of that fact, should not we have a very substantial production of sugar in continental United States?

Secretary WALLACE. I suppose you should confer with the War Department on that, to discover to what extent the route to Cuba and Puerto Rico can be defended.

Senator COUZENS. I don't need a jingoist to tell me that.

Senator WALCOTT. Mr. Secretary, I would like to develop your attitude toward refined sugar. We know, pretty well, now, from your recent statements, what your attitude is toward the beet sugar industry, or the domestic sugar industry, the production end of it. I think it is fair to develop what your attitude is toward the refiner, because the refiner has been suffering a good deal, of late. Cuba has been increasing its output of refined sugar enormously in the last 10 years, from something like 2,000 tons up to something like, I think, a third of their output, now, is in refined sugar. Now, if we are going to stick to a status quo, as represented by the 3-year average, and freeze the domestic output of sugar, would you not be in favor of fixing some limitation on the export from Cuba of refined sugar, so that we could protect the refiner here?

Secretary WALLACE. The Agricultural Adjustment Act is not concerned primarily with refiners. The object is to increase the income from farm products, to fair exchange value, and I do not see how we are concerned particularly, one way or the other, with the seaboard refiner's problem, in the Agricultural Adjustment Act, except to see that no substantial injustice is done.

Senator HASTINGS. But the Congress is.

Secretary WALLACE. Yes, it seems to me that that is a point in which the Congress would rightfully be interested.

Senator WALCOTT. But doesn't this, Mr. Secretary, give you a power of life and death over an industry which I should think you would admit was a processing industry?

Secretary WALLACE. Oh, yes. It is a processing industry.

Senator WALCOTT. The refiner becomes a processor.

Secretary WALLACE. But to what extent are we concerned, let us say, under this bill, with the processing of Cuban sugar?

Senator WALCOTT. Well, would you be in favor of allowing unlimited amounts of refined sugar to come in from Cuba, if you knew it would destroy an industry here?

Secretary WALLACE. That is a matter on which I am not posted, and with which I am, in the Agricultural Department, not primarily concerned. That is a matter in which other branches of the Government are much more concerned than the Department of Agriculture.

Senator WALCOTT. You are not interested in that end of it?

Secretary WALLACE. It has nothing to do with the income of the sugar-beet farmer or the domestic cane farmer.

Senator COSTIGAN. You would, however, Mr. Secretary, include, would you not, refined sugar, as well as raw sugar, under the quota?

Secretary WALLACE. Would do what?

Senator COSTIGAN. You would, however, limit, under quota restrictions, importations both of raw and of refined sugar?

Secretary WALLACE. Oh, yes. They would both be converted into the same common denominator.

Senator COSTIGAN. They would both be converted?

Secretary WALLACE. Yes.

Senator WALCOTT. Suppose that, having arrived at a quota for raw sugar, you allowed all that raw sugar to come in as refined sugar. Would you do that, or would you be willing to do that?

Secretary WALLACE. That is not the concern of the Agricultural Department.

Senator HASTINGS. Well, Mr. Secretary, you are given specific authority to control the refiners in this country, just as you may see fit, and to put them entirely out of business if you care to. That authority is given you, and the job of administering this Act is yours. Then, you must be concerned, it seems to me, in how it is to be done.

Secretary WALLACE. We can enter into agreements, and we can license. We can do that——

Senator HASTINGS. Well, then, you are asking Congress to give you——

Secretary WALLACE. For the purpose of carrying out the objectives of the Agricultural Adjustment Act. Insofar as I can see, this matter that Senator Walcott refers to has nothing to do with the objectives of the Agricultural Adjustment Act.

Senator HASTINGS. Well, it seems to me if you are asking the Congress to pass an act that affects agriculture, and your particular department, principally, that you ought to have in mind the effect that it is going to have on other industries in which the Congress is just as much interested as it is in protecting the farmers.

Secretary WALLACE. Necessarily, we do not want our operations to do an injustice to any particular class.

Senator HASTINGS. That is the point that Senator Walcott is making.

Secretary WALLACE. Yes. We do not want our operations to do an injustice to any particular class, but I do not see that the Department of Agriculture, under the Agricultural Adjustment Act, is concerned with this point which Senator Walcott brings up.

Senator WALCOTT. But, Mr. Secretary, don't you admit that this bill would give you power to fix a quota, for instance, on the imports of refined sugar from Cuba?

Secretary WALLACE. I think that is a fine legal point, and in my own mind, I am very doubtful if it does give us the power.

Senator WALCOTT. Then, if that is the case, and in view of your attitude, would you just as soon see the bill amended, so it would be definitely understood that you would not have that power?

Secretary WALLACE. Yes, yes; it seems to me that would be perfectly agreeable.

Senator WALCOTT. You are agreeable to that?

Secretary WALLACE. Yes, yes; indeed.

Senator WALCOTT. Then would you agree to amending the bill, as was suggested, I think, before the House committee, so that Cuba could not ship more than 15 percent of its raw sugar, as refined sugar, to this country?

Secretary WALLACE. That is a matter in which the Department of Agriculture is not concerned.

Senator CONNALLY. Mr. Chairman, may I ask the Secretary, right on that point, if you are through, Senator?

Senator WALCOTT. I am through.

Senator CONNALLY. Mr. Secretary, do you know that as a result of the operation of the tariff act, the domestic refiner is really at a disadvantage with the Cuban refiner, in other words, the domestic sugar industry? The differential between raw and refined sugar, in the tariff bill, is not sufficient to take care of the loss of the refiner, that he suffers by reason of the losing of the weight of the sugar, in refining? In other words, the domestic refiner buys Cuban raw sugar and refines it here, and it costs him 2 cents per hundredweight, doesn't it?

Senator WALCOTT. Two cents per hundredweight.

Senator CONNALLY. It costs him 2 cents a hundredweight, in order to get that raw sugar refined, more than it costs the Cuban, even though he pays the tariff, the full amount?

Secretary WALLACE. Yes.

Senator CONNALLY. Now, that differential puts the domestic refiner at a distinct disadvantage. He is penalized for doing business in the United States, and he is offered every incentive to move his plant to Cuba and refine it in Cuba, and then bring it over. Now, we have a number of refining establishments over the United States, and I don't quite get you when you say, as the Administrator of sugar, that you are not concerned with that refiner. Now, he is a citizen here, and he has got his property here, and while he is not an agricultural producer, he certainly is engaged in the processing of an agricultural product, and it is to the interests of the domestic producer himself to have adequate refining facilities in the United States. Now, you say this is not a tariff bill, and we cannot take care of that differential, and give the refiner an added differential, so as to protect him, but if you limit the percentage of sugar that comes in from Cuba, and say that he cannot introduce more than 350,000 tons, we will say, of refined sugar or he cannot introduce more than 15 percent of his total importation of sugar of all kinds, to be refined, then you will give the domestic refiner an opportunity to get his raw sugar and continue in business, but if you do not do something like that, you are going to kill the domestic refiner, absolutely. I would like for you to think about that, because it is quite vital, to a very substantial industry in the United States.

The CHAIRMAN. Well, Mr. Secretary, do you know what the condition of the refiner is, now, whether they are in a very depleted financial condition, or have you gone into that?

Secretary WALLACE. We have some men who have gone into that. I do not have the figures in mind. I know that their business, from the standpoint of physical volume, has gone down very materially. So far as their financial statement is concerned, I understand that it has not suffered in quite the same degree.

The CHAIRMAN. Do you know whether or not the refiners have made application to the Tariff Commission for any increase in the differential on sugar, refined sugar?

Secretary WALLACE. No; I do not know exactly.

Senator GORE. Isn't the difficulty therein, the decline of refining in this country, due entirely to improved methods of refining in Cuba, under which they now refined on the plantations?

Secretary WALLACE. I think, Senator, you should have some technical man discuss that. I have had two different viewpoints expressed to me, one that they have found greatly improved technical methods of refining, and that the refining equipment in this country is definitely out of date; and the other viewpoint that is expressed is that really these new methods are not as good, in certain particulars. What the truth is, I have no means of knowing.

Senator CONNALLY. Well, Mr. Secretary, there is no question about putting it out in the refining field, that changes the processes; and the only reason that Cuba is adopting the new methods is that she is putting in new plants, additional plants, and that gives her an advantage that she has over the domestic refiner. The domestic refiner can put in a new system just as easily as the Cuban can, so far as an old plant is concerned, but they are putting in new plants.

Senator GORE. Isn't it a fact that by improving the methods they have made the smaller plants much more efficient?

Senator GEORGE. Mr. Secretary, I agree with you, this is primarily a tariff proposition, that has more to do with other agencies of the Government, and other departments, but it also is affected very much by the Agricultural Adjustment Act, because the necessity for a differential is accentuated and greatly emphasized by the increased wages and shorter hours, by virtue of the fact that cotton bags, which the American refiner must use, bear a processing tax under the Agricultural Administration Act, and the Cuban refinery is able to get its cotton bags free of the cotton processing tax, being exempt under the export provisions of the act.

Secretary WALLACE. Yes.

Senator GEORGE. Therefore, it seems to me that your Department is somewhat interested in the matter, although the primary responsibility rests upon other branches of the Government. It is very largely a tariff matter, of course.

Secretary WALLACE. I think that the decision on this particular matter might well be left to Congress.

Senator MCADOO. Mr. Secretary, may I ask you a question, apropos of your statement a few minutes ago, that you were not particularly interested in the refining side of the industry? Now, aren't you very vitally interested in that, for the reason that unless we have a refining industry in this country which is maintained on a basis that will enable it to live, there will be no market for the sugar beets that are grown in this country, or for the sugarcane?

Secretary WALLACE. Let us distinguish between the two types of refiners, Senator. I was using the term "refiner" in the narrower sense.

Senator McADOO. This competition of Cuban refined sugar is only at seaboard points, and could not penetrate to the intermountain sections of the country, or reach the refiners, as indicated in the question of the chairman of the committee, when he was talking about the immense profits some were making. They are outside the range of the competition.

Senator GORE. If you will let me say in this connection, I know people have been considering the possibility of loading cars of sugar in Cuba and bringing the cars, the loaded cars on the boat, delivering them at seaports on the Gulf, for distribution.

Senator GEORGE. Very true, they can reach the interior; and yet the point of competition is at the seaport, or nearly in the territory of the seaboard refiner. It is not in the intermountain section.

Senator KING. Mr. Secretary, you made a statement a few moments ago, which I think is very sound, and I would like to challenge attention to it again, perhaps for a little more emphasis. You indicated that aside from the question of self-sufficiency, it would be quite proper for protective purposes, as against the possible combinations of the producers of sugar in foreign countries, that we should have domestic production of sugar, and I invite your attention, in view of that statement, to the fact that quite recently Mr. Chadburne, representing a large refinining interest in Cuba, sought to obtain a world agreement as to the price of sugar. Now, it is conceivable that an agreement might be effected throughout the world, if the United States was not producing any sugar, and the price be made so high as to be almost monopolistic, to the great disadvantage of the domestic consumer, in view of the possibility and the probability, if there was no domestic competition. Would that not emphasize your statement that there should be some domestic production, not only for the needs of the people, but to prevent possible foreign monopolistic control of the sugar market?

Secretary WALLACE. Well, of course, you never know to what extent Cuba and the Philippines and Hawaii and Puerto Rico can get together. The probabilities are, and it is my observation, that they probably would not get together to enforce a monopoly, but there is an off chance that some monopolistic genius might arise, and on that account it might be just as well to have a domestic sugar industry of about the present size, which could be expanded in case of need. I think it is perhaps wise to have that technic available here.

Senator GORE. Mr. Secretary, wouldn't Puerto Rico and Hawaii protect us against any such tragic contingency as that? They are under the Flag to stay.

Secretary WALLACE. In all probability—you would think that they could.

Senator CONNALLY. Mr. Secretary, you said a minute ago that the quota as to refined sugar, and so on, ought to be left to Congress. Would you have any objection to an amendment to this bill to provide that in fixing the quota for Cuba, it should be limited to a percentage of that quota that should be refined?

Secretary WALLACE. I think it would be a spendid thing for Congress to express its judgment on that point.

Senator CONNALLY. You would have no objection to that, would you?

Secretary WALLACE. No.

Senator GORE. What are our annual imports from Cuba? I forget.

Senator GEORGE. About 46.8 percent.

Senator GORE. Of the total?

Secretary WALLACE. You mean of the total sugar that is refined?

Senator GEORGE. Total consumption.

Senator GORE. Cuban export to the United States? What do we import from Cuba annually?

Secretary WALLACE. The average for the last 3 years was 1,944,000 tons, I think.

Senator MCADOO. That is raw and refined, both?

Secretary WALLACE. Yes; that is raw and refined, both. I can read the amounts year by year, if you want, on the Cuban exports.

Senator GORE. I think it would be well to put it into the record.

Secretary WALLACE. 1925, about 3,500,000; 1926, 3,900,000; 1927, 3,500,000.

Senator GORE. These are total production?

Secretary WALLACE. No; this is the consumption of Cuban sugar in the United States.

Senator GORE. As much as that?

Secretary WALLACE. 1928, 3,140,000; 1929, 3,630,000; 1930, 2,960,000; 1931, 2,450,000; 1932, 1,771,000; 1933, 1,608,000.

Senator GORE. You haven't worked out the percentage of our total consumption that we produce here in the United States, continentally?

Secretary WALLACE. Oh, a little less than that. It is ordinarily around 25 percent.

Senator CONNALLY. Mr. Secretary, have you got the figures on what percentage of that total sugar importation from Cuba was refined?

Secretary WALLACE. No, I haven't; I am sorry to say.

Senator CONNALLY. Have you any way of getting that information?

Secretary WALLACE. Yes; we can get that.

Senator CONNALLY. I would like to know the average over a period of years, as to the percentage of refined sugar.

Secretary WALLACE. It has grown very rapidly under this last tariff act, as you see.

The CHAIRMAN. I thought, Senator Connally, before we finished this hearing we ought to have a representative of the Tariff Commission down here on this proposition. Well, is there anything else, Mr. Secretary?

Secretary WALLACE. Nothing else.

The CHAIRMAN. Senator Costigan, have you a question?

Senator COSTIGAN. Mr. Secretary, your answer to the question of Senator McAdoo was interrupted, I believe. It referred to the lack of interest of the Department of Agriculture in refiners. Were you or were you not attempting to say that in your earlier replies you had not intended to indicate a lack of interest in sugar beet or beet sugar refiners?

Secretary WALLACE. Well, I was indicating that in the earlier discussion which I had had with Senator Walcott and Senator Hastings, I was using the word "refiner" in its seaboard sense; that I was not talking about refiners of domestically produced sugar.

Senator CLARK. You say "seaboard", Mr. Secretary. You mean refiners dealing mainly with imported sugar?

Secretary WALLACE. Yes.

Senator McADOO. We have refiners on the Pacific seaboard, Mr. Secretary, because California is a very large beet sugar producing region.

Secretary WALLACE. Yes.

Senator McADOO. Now, if that refiner, because of adverse laws, or because it was not, under this adjustment act, licensed on a basis that would permit it to operate at a reasonable profit, the beet sugar producer would be at a very great disadvantage, of course. In other words, both those interests must be protected in order that the producer shall get the benefits of this act, am I right about that?

Secretary WALLACE. I am not sufficiently familiar with the methods of refining used on the Pacific Coast to say that.

Senator McADOO. We have beet sugar refiners, just as you have cane sugar refiners.

The CHAIRMAN. Senator McAdoo, you have some cane sugar producers, too, haven't you, on the Pacific coast?

Senator McADOO. Not of any consequence.

The CHAIRMAN. You have some cane sugar?

Senator McADOO. Very little.

The CHAIRMAN. Isn't some of the sugar from Hawaii brought over and refined in California?

Senator McADOO. Some of it is.

Senator GORE. But the method is so different, of refining beet sugar, that that question would not arise.

The CHAIRMAN. Senator Vandenberg?

Senator VANDENBERG. Mr. Chairman, I am not a member of the committee. I appreciate your courtesy very much. I do not want to go into the Secretary's rather sinister implication that there is some sort of subtle propaganda behind these agriculturalists in my section of the country, but they are fighting for their lives. We will deal with that on the floor of the Senate.

I would like to ask the Secretary two or three things, in the interest of getting facts, so far as we can. I know his great candor, and that is what I like about him. Under the President's suggestion, our reduction in beet production, let us say, roughly, would be 344,000 tons, but under the bill, Mr. Secretary, it could be 600.000 or 1,000,000 tons, if that happened to be your point of view, could it not?

Secretary WALLACE. I read off, earlier, Senator, the figures as to beet-sugar production in the United States, and if I remember the bill correctly it states that any 3-year period could be taken, from 1925 to 1933. As I look down on those figures, the smallest quota that could be arrived at would be about 1,000,000 tons.

Senator VANDENBERG. You think you are limited under the terms of the bill to a cut not under 1,000,000 tons, in excess of 1,000,000 tons?

Secretary WALLACE. Well, no, that——

Senator VANDENBERG. Well, what I am getting at is, as a matter of fact what happens is not governed by the President's message, but is governed by your decision after this law is passed?

Secretary WALLACE. Yes. I must confess that for my own part, speaking from an administrative point of view, it would be much simpler, if the quotas were more definitely stated in the bill, and that phraseology was used there, not with anything in mind of using other than the last 3 years, in the case of sugar beets. It was to take care of certain other adjustments, but it is evident that the needs of the sugar-beet folks are not adequately taken care of. I mean, their fears are not sufficiently allayed in the bill as written, and it might be wise to leave that provision as it is, possibly modify it somewhat, but to make a specific reservation in the case of sugar beets, that the quota is this particularly 3-year period. That is the 1931–33 period, the last 3 years.

Senator GORE. Senator, would you permit me to ask a question, right on that point?

Senator VANDENBERG. Yes. Go ahead.

Senator GORE. It is your understanding, Mr. Secretary, that when you fix a 3-year base period, that that is fixed finally, or is it a portable figure that you could shift or skid about, to and fro?

Secretary WALLACE. I do not remember just how the bill reads. I know, for my own part, that I would be delighted to have it fixed as definitely as possible.

Senator VANDENBERG. Well, in view of the inevitable duty which is going to rest in you as administrator, it does seem to me fundamentally essential that we should be quite candid about the attitude of the Department toward he sugar-beet industry. I find myself particularly challenged by your own recent address, entitled "America must choose", from which I read the following two or three sentences, speaking of refiner reductions in tariffs, you say:

> This might seriously hurt certain industries and a few kinds of agricultural business, such as sugar-beet growing, and flax growing. Then, I think we ought to fix this fact. If we are going to lower tariffs, radically, there may have to be some definite plan whereby certain industries or businesses will have to be retired.

Now, the inevitable implication is that you are thinking in terms of retiring the sugar-beet industry. Is that an unfair construction of your remarks?

Secretary WALLACE. Will you you tell me the page on which you find that, sir?

Senator VANDENBERG. Page 18.

Secretary WALLACE. Senator, it is an unfair implication, for this reason, that I am setting forth in this pamphlet, in a very logical way, the ultimates of three different approaches.

Senator VANDENBERG. Well, I don't want to put an unfair construction on your words.

Secretary WALLACE. The fact is, I am hoping that the American people will contemplate what each of these three approaches involve; if they go completely free trade, the extent to which they would have to submit to inconveniences of retiring certain industries; if they go completely nationalistic, the inconveniences that come from retiring large numbers of acres of agriculture. What I am pleading for it that we discover some happy medium, some workable plan in between, on which we can all agree with some unanimity of opinion.

Senator VANDENBERG. Well, suppose you had your own way, would you or would you not plan the ultimate, definite retirement of the domestic sugar industry?

Secretary WALLACE. With the human situation as it is in the Rocky Mountain States, speaking for myself personally, now, and not for the administration, speaking for myself personally, I would not retire it at any time in the next 10 years. If I were speaking from a purely idealistic and logical point of view, if I were in the position of an autocrat, working from the standpoint of a hundred-year period, I would begin gradually, and if I had a truly satisfactory relationship with Cuba and those places where sugar can be produced more efficiently, I would gradually shift over to possibilities of producing the things which we could efficiently, here, sending them to Cuba and getting in exchange therefor the goods which they can produce. I would make that shift very, very gradually. Now, that is speaking from an idealistic point of view, and the thing would have to be done very gradually. These things must be done gradually.

Senator VANDENBERG. When you speak of the inefficiency, and so forth, of the domestic sugar industry, may I ask you how the price of sugar which is paid by the American consumer in the United States compares with the price of sugar around the world paid by other consumers in other countries?

Secretary WALLACE. As I understand it, the sugar in Europe is generally higher than it is here, largely as a result of very extensive subsidies which are used on practically a world-wide scale with respect to sugar.

Senator GORE. The consumption taxes, too.

Senator VANDENBERG. Is our price, on the average, lower than in most cases, our retail price?

Secretary WALLACE. I really do not know, sir, as to that.

Senator VANDENBERG. Who is Mr. A. J. S. Weaver?

Secretary WALLACE. He is head of our sugar section.

Senator VANDENBERG. How long has he been head of the section?

Secretary WALLACE. Oh, I think since last October.

Senator VANDENBERG. As a matter of fact he is really the rice expert in the Department, is he not?

Secretary WALLACE. Yes.

Senator VANDENBERG. Now, he has had no material experience with sugar?

Secretary WALLACE. That is true.

Senator VANDENBERG. You are familiar with Mr. Weaver's testimony before the House committee. Do you agree with his conclusion that this is a scheme to give the sugar industry a shot in the arm and slide it out of business?

Secretary WALLACE. No, sir. I may say, in all fairness to Mr. Weaver, he happens to be a very intelligent and——

Senator VANDENBERG. Candid?

Secretary WALLACE. Brainy man, but on that occasion he had been traveling all night on the airplane, and had been subjected——

Senator VANDENBERG. You mean he was still up in the air?

Secretary WALLACE. He had been subjected to a considerable cross-questioning, rather rapid fire, and possibly his ears were still dimmed by the roar of the airplane motor.

Senator VANDENBERG. Well, you will have to forgive our farmers for thinking that, not knowing about Mr. Weaver's difficulty of hearing, and naturally they fear that, much more than they do this propaganda you have been talking about. Did Professor Tugwell testify before the House committee that Mr. Weaver's presentation of the subject was substantially correct?

Secretary WALLACE. I don't know. I haven't read Dr. Tugwell's testimony.

Senator VANDENBERG. If he did, you do not agree with him? If he did, you do not agree with him?

Senator CONNALLY. I do not think that is quite a fair question.

Senator VANDENBERG. I just wanted to get the facts.

Senator CONNALLY. Well, the hearing is over here. He said he has not read it.

Senator VANDENBERG. Well, I am trying to find out who speaks for the administration, for this is vital.

Senator CONNALLY. But I don't think it is fair to proceed to ask him something that he has not read, and make him say yes or no, like a witness in a justice court.

Senator VANDENBERG. Well, possibly so. We will pass that. You speak of the sugar-beet industry, there, almost exclusively as a Rocky Mountain industry. You said you could not understand why any Rocky Mountain Congressman would not go home and feel that he was taking something of value in respect to this plan; and you spoke constantly of the 3-year average as the basis for the allocation of this quota. Isn't it a fact that the beet-sugar industry is a very primary agricultural line in Michigan, Ohio, Indiana, and in several other fields of the country?

Secretary WALLACE. More so in Michigan than it is in Ohio and Indiana. Do you happen to have the figures as to the number of farmers in Michigan growing sugar beets?

Mr. BEAN. No. Production is all I have there.

Secretary WALLACE. Probably you know, Senator; not in excess of 1 farmer in 30 in Michigan grows sugar beets.

Senator VANDENBERG. I think that is probably right, but it happens to be that is about the only crop he has had any money out of in the last year or two, and he is a little nervous over what might happen to it.

Secretary WALLACE. I wouldn't exactly call it a primary line, in the Corn Belt area.

Senator VANDENBERG. This is the point I want to get at, and I do not mean to be controversial about this, Mr. Chairman. I am really sincerely seeking the information. As I understand it, during the last 3 years, 35 out of 36 sugar-beet factories in the Rocky Mountain territory operated, whereas in the Michigan, Ohio, and Indiana territory only 7 out of 22 operated, 1 of these 3 years, and only 14 another. In the Utah, Idaho, Washington field only 14 out of 17 operated. In the face of those relative figures, would it be fair to these other beet areas to use this 3-year average for the redivision of the continental quota?

Secretary WALLACE. May I get your question accurately? Are you assuming that we are planning to divide the United States allotment among the States, on the basis of the 3-year average?

Senator VANDENBERG. I am asking what your purpose is. That has been my assumption.

Secretary WALLACE. Well, frankly, as I read the bill, that would be left to the discretion of the Secretary, and it evidently would be a matter of very real concern to your region, as to what would be the fair way to handle it. I must confess I do not know, because I am not sufficiently familiar with the past history of the Michigan-Ohio-Indiana area. It would be my guess that you had gone out of sugar beets quite recently, as a result of other crops being more profitable, and that you had wanted to come in just recently, because sugar beets had held up somewhat better in price than other crops. But as to what the fair answer to that would be, I have no means of knowing. I am not sufficiently familiar with the technical details, and it would seem to me quite clearly within the province of your duty as Senator from such an area, to confer with our sugar people, to discover what would be a fair solution, and help us to arrive at such a fair solution.

Senator VANDENBERG. Is there a large new reclamation project or irrigation project coming in, in Wyoming, under the President's order, in respect to the P.W.A., which is contemplated as a beet-producing area, some 66,000 acres?

Secretary WALLACE. I do not know of any area that is contemplated as a beet-producing area. I suppose you are referring to the Casper-Alcova project?

Senator VANDENBERG. Yes.

Secretary WALLACE. I think that they would, under this kind of a provision, not be entitled to a sugar allotment, but that would be again up to the technicians to arrive at the fair thing. But in view of the past history, it would seem to me that clearly they would not be entitled to such an allotment.

Senator VANDENBERG. In other words, if we are going into sharp restrictions, we certainly ought to restrict these irrigation and reclamation projects which contemplate increased production.

Secretary WALLACE. I agree with you completely, Senator, unless there is also a corresponding reduction in submarginal lands.

Senator VANDENBERG. I call your attention to a bulletin I saw at the Department of the Interior, on February 7, last, the first sentence reading as follows:

> A new step forward on sugar-beet production may be taken as a result of experiments being conducted by the Reclamation Service of the Department of the Interior.

Now, that just seems to be a step directly opposite from the direction in which you are going.

Secretary WALLACE. I think so, too, Senator.

Senator MCADOO. Senator Vandenberg, have you the figures showing the beet-sugar production in California?

Senator VANDENBERG. Oh, I think so.

Senator McADOO. Would you give it to me?

Senator VANDENBERG. Beet-sugar production in California, in bags, was 3,327,000 in 1931 and 1932; 4,258,000 in 1932–33; 5,418,000 in 1933–34.

Senator GORE. How many pounds in a bag?

Senator VANDENBERG. One hundred.

Senator McADOO. How does that compare with the other States? I do not happen to have the figures before me.

Senator VANDENBERG. Taking a 1933–34 prospectus, that is about a third of the Rocky Mountain production.

Senator GORE. You haven't got that in terms of tons, have you, Senator? I think in terms of tons of sugar.

Senator VANDENBERG. In terms of bags.

Secretary WALLACE. We have it here. In 1932 California produced 1,280,000 tons.

Senator GORE. Oh, that couldn't be. Could that be true?

Secretary WALLACE. No; wait a minute. That is tons of beets.

Senator VANDENBERG. I suggest those figures might well be put in the record officially, at your convenience, Mr. Secretary.

(The figures asked for are as follows:)

TABLE 7.—*Production of beet and cane sugar in the continental United States, 1911–33*

Year	Cane sugar produced	Beet sugar produced	Year	Cane sugar produced	Beet sugar produced
	Short tons	*Short tons*		*Short tons*	*Short tons*
1911	353,000	600,000	1923	162,000	881,000
1912	154,000	693,000	1924	88,000	1,090,000
1913	293,000	733,000	1925	139,000	913,000
1914	243,000	722,000	1926	47,000	897,000
1915	138,000	874,000	1927	71,000	1,093,000
1916	304,000	821,000	1928	132,000	1,061,000
1917	244,000	765,000	1929	200,000	1,018,000
1918	281,000	761,000	[illegible]	184,000	1,208,000
1919	121,000	[illegible]	[illegible]	157,000	1,156,000
1920	169,000	[illegible]	[illegible]	223,000	1,357,000
1921	324,000	[illegible]	[illegible]	202,000	1,629,000
1922	295,[illegible]	[illegible]			

[1] Preliminary.

NOTE.—No annual official fig[illegible] on prod[illegible] cane for suga[illegible] than Louisiana. Until recent years the [illegible] produced elsew[illegible] was negligible. [illegible] however, there has been a marked incre[illegible] sugar productio[illegible]ida. Th[illegible] at 40,000 tons.

Pr[illegible] by States, [illegible]2

[illegible]

States	[illegible]	[illegible]	[illegible]	1931	[illegible]	[illegible]33
California	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	262
Colorado	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	290
Idaho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	125
Michigan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	177
Montana	[illegible]	[illegible]	75	92	[illegible]	120
Nebraska	[illegible]	[illegible]	[illegible]	126	[illegible]	128
Ohio	[illegible]	17	[illegible]	(1)	[illegible]	44
Utah	[illegible]	77	[illegible]	77	[illegible]	147
Wisconsin	12	10	[illegible]	(1)	[illegible]	(1)
Wyoming	59	66	[illegible]	[illegible]	[illegible]	104
Other States	[illegible]	79	[illegible]	[illegible]	112	132
Total	[illegible]	[illegible]	[illegible]	[illegible]	1,357	1,629

[1] Included in "Other States" in the official [illegible]vidual operations.

Senator VANDENBERG. I would just like to ask you one more question: Can you tell me how much of the ownership or financial responsibility for Cuban sugar is held in the United States?

Secretary WALLACE. No; I do not have the figures. My observations are based largely on your own speech before the Senate, that the Chase National Bank and various other New York concerns own perhaps half of the Cuban industry.

Senator VANDENBERG. Well, if everything else has as good authority as that, Mr. Secretary, you are all right. Thank you very much, Mr. Chairman.

Senator COSTIGAN. Mr. Secretary——

The CHAIRMAN. Senator Costigan.

Senator COSTIGAN. There appears to me to be a very definite line to be drawn between different portions of your testimony. In any event, I hope that the record may be clear on the subject. May I ask whether there is anything in the administration bill now before this committee which looks to the destruction or retirement of the domestic-sugar industry, either in 10 years or in a hundred years?

Secretary WALLACE. Well, no; I had not thought there was, Senator, but the bill evidently needs perfecting, so that fears may be allayed; and it would seem to me that it might be well, in view of the intense interest in the sugar-beet States, to write in specifically just what the quantity is.

Senator COSTIGAN. In other words, when you were referring to 10 years and a hundred years, respectively, is it fair for us to conclude that you had reference to your personal convictions?

Secretary WALLACE. I wanted the committee to think that I was speaking purely from a personal point of view.

Senator COSTIGAN. You cannot point to any part of the bill as you think it might reasonably be passed by Congress, which would determine the large question as to what the future of the sugar industry should be?

Secretary WALLACE. Well, I would doubt if either the administration or the Congress could do such a thing at the present time. It might be splendid if certain broad outlines could be determined by the administration or by Congress, but I see no means of doing it.

Senator COSTIGAN. So far as you know, the bill as drawn is designed to give relief to the beet growers, to stabilize the prices and conditions of the sugar industry, and it does not in any respect look to the destruction or elimination of the sugar industry?

Secretary WALLACE. That is a true statement, Senator.

Senator McADOO. But as a matter of fact, Mr. Secretary, this Congress could not bind another Congress 10 years from now or 5 years from now, or a hundred years from now.

Secretary WALLACE. I beg your pardon?

Senator McADOO. And those questions will be dealt with as they arise, of course, by succeeding Congresses.

Senator VANDENBERG. Well, Congress could at least bind the present Secretary for the present session.

Senator McADOO. Precisely.

The CHAIRMAN. Are there any other questions?

Senator GORE. Mr. Secretary, if you have the information, isn't it a historic fact that the sugar bounty granted by the McKinley Act of 1890 offered smaller production and soon resulted in overproduction, and in the short run, rather than in the long run, crippled and embarrassed the sugar industry?

Secretary WALLACE. I am not sufficiently familiar with that period to answer, Senator.

Senator GORE. I think that is the fact. Now, one other question, Mr. Chairman. You began your statement with the observation, at least in effect, to the effect that sugar constituted a classic instance which illustrated the effect of the effort on the part of the Government to regulate, control, direct, and plan an industry.

Secretary WALLACE. I was referring to the world situation on sugar.

Senator GORE. Yes; I understand.

Secretary WALLACE. That all nations handled sugar in that manner.

Senator GORE. Yes; and you stated it resulted in chaos?

Secretary WALLACE. Yes.

Senator GORE. You used the word "chaos." I know that.

Secretary WALLACE. Yes.

Senator GORE. Now, like our sugar bounty, all those efforts on the part of those various governments were, of course, instigated by the best intentions, the intention to serve the sugar industry in their countries, and in the world. That is a fair inference, isn't it?

Secretary WALLACE. Yes, sir.

Senator CONNALLY. Mr. Chairman, may I just ask one question, and then I am through.

The CHAIRMAN. Certainly.

Senator CONNALLY. Referring to the question raised by Senator Costigan a moment ago, in regard to the Secretary's testimony, I think it is only fair to the Secretary to say that my understanding of his testimony all along was that he was not in favor of destroying the beet sugar industry, because of the growth out in the Mountain States, particularly, and the large interests dependent upon it, but what he did say was that he was favorable to the granting of a bounty, and not to overstimulate the beet-sugar industry, on the basis of a 3-year average, as set forth in this bill. In other words, you don't want to artificially, by reason of the bounty, build it to a height that is not justified, to go on the basis of that 3-year average. The Secretary is in favor, at least for the present, of preserving that industry and giving them a larger return for their beets.

Secretary WALLACE. Parity price for their beets.

Senator CONNALLY. Parity price for their beets; and in order to accomplish that, of course, he is in favor of an allocation or a limitation of their production, based on certain standards of measurement, and then, to allocate to various countries their quotas, and thereby to more or less stabilize the sugar industry.

Secretary WALLACE. Which sugar-beet quota would be greater than they have enjoyed at any time, with the exception of this past year.

Senator CONNALLY. And they would get more money for their sugar than they have gotten heretofore, in all probability, by reason of the stabilizing of the industry, and the stabilizing of their production. I think it is fair to the Secretary to put that attitude into the record here, because of the unjust imputations that have been made, that this was some covert attack, to destroy the sugar industry

I don't think they are at all warranted, in the light of the Secretary's testimony.

Senator COSTIGAN. Mr. Secretary, are you prepared to say what the pre-war parity will be at this time in dollars and cents?

Secretary WALLACE. In dollars and cents? The present price is about $5.32, and the parity price is about $6.47.

Senator COSTIGAN. You are referring now to sugar beets?

Secretary WALLACE. Sugar beets, per ton; yes.

Senator COSTIGAN. Per ton.

Secretary WALLACE. And the production of sugar beets, in tons, this year is about 12,000,000 tons.

Senator GORE. Now, on the point of price, I would like to make this suggestion for the record. I was in Fort Collins——

Senator COSTIGAN. Just a second. The Secretary has not finished.

Senator GORE. Pardon me.

Secretary WALLACE. Well, I suppose the total benefit to the beet growers would be somewhere between $12,000,000 and $15,000,000, but that is a very rough estimate.

Senator COSTIGAN. Some estimates were recently made by the Department of Agriculture, indicating that the probable average price for beets in the United States this year would be about $5.20.

Secretary WALLACE. I think it has improved recently.

Senator COSTIGAN. Now, may I ask one other question, Senator Gore, before you proceed?

Senator GORE. Yes, sir.

Senator COSTIGAN. May I, in view of certain fears expressed on the floor of the Senate the other day by the Senator from Michigan, Mr. Vandenberg, ask you whether, if made an administrator of this bill as provided by its terms, you would have in contemplation rulings directed toward either the extermination or retirement of the domestic sugar industry?

Secretary WALLACE. If I had anything to do with it, there would be no such rulings. I do think, however, in order that I may make my position absolutely clear, that the sugar beet people should be abundantly satisfied with the 1,450,000-ton quota.

The CHAIRMAN. Now, if that is all——

Senator GORE. One question. I just want to make a suggestion, rather, in connection with this. You were discussing a moment ago the price of beets, and I want to make this suggestion to the Secretary for the benefit of the consumers. I was in Fort Collins, Colo., once. There is a beet-sugar factory there, and they told me that beet sugar produced in Fort Collins was shipped to Kansas City, shipped back to Fort Collins, and sold as cheap as you could buy sugar at the factory in Fort Collins. Now, I think there is a point that might somewhere figure in this scheme, designed to protect the purchaser and the producer. Just introduce the consumer into this scheme to some extent, and I wish you would print in the record the production of all sugar, State by State, in terms of tons.

The CHAIRMAN. Yes; I was going to suggest, Mr. Secretary, if you will, that following your testimony you give us over a period of many years back the sugar-beet production by States, as well as sugarcane production, and it would be very well, it seems to me, to give the importation from the various countries over a series of years, if you please.

Senator WALCOTT. And by tons, so that it agrees with the other foreign statistics.

TABLE 9.—*Imports of sugar from Cuba*

[Short tons refined]

	Total	Refined and direct consumption	Refined as per cent of total		Total	Refined and direct consumption	Refined as per cent of total
1928	3,140,000	241,178	7.6	1931	2,452,000	393,640	16.0
1929	3,630,000	432,721	11.9	1932	1,771,000	492,635	27.7
1930	2,959,000	300,112	10.1	1933	1,609,000	499,000	[1] 31.0

[1] Preliminary.

The CHAIRMAN. Yes. The committee thanks you very much, Mr. Secretary.

Now, this hearing will go on again at 2:30 this afternoon. There are a great number of requests to be heard. We are trying to finish these hearings before we take up, about Tuesday, the tax bill which has recently passed the House. We will try to expedite matters as much as possible. We must have the cooperation of those groups that want to be heard. We suggest that these groups get together and have one representative to present their matter and present it as briefly as possible, so that the committee's time will be saved and so that these hearings can be closed. Now, who is it that wants to be heard? I want the clerk to make a note of this. Give your names and give us some information as to whom you represent, and try to cooperate with us, because we are not going to hear Tom, Dick, and Harry here on this proposition, because we would be here for 6 months.

Mr. CRISP. Mr. Chairman, the Domestic Sugarcane Refiners desire to be heard. They will present one witness, Mr. Ellsworth Bunker, who is vice president of the National Sugar Co., of New York, who has been selected by all of the domestic cane refiners to present their case.

The CHAIRMAN. Thank you very much, Judge Crisp. If you will, give that information to the clerk.

Mr. FRED CUMMINGS. May I say, Mr. Chairman, as a representative in Congress of the largest producing district in the United States of beet sugar, that I would like to be heard briefly?

The CHAIRMAN. I think we ought to hear the Congressman.

Mr. CUMMINGS. May I say this, that until the time I came to be a Congressman I was president of the Colorado Beet Growers Association. I was president of the National Beet Growers Association, and I think possibly I am the man that spread the propaganda, that the Secretary referred to, all over the States. I made a campaign through Colorado, Nebraska, Utah, Idaho, and California and I think if the Secretary had been absolutely frank when you asked him who spread that propaganda, he would have said, "Cummings." I ask the opportunity to be heard.

(Thereupon, at 12:30 p.m., the committee took a recess until 2 p.m. of the same day.)

AFTER RECESS

The hearing resumed at 2:30 p.m.

The CHAIRMAN. The committee will come to order. Mr. Kearney, representing the National Beet Growers' Association. You have 30 minutes by the clock, Mr. Kearney.

STATEMENT OF CHARLES M. KEARNEY, MORRILL, NEBR., REPRESENTING THE NATIONAL BEET GROWERS' ASSOCIATION

Senator WALSH. Your association favors this bill?

Mr. KEARNEY. Yes, sir.

Senator WALSH. You do not need half an hour, then, do you?

Mr. KEARNEY. With amendments, I should say, Senator.

The CHAIRMAN. Proceed, then. You have already appeared before the House committee, have you not?

Mr. KEARNEY. Yes, sir; I have.

The CHAIRMAN. Then I may say to everyone that those House proceedings will be read by the committee, I hope, and will be taken into consideration with these hearings we are now conducting.

Mr. KEARNEY. I am the president of the National Beet Growers' Association, which is the national organization of the sugar-beet farmers of the western plains of the Mountain States. It is a cooperative group, composed of State and regional cooperative associations of sugar-beet growers in Colorado, Nebraska, South Dakota, Wyoming, Montana, Utah, Idaho, and California. The membership of the National Beet Growers' Association represents more than 80 percent of the beet-sugar producing area of the United States. In 1933 more than 1,000,000 acres of the most fertile farm lands in the United States were in sugar beets. Seventy-two thousand farmers were engaged in the production of sugar beets, and several hundred thousand workers were employed in labor pertaining to this industry. These farmers, together with their families, the field workers and their families, and other laborers connected with the industry probably comprise about a million people whose support and welfare is wholly or partially dependent upon the industry.

These figures take no account of the thousands of men to whom the beet-sugar industry gives indirect employment in coal mines, limestone quarries, bag factories, cotton mills, and in railroad and truck transportation. The help which the industry gives to transport agencies is indicated by the fact that every acre grown to beets provides $35 in revenue to carriers. And, by the way, that is all spent in the United States.

We have been for many months trying to cooperate with our Government in the hope that plans might be worked out that would enable our beet farmers to live and support their families, pay decent living wages to laborers in our fields, and end forever the tragic loss of homes, foreclosures of farms, and the restricting and wrecking of banks and business establishments. We feel that a long step will have been taken in the right direction when a fair and equitable plan is adopted and properly administered. If American beet farmers and the laborers connected with the industry are to have their purchasing power restored, the restoration must be achieved through a program which would have as one of its major premises the allocation of the American market to the American farmer.

The American beet farmer is asking for free access to the American market and a fair division of the proceeds accruing from the beet-sugar industry. The proposal to limit and restrict the American farmer in the American market, so far as sugar beets are concerned, is contrary to the intent of the Agricultural Adjustment Act and the National Recovery Act, so far as this nonsurplus crop is concerned. It would not be fair to permit legislation designed to help the American farmer to be turned against him to restrict the one and only major crop of which he does not now and never has produced a surplus.

Our many thousands of beet farmers, together with their families and dependents in a third of the States of the Union, must not be told that the rights of remote tropical labor supersede the rights of those who have pioneered and reclaimed the soil of our own United States. Last August I stated in public hearings held by the Agricultural Adjustment Administration that:

> This would be a dangerous innovation and precedent. I do not know of any time before in the history of agriculture when the American farmer has been faced with the proposal which would deny him free access to the American market. Let there be no misunderstanding—we believe some plan for agreement is the only hope for decent sugar prices in the near future, and we want a plan that will do the job; but we cannot subscribe to any principle which would do violence to the farmers' inalienable right to the markets of the United States. We cannot take any other position.

I feel that was a fair statement of the attitude of not only the beet farmers of the West, but from the news press of the country, and the hundreds of letters and messages which have been received approving of that position, I am convinced it meets with the approval of the American farmers generally.

Since sugar beets are a nonsurplus crop, I realize that their treatment under the Agricultural Adjustment Act brings up some problems which are perhaps unique.

Senator COSTIGAN. Does that mean that the organization which you represent does or does not favor a quota restriction?

Mr. KEARNEY. We would distinctly favor it, Senator.

Senator COSTIGAN. You were coming to that?

Mr. KEARNEY. Yes, sir; while we do not believe that we should be forced to restrict the production of a commodity for which there is a tremendous potential market in the United States, we do not feel that we should be penalized merely because sugar beets are a nonsurplus crop. We distinctly hold to the opinion that the farmer growing beets is entitled to share in any benefits of the new deal, and that they are in every sense entitled to parity payments. To this extent, at least, it is desirable that sugar beets be made basic commodities. We urge most vigorously that full parity payments be made on the crop of beets in 1933. To accomplish this purpose, we recommend that an appropriation be set up sufficiently large to cover the expense.

The beet growers in various conferences with responsible officers of the Government have been led to believe that it was the intention of the administration to make parity payments on 1933 beets. We feel that we have been pledged that relief, and we confidently hope to obtain it.

On February 8, 1934, President Roosevelt transmitted a message to the Congress outlining a sugar program. In that statement he suggested preliminary and temporary quotas for sugar, allocating to continental beet farmers 1,450,000 short tons of sugar, and to continental cane-sugar farmers 260,000 short tons of sugar. H.R. 7907 was introduced and referred to this committee. How far this proposed quota for beet sugar falls short of our needs is evident from a consideration of the actual production in 1933. I will not read the tabulation, but I feel that it should go into the record.

Senator KING. What was it in 1933?

Mr. KEARNEY. I will give the total. The total is 1,756,229 short tons.

Senator CLARK. That was entirely the normal production?

Mr. KEARNEY. That was in excess of anything that we had ever produced.

(The tabulation referred to by the witness is as follows:)

	Short tons, raw value		Short tons, raw value
Colorado	426,154	Ohio	41,000
California	289,902	Minnesota	50,457
Michigan	182,135	Iowa	26,852
Utah	153,068	Wisconsin	17,826
Idaho	139,885	Kansas	15,886
Nebraska	138,605	South Dakota	14,553
Montana	132,218	Indiana	10,668
Wyoming	111,493	Washington	6,417

The total, as I said, is 1,756,229 short tons. The President's suggested quota, therefore, contemplates a drastic reduction of more than 300,000 tons below that which was actually produced in 1933. On the other hand, the United States in the same year consumed 1,601,000 short tons of sugar from Cuba, and the quota suggested in the President's message is 1,944,000 short tons. It will be noted that this arrangement allocates to Cuba an increase in excess of 300,000 tons, or the amount of the reduction of the sugar-beet farmers' quota. I can tell you quite frankly that it is difficult for us to understand the philosophy that deprives us of our market of this strictly nonsurplus crop and hands it over to foreign producers.

So far I have dealt only with an outright reduction of 300,000 tons, or about 17.5 percent, but, for the first year at least, the program would in reality result in a much greater reduction. Statistics collected from the industry show that up to February 1 of this year only 390,000 tons of last season's production had been marketed, leaving a balance undelivered on that date of 1,366,000 tons. This balance is only 84,000 tons less than the suggested 12-month quota for the industry of 1,450,000 tons. It therefore represents a tonnage which on proportionate monthly basis of deliveries under the restrictions suggested by the proposed quota, probably could not be disturbed before about the 1st of January 1935. Or, to put it another way, about 94 percent of the proposed quota for continental beet sugar was undistributed on February 1 last, although 4 months of the normal marketing period had elapsed.

Senator KING. Let me see if I understand you. Do I understand you to state that only 6 percent of this year's or last year's crop, 1933–34, has been consumed?

Mr. KEARNEY. No.

Senator KING. And 94 percent still on hand?

Mr. KEARNEY. No, Senator. I did not say that. Here is what I said. That up to February 1 of this year, 390,000 tons of the 1933 crop had been marketed. That left a balance of 1,366,000 tons on hand. The President's quota is 1,450,000 for 12 months, so that we had 94 percent already on hand of the proposed quota.

Senator KING. Very well.

Mr. KEARNEY. Now, let us turn for a moment from the marketing situation to the field and manufacturing operations. Harvesting in California ordinarily starts in July or August, but in all the other territories about the first of October, and with the opening of these factories new sugar is immediately available. Therefore, under the suggested plan there would be a substantial carry-over on October 1 of this year of sugar which was produced in the autumn of 1933. The result would very probably be that the industry would not only have to reduce 1934 production to the proposed quota basis but would have to make additional reductions sufficient in volume to offset the volume of sugar undelivered at the commencement of operations in October 1934. The practical effect of this would be to decrease 1934 production, not only by the 17.5 percent below that of the past season but by an additional amount that might aggregate in total a reduction of 30 to 35 percent. So violent a curtailment of domestic beet production would create an agricultural, industrial, and financial disaster in many sections of the States growing sugar beets. It would certainly create regional economic dislocations and ultimately similar effects in the major centers.

The CHAIRMAN. That fear would be eliminated if the quota were fixed definitely in the legislation?

Mr. KEARNEY. That, I think, would be a solution. That was touched upon here this morning.

Senator KING. And they could not go below the quota? They would have to make it a minimum as well as a maximum; is that right? That is to say, if the quota were fixed at the amount indicated that would mean that there is no power in the Secretary of Agriculture to go below that quota?

Mr. KEARNEY. That is correct.

The National Beet Growers' Association strenuously opposes the imposition of any restrictive quota on the sugar-beet farmer, and most emphatically protests the apparent unfairness of the figures contemplating reduction of 17.5 percent, less than he produced in 1933, while at the same time other producing areas are curtailed less than half that percentage, and in the case of Cuba a very substantial increase would be given in excess of the amount of Cuban sugar consumed in the United States in 1933. Another significant point is involved. The sugar produced by the American farmer must be marketed in the United States. Yet every tropical source of supply to which it is planned to give an allotment has the opportunity to produce not only its quota but to produce in addition and without restriction all the sugar it can sell in its local markets. Moreover, the sugar which enters into local consumption in our insular areas is fully protected by the same tariff that protects the continental grower. In this very real sense continental production is discriminated against in favor of decidedly liberal privileges and treatment of insular producers.

American sugar-beet farmers have pioneered in the reclamation and development of our great irrigated valleys in the West, they have developed splendid communities with the advantages which go with American standards of living, and in good faith, have developed what is probably the most perfectly balanced farm-and-animal economy to be found in America. Sugar-beet farmers contribute about one fourth of the Nation's sugar requirements. Sugar beets compete with none of the continental crops. Every acre of beets is 1 acre less of cereals now produced too abundantly. To restrict the growth of sugar beets would simply amount to penalizing American farmers for enormous expansion of sugar production outside the United States. The continental sugar producer has not been a part to the overproduction that is demoralizing the sugar markets of the United States. Sugar-beet areas in the United States seldom carried production increases commensurate with the continental increases in consumption.

If there is any thought that the sugar-beet farmer countenances violation of treaty engagements with insular producers it should be banished at once. In all history there has been nothing equal to the generosity in the United States in her dealing with distressed people. Her magnanimity has been such as to redound to her injury. Every venture of this country to aid other peoples has proved a direct sacrifice. Blood and treasure have been expended without any thought of return. We have now come to the time when some are demanding that the sugar farmers of the United States seriously curtail their crop to make room for sugar from overseas peoples in the Tropics, whom we generously assisted in their distress. The sugar farmer of our Nation has been severely punished because of the effects on sugar prices of excessive importations of overseas sugar, and it is unreasonable to demand that he continue to suffer, to the enrichment of others.

Under the terms of the bill introduced by Senator Costigan, quotas may be determined in the case of Hawaii, Puerto Rico, the Philippines, and Cuba by using averages of importations or marketings for any 3 years during the period 1925 to 1933, inclusive, and in the case of continental beet a quota may be determined by using production or marketing averages for any 3 years during the same period. For areas producing or marketing 250,000 tons or less, which would cover continental cane production and the Virgin Islands, the Secretary is given virtually unqualified discretion in the determination of quotas.

Under the above formulas the quotas suggested in the President's message represent in the case of Hawaii, Puerto Rico, Philippine Islands, continental beet and cane substantially the maximum quotas which the Secretary of Agriculture could fix. The total estimated consumption embodied in the President's message represents a fair estimation for the current year. However, if in 1934 or in any succeeding year while this plan is in effect consumption should exceed the 6,452,000 tons mentioned by the President, practically all of such increase would necessarily and automatically, under the provisions of the bill, go entirely to Cuba. As recently as 1929 the American market consumed 6,964,000 short tons, raw value. If that figure were reached again while House bill no. 7907 was in effect the provisions of the instrument would give Cuba practically all of the increased consumption of 500,000 tons.

Senator KING. Let me see if I understand you. As I understand you, the consumption in the United States was 6,964,000 tons?

Mr. KEARNEY. Correct. In 1929.

Senator KING. And there has been a reduction in the consumption of sugar in the United States of approximately 400,000 tons?

Mr. KEARNEY. I think that figure is about correct.

Senator KING. That is by reason, I presume, of this depression through which we have passed?

Mr. KEARNEY. I would think so.

Senator KING. And if we have any revival in business and in industry, and get out of this depression at all, then the consumptive needs of the United States would be greater by far than the amount estimated there by the President?

Mr. KEARNEY. I am sure of that.

Senator KING. Have you any figures there, and if so, I wish you would hand them to the Secretary so that we could have them, showing the increase in the consumption of sugar in the United States during the past 20 years, year by year.

Mr. KEARNEY. I obtained those figures from the Tariff Commission and have them in my room. I will be glad to give them to the Secretary.

The CHAIRMAN. The Secretary of Agriculture was to furnish those following his statement this morning.

Senator KING. I did not hear that part of his statement, so I did not know what had been ordered.

Mr. KEARNEY. I have a brief compilation of the figures that I think would be interesting, which are right in point, that I will not read.

The CHAIRMAN. You can put those in the record, or any others that you want to go into the record.

Mr. KEARNEY. Thank you.

(The witness submitted the following figures):

Short tons, raw value

	Hawaii	Puerto Rico	Philippines	Beet	Louisiana and Florida
Average importations or production for 3 highest years	1,002,000	815,000	990,000	1,476,000	231,000
Average marketings for 3 highest years	993,500	817,000	1,032,500	1,342,000	227,000
President's suggested quotas	935,000	821,000	1,037,000	1,450,000	260,000

Mr. KEARNEY. It has been stated recently that the production of beet sugar is a "necessarily expensive industry." That conclusion was reached by a calculation which estimated that the tariff costs the American consumer $200,000,000 annually, and which implied that the only value of the crop was the $60,000,000 paid to the farmers for their beets.

This calculation is open to correction on two counts. First, it implies that all benefits of the tariff are confined to continental

United States; and, second, that the total and final value of the beet-sugar production is no more than $60,000,000 a year.

On the contrary, the 32,800,000 one-hundred-pound bags of beet sugar produced last year had a gross value, at $4.50 a bag, of $147,600,000. In addition to the sums paid to the farmers, millions of dollars were expended in freight charges, in wages to the 33,000 employees in offices and factories, in payment for coal, limestone, natural gas, cotton bags, and all the various materials and services that are required in manufacturing. Louisiana and Florida produced 4,720,000 bags with a value of $21,230,000. Hawaii's crop is estimated at 19,252,000 bags with a value of $86,634,000, and Puerto Rico's at 18,320,000 bags, having a value of $82,440,000. The crop of these areas, in other words, had a gross value of $337,904,000, or more than five times the $60,000,000 previously mentioned.

Moreover, I think it is beyond dispute that the preservation of the continental sugar industry is the best, and perhaps the only, protection of consumers against the exorbitant prices that have been charged when overseas producers have complete control of our markets. That situation arose in 1920, and prices at retail reached a peak of 30 cents a pound. It was not until the new crop of beet sugar came into the market in the autumn of that year that these prices were brought down to normal levels. A month after the first beet sugar had made its appearance the price declined to less than 6 cents.

Senator KING. Then may I interrupt you right there? The domestic producers did not join with those foreign associations and corporations that sought to monopolize the market and maintain those extravagant prices.

Mr. KEARNEY. That is correct.

Senator KING. But on the contrary, they brought down the prices to a reasonable level.

Mr. KEARNEY. They came down within 30 days. I can say that the beet-sugar crop was exhausted when the prices had reached around 14 to 16 cents a pound during that period. From then on, the price went on up—I cannot say, but there was very little beet sugar available.

In the meantime hundreds of millions of dollars had been extorted from American consumers for no better reason than that tropical producers had a monopoly of our market.

Beet-sugar production is not a "necessarily expensive industry." If based on the ratio of caloric content to the price and value of food calories contained in a pound of sugar at 5.9 cents per pound, butter should sell over the counter at 10.95 cents per pound, bacon should sell over the counter at 8.45 cents per pound, lamb at 3.95 cents per pound, bread at 3.85 cents per pound, beef at 3.27 cents per pound, eggs at 2.89 cents per pound, and milk at 2.04 cents per quart, and all these foods, except butter and milk, must be prepared and cooked before human consumption. May I ask who expects to buy these commodities over the counter at any such price as above indicated? In the case of sugar, we have it sold now, today, in Washington, for 5 cents per pound over the counter. The major portion of the 5 cents per pound is distributed to the farmer, the field laborer, the laborer in the sugar mills, and the laborer producing the cotton bags and rendering the transportation service. I do not know of any other crop where such a large portion of its selling price is distributed to labor as is the case with sugar, and it has a distinct place in the agricultural program of the Nation.

Part of the great livestock feeding industries in our western irrigated valleys are based on the feeding of beet tops, beet pulp, and molasses, all a direct result of the sugar-beet industry. Millions of the lambs and tens of thousands of the cattle from our western ranges are fed in our western irrigated valleys annually directly because of the beet-sugar industry.

The irrigated valleys of the West that do not grow sugar beets fatten neither cattle nor sheep, except in a very limited way. This great livestock-feeding industry that has developed with the sugar-beet farming furnishes keen competition in the buying of feeders and adds substantially to the market price of feeder livestock. Ask our cattle and sheep men of the great ranges of the West who each fall sell and deliver to us these feeders whether sugar beets are entitled to an unrestricted place in the agricultural economy of the Nation. Many thousands of tons of cottonseed cake from Texas and Oklahoma, and hundreds of cars of corn are bought and fed annually.

The CHAIRMAN. How much more time do you need?

Mr. KEARNEY. I would like to have about 10 minutes more, Mr. Chairman.

The CHAIRMAN. I will give you 10 minutes more.

Mr. KEARNEY. I quote from a statement made by a former President while he was President:

> 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 * * * labor by a tariff duty. * * * The American farmer is thus in the process of building up a great home agricultural industry which at once improves the farmer's soil, enables him to diversify 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 benefits under our national policy of protecting domestic industry.

I quote from another paragraph of the same statement by that President:

> There are economic features of broad national importance, having the greatest bearing upon the welfare of our farmers and our consumers of sugar which are worthy of careful consideration before any steps are taken to disturb present conditions. Our agricultural production today is badly ill-balanced. We produce great surpluses of wheat and some other commodities, for which over a term of years we find a market abroad only with difficulty and loss, and at the same time we produce an insufficiency, and are thus forced to import some other agricultural commodities, of which sugar is by far the most important, and in which at times there are world shortages in supplies. Our export farmers are subject to fortuitous circumstances in other parts of the world over which we can have no control, and our consumers of sugar are likewise affected in both supplies and price by fortuitous circumstances of foreign production.
>
> It is importance 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.
>
> While we cannot expect to arrive at complete, direct or indirect displacement of our excessive wheat acreage by an increase in sugar-beet planting, yet insofor as this may be brought about it is undoubtedly in the interest of American agriculture, and, therefore, of our people as a whole.

American investments in sugar properties in Cuba have been varyingly estimated at from 500 million to one billion dollars. The United States Department of Commerce in 1930, in its publication "American Direct Investments in Foreign Countries", page 20, made the following comment:

"American direct investments in Cuba are the second largest in any single country, amounting to about $919,000,000."

The CHAIRMAN. Your are quoting from what?

Mr. KEARNEY. The United States Department of Commerce publication in 1930, entitled "American Direct Investments in Foreign Countries", page 20.

This is about $480,000,000 less than the estimate made by the Cuban Chamber of Commerce at the end of 1927. There can be little doubt that early estimates, based on inadequate data, were much too high. The study of the Chamber of Commerce, for example, estimated the value of the Cuban sugar properties owned by Americans at $800,000,000, while the data collected in this study totaled but very little over $519,000,000. An omission estimate of $25,000,000 was then added to this, making $544,000,000. The estimate of ~~$600,000,000~~ made by Leland H. Jenks early in 1928 compares better with the present one. Estimates made in 1928 were very likely to reflect the optimism which the prosperity of the sugar industry up to about that time had generated. Profits in Cuban sugar may have justified larger estimates then but they do not now. The figure of $544,000,000 carried in this publication as the value of the American investment in the Cuban sugar industry includes over $190,000,000 of stocks and bonds that were publicly offered in the United States. It does not include the larger sugar railroads and docks.

Mr. Thomas L. Chalbourne, under date of July 9, 1933, wrote from Washington in part as follows:

Seventy percent of the sugar production of the Island of Cuba is owned by Americans in the form of investments in Cuban and American companies (bonds, debentures, stocks), largely scattered among small holders throughout the length and breadth of the United States. This American investment, when made, exceeded 600 million dollars in amount. The present market value of the securities representing this huge sum does not now in the aggregate exceed 50 millions of dollars.

Senator GORE. Will you read the last sentence again?

Mr. KEARNEY. "The present market value of the securities representing this huge sum does not now in the aggregate exceed 50 millions of dollars."

Senator KING. Is that the concession that those holdings shrank from $600,000,000 to $50,000,000?

Mr. KEARNEY. That is as I would take it. I read the exact language.

Senator KING. Was there anything explanatory as to any preceding part of the statement, or any following part of it?

Mr. KEARNEY. There may have been. I have his full letter. I do not have it here. I have it in my room. I would be very glad to incorporate it in the record if it is desired.

Senator KING. I do not ask that, but I would like to see it, if you would permit me to.

Senator GORE. Put it in the record.

Senator KING. Very well.

Mr. KEARNEY. Very well; I will.

If the Unitel States is under obligation to assist Cuba in its time of distress, it is a national obligation to be borne equally by all of the people of the United States and not by one particular area or one special group.

Continental and insular sugar growers are not responsible for disorder in Cuba, for its financial difficulties, or for the reckless expenditure of American millions in the overproduction of sugar. While American citizens are undoubtedly sympathetic with the difficulties now confronting Cuba, we respectfully submit that if their responsibility is a United States responsibility it does not belong exclusively to the sugar-producing areas of the United States, much less especially to the United States sugar beet farmers. Cuba is a foreign nation, with its own flag and its own government. The limitation on American relationship in the Platt amendment, which was enacted more for the benefit of Cuba than for the advantage of the United States. With this exception, America has no more responsibility to Cuba than to any other foreign nation.

In troublesome times like these, Americans should look to their own resources and man-power. It cannot afford to weaken itself in order to bolster foreign investments of domestic capital. The American farmer is the best potential customer the business world ever had. Give the American farmers their own fair share of the American market and a square deal in the division of the proceeds and he will help build the permanent prosperity we are all seeking. Every ton of sugar produced in the United States means the expenditure of at least treble the amount that will be spent in the United States from a like ton of sugar produced in any tropical foreign country.

Senator GORE. Will you read that again, please, just the last sentence?

Mr. KEARNEY. Every ton of sugar produced in the United States means the expenditure of at least treble the amount that there will be spent in the United States from a like ton of sugar produced in any foreign country.

Senator GORE. I did not get the point of that.

Mr. KEARNEY. My time is going on here, but I would be very glad to suggest, Senator,——

Senator KING. I did not mean to interrupt you.

Mr. KEARNEY. The point is that there seems to be a feeling that the trade with Cuba that permits them to produce sugar will enlarge the sale for domestic agricultural products. That is true, but it cannot enlarge the sale for domestic agricultural products if you take that same ton and restrict its production within the United States, because only a part of that comes back to the United States, Senator, and all of the value of a ton of sugar produced in the United States is spent here. Was that all that you wished?

Senator GORE. Yes. I won't bother you any more.

Mr. KEARNEY. I realize that foreign trade is important to the welfare of our country, but it is a stroke of good fortune if 100 cents of any dollar spent in a foreign country returns to us in the purchase of American goods. But I can assure you that every penny paid to the beet farmers of the United States is spent at home, and I think it is fairly safe to assume that they buy proportionately as many automobiles and radios, as many shoes and clothes, and as much lard and pork as the sugar producers of the tropics.

These men who are here with me are all producers and farmers of sugar beets. They are, we believe, thoroughly representative men from the West. We are here pleading with you that our President "new deal" may be made a fair deal for our sugar-beet farmers and laborers. We speak the same language as do you men of the Congress. We want and ask only the right for our people to live and maintain our families and homes at an American living standard. This problem can be, and we have no doubt will be, met honestly and fairly. Unless it is, we have failed.

The CHAIRMAN. Thank you.

Senator KING. I would like to ask one question.

Mr. KEARNEY. May I include the statistics I have?

The CHAIRMAN. Yes, sir; you may put it all in the record.

Senator KING. When you state, Mr. Witness, that you are not opposed to the placing of sugar in the category of basic agricultural commodities, I assume that you make that statement with the understanding that it is only for temporary purposes and that there shall not be an increased diminution year by year while that is in force, of the production of beet sugar in the United States.

Mr. KEARNEY. That is correct, and my understanding is that this is strictly emergency legislation.

Senator KING. You would oppose it, however, if it were to be of indefinite duration, and if the opportunity were given, or rather the discretion were given, to the Agricultural Department to make reductions and limitations in the domestic production year by year?

Mr. KEARNEY. We would certainly, most vigorously in that case, oppose it.

Senator KING. You are accepting it as a sort of a dernier resort now.

Mr. KEARNEY. Yes, sir. We have three amendments that we would like to submit for the record, that we propose also, if we may.

The CHAIRMAN. Yes.

(The witness filed the following proposed amendments:)

The Secretary is hereby directed to conduct, at a suitable time each year, a survey of the sugar, molasses, and sirup production in the United States and to determine and announce after such survey the probable amount of production of such products within the United States during the ensuing 12 months.

He shall also determine and announce the probable amount of consumption of such products in the United States for the same ensuing 12 months.

After the Secretary has determined and announced the probable production of said products in the United States, and the probable consumption within the United States, he is hereby directed to allocate the difference between probable consumption and the probable production in the United States to the various sources of supply outside the United States in such amounts as will balance the supply with consumption in the United States.

In order to more fully effectuate the declared purpose of the Agricultural Adjustment Act as set forth in the "declaration of policy", and to ensure the equitable division between sugar beet or sugarcane producers and/or growers and the processsors of sugar beets and sugarcane of all the proceeds which may be derived from the processing and marketing of such sugar beets and sugarcane, and all the byproducts thereof, the Secretary, upon request of any growers' association or of any processor of sugar beets or sugarcane, is hereby directed promptly to adjudicate any dispute as to any of the terms under which sugar beets or sugarcane are grown or are to be grown and the sugar and byproducts are to be processed and/or marketed, and the decision of the Secretary shall be final.

AMENDMENT

On page 8, after line 10, insert the following new sections:

SECTION —. Subsection (a) of section 12 of the Agricultural Adjustment Act, as amended, is amended by adding at the end thereof the following new paragraph:

PAR. 4. To enable the Secretary of Agriculture to make parity payments to producers of sugar beets and sugarcane in the United States with respect to the 1933 sugar beet and sugarcane crops, there is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, the sum of $25,000,000.

(The witness filed the following statistics and memoranda:)

MEMORANDUM A

1. World sugar production and world sugar requirements. The world consumption of sugar is now about 24,000,000 tons a year. World production in recent years is shown in table 1 and table 1a, both issued by the United States Tariff Commission.

2. Breakdown of production by countries. (See table 1 and table 1a attached.)

3. Normal beet-sugar and cane-sugar production in the United States. (See table 1.)

4. Normal tonnage of beets and normal tonnage of cane:

	Beets	Cane [1]		Beets	Cane [1]
	Tons	*Tons*		*Tons*	*Tons*
1933-34 (estimated)	11,500,000	2,690,000	1930-31	9,199,000	2,599,000
1932-33	9,070,000	2,886,000			
1931-32	7,903,000	2,310,000	Average	9,418,000	2,621,850

[1] Louisiana only.

5. Breakdown by States of beet- and cane-sugar production:

Production of beet sugar by States is shown in table 2. Since Louisiana produces virtually all cane grown in the United States, the production for that State (see par. 4) is the dominant factor.

6. The number of acres grown to beets in each of the last four crop years follows:

1933-34	1,065,000	1930-31	775,000
1932-33	764,000		
1931-32	713,000	Average	819,250

The Louisiana cane area averages about 150,000 acres.

7. Capital invested in beet-sugar industry and Louisiana cane-sugar industry, exclusive of lands:

The investment in the beet-sugar industry is roughly $250,000,000; in the Southern cane-sugar industry, $1,500,000,000.

8. Capital invested in producing lands by respective industries:

Since the beet acreage of 1 year produces wheat or corn the next, it is difficult to calculate exactly how large a sum is invested in beet land. Yet if the 1,200,000 acres devoted to beets and Louisiana cane in 1933 were valued at $100 an acre, the total investment would reach $120,000,000.

9. Approximate number of investors and stockholders in each industry:

This it is impossible to answer definitely. Some of the larger companies, however, have 8,000 to 10,000 stockholders.

10. Number of beet growers and number employed in growing:

Latest reports from Dr. John Lee Coulter shows slightly more than 72,000 farmers, plus 159,000 farm hands employed in growing the crop.

11. Approximate period of employment:

Each acre of beets requires about 5 days of work in thinning, hoeing, and harvesting, which gives a man tending 10 acres about 2 months of work.

12. Employees engaged in refining beet and cane sugar grown in the United States:

The beet-sugar industry in 1933 employed about 33,000 at factories, offices, beet dumps, etc. The southern cane-sugar mills employ about 5,000.

13. Approximate term of employment:

The processing of beets requires from 100 to 135 days, working 24 hours a day. In the period between manufacturing campaigns the staff of employees, of course, is greatly reduced. In the southern raw sugar mills the period of employment is about 75 days.

14. Number of beet-sugar plants and cane-sugar plants now installed, and number operating:

There are 103 beet-sugar mills, 85 of them operating in 1933. Louisiana has 132 raw-sugar mills, 63 in operation.

15. Collateral breakdown of industries identified with sugar industry.

The estimated expenditures of beet-sugar manufacturers of the United States during the campaign of 1933–34, were as follows:

Total paid farmers for beets	$55,000,000
Total paid for fuel	2,122,000
Total paid for limerock	982,000
Total paid for bags	3,896,000
Total paid for other supplies	4,992,000
Total paid for new installations (material only)	526,000
Total paid for wages in and about factories	11,121,000
Total paid for office help, field and factory superintendence, managers, and officers	4,538,000
Total paid for freight in and out on beets, supplies, sugars, molasses, and pulp	31,410,000
Total paid for taxes, brokerage, insurance, and all other items	7,893,000
Total expenditures	122,480,000

The estimated consumption of certain commodities by beet-sugar manufacturers of the United States, 1933–34, follow:

1,620,000 tons of coal.
648,000 tons of limestone.
59,400 tons of coke.
54,840,000 square yards of cotton cloth for sugar bags.
909,000 square yards of cotton duck for filters.

16. To what extent is child labor used in the beet-sugar industry in this country?

Child labor has never been used in the processing of sugar beets, and the supposed prevalence of child labor in the beet fields is always vastly exaggerated. At present plans are being made to abolish entirely the use of children in the field.

17. What is the average annual amount paid to farmers for beets?

The yearly payments have been as low as $40,000,000 and as high as $100,000,000, depending on the price of sugar.

18. If beet growing were discontinued, to what other use could lands profitably be put?

Under present conditions it is doubtful if these lands could be put to any profitable use. Planted to cereal crops the land would serve only to destroy the present system of rotation and add millions of bushels to the oversupply of those crops which we now produce in surplus quantities.

19. Economic importance of the beet-sugar industry to western States:

For farmers in arid section of the Mountain States the sugar beet is not only a desirable crop, but a necessary one. Its importance is indicated by the fact that three fourths of all American beet sugar is produced on irrigated land west of the Mississippi, and the yields there consistently average 50 percent greater than in dry-farming districts. The adaptability of the beet to western agriculture is exceeded only by its usefulness. The reasons can be summarized briefly:

First. The beet contract assures to the farmer an immediate market, and a responsible purchaser at a price which, in ordinary circumstances, is known months in advance. This advantage prevails in few crops anywhere, and in none that can be grown successfully in irrigated districts.

Second. Because the income from beets can be so readily calculated the growing crop has a definite loan value. The beet farmer finds it relatively easy to finance his other operations through local banks.

Third. The stability of market and price give the grower an anchor to windward in planning other crops. He can afford "gambling" crops.

Fourth. The beet is hardy. Better than any other crop it can withstand the hailstorms to which western States are subjected.

Fifth. The beet requires an extended growing season. The peak loads of planting, thinning, and harvesting are so distributed that they interfere with no other crop.

Sixth. The beet provides the most hours of productive labor—six times as much, for instance, as corn. In a period of acute unemployment this consideration takes on more than ordinary significance.

To these points must be added the most striking advantage of all—the sugar is a concentrated commodity, its value comparatively high in relation to its bulk. Since farmers far removed from primary markets are always confronted by adverse freight rates, this factor is one of utmost significance.

Distance from the general centers of population imposes still another limitation on these farmers. Their products, to a large extent, must be stable and nonperishable. If wheat and corn cannot be grown profitably the western farmer cannot turn to a truck crop. In this situation, obviously, the importance of the beet is magnified.

TABLE I.—*Sugar: Summary statistics of world sugar production, crop-years from 1906–7 to 1932–33, inclusive*

[Includes estimates revised to July 1933. (Short tons)]

CANE SUGAR PRODUCTION

Crop year	Continental United States	United States insular areas				Total insular	Total cane, continental United States and insular
		Hawaii	Virgin Islands	Puerto Rico	Philippines		
1932–33 (preliminary)	258,759	1,008,000	45,600	840,000	1,283,370	3,136,970	3,395,729
1931–32	180,239	1,025,352	4,577	992,430	1,100,709	3,123,068	3,303,307
1930–31	210,094	996,289	2,016	787,795	876,201	2,663,300	2,672,394
1929–30	199,610	924,998	6,424	806,107	866,515	2,664,044	2,863,654
1928–29	132,054	945,797	4,252	593,730	829,905	2,373,684	2,505,738
1927–28	70,792	904,042	11,829	751,331	697,428	2,364,630	2,435,422
1926–27	47,165	811,331	7,926	630,201	654,347	2,103,805	2,150,870
5-year average	131,943	916,492	6,489	725,833	784,879	2,433,693	2,565,636
1925–26	139,381	789,992	6,344	606,463	489,109	1,891,908	2,031,289
1924–25	88,482	775,940	8,064	660,531	650,792	2,095,327	2,183,809
1923–24	162,024	701,432	2,612	447,972	417,012	1,560,028	1,731,052
1922–23	295,095	536,909	1,948	379,071	295,049	1,213,067	1,508,162
1921–22	324,429	562,458	5,600	405,935	378,739	1,352,732	1,677,161
5-year average	201,882	673,364	4,914	499,995	446,140	1,624,413	1,826,295
1920–21	169,116	564,562	5,040	491,113	286,544	1,347,259	1,516,375
1919–20	120,999	569,485	13,888	485,884	234,457	1,303,714	1,424,713
1918–19	285,528	601,710	10,080	406,132	218,724	1,236,646	1,522,174
1917–18	244,719	573,858	6,048	463,633	242,211	1,285,750	1,530,469
1916–17	310,900	649,785	8,721	502,395	226,974	1,387,875	1,698,775
5-year average	226,252	591,880	8,756	469,831	241,782	1,312,249	1,538,501
1915–16	138,620	593,483	16,520	483,095	372,017	1,465,115	1,603,735
1914–15	246,514	646,448	5,040	345,159	232,601	1,229,248	1,475,762
1913–14	300,537	617,036	6,496	364,024	260,692	1,248,248	1,548,785
1912–13	162,574	546,799	7,503	398,002	173,825	1,126,129	1,288,702
1911–12	360,874	595,258	7,923	411,202	213,586	1,227,969	1,588,843
5-year average	241,823	599,805	8,697	400,296	250,544	1,259,342	1,501,165
1910–11	355,040	566,828	16,800	330,400	228,238	1,142,266	1,497,306
1909–10	375,200	518,126	16,800	344,960	130,048	1,009,934	1,385,134
1908–9	414,400	535,155	15,680	283,222	137,993	972,050	1,386,450
1907–8	394,240	521,123	14,560	224,000	151,619	911,302	1,305,542
1906–7	272,160	440,016	14,560	235,200	136,614	826,390	1,098,550
5-year average	362,208	516,250	15,680	283,556	156,902	972,388	1,334,596

Basic figures from Weekly Statistical Sugar Trade Journal revised to issue of July 13, 1933 (p. 287).

TABLE I.—*Sugar: Summary statistics of world sugar production, crop-years from 1906-7 to 1932-33, inclusive*—Continued

CANE SUGAR PRODUCTION—Continued

Crop year	Cuba	Continental U.S., insular, and Cuba	Java	British India	All other countries, cane	Total cane, all countries
1923-33 (preliminary)	[1] 2,234,488	5,630,217	[1] 1,490,707	5,209,120	6,050,128	18,380,172
1931-32	2,915,208	6,218,515	2,377,717	4,446,400	6,361,941	19,904,573
1930-31	3,496,848	6,369,242	3,134,734	3,604,160	6,100,416	19,208,552
1929-30	5,231,811	8,095,465	3,273,771	3,092,320	5,884,977	20,346,534
1928-29	5,775,073	8,280,811	3,242,264	3,063,200	5,683,610	20,269,885
1927-28	4,493,123	6,928,545	3,291,864	3,601,920	5,280,461	19,102,790
1926-27	5,045,282	7,196,252	2,643,288	3,645,600	4,896,770	18,381,910
5-year average	4,808,428	7,374,063	3,117,184	3,401,440	5,569,247	19,461,934
1925-26	5,470,817	7,502,106	2,230,357	2,334,240	4,894,104	17,960,807
1924-25	5,741,087	7,924,896	2,552,368	2,853,760	4,471,752	17,802,776
1923-24	4,554,639	6,285,601	2,214,789	3,715,040	3,957,562	16,173,082
1922-23	4,035,259	5,543,421	1,984,384	3,409,280	3,826,441	14,763,526
1921-22	4,475,953	6,153,114	1,956,500	2,836,400	3,398,031	14,344,045
5-year average	4,855,551	6,681,846	2,187,679	3,229,744	4,109,579	16,208,848
1920-21	4,408,365	5,924,740	1,847,563	2,807,078	2,955,452	13,534,833
1919-20	4,177,686	5,602,399	1,689,806	3,415,056	3,180,870	13,888,131
1918-19	4,448,389	5,970,563	1,496,055	2,654,400	2,768,350	12,889,368
1917-18	3,859,613	5,390,082	1,959,337	3,708,320	2,808,821	13,866,560
1916-17	3,386,566	5,085,341	1,991,746	3,055,360	2,769,408	12,901,855
5-year average	4,056,124	5,594,625	1,796,901	3,128,043	2,896,580	13,416,149
1915-16	4,146,025	5,748,760	1,787,715	2,953,300	1,858,276	12,348,051
1914-15	2,903,787	4,379,549	1,342,395	2,755,842	2,804,685	11,282,471
1913-14	2,909,460	4,458,245	1,459,411	2,566,480	2,527,888	11,012,024
1912-13	2,719,961	4,008,664	1,425,107	2,893,032	2,011,115	10,338,518
1911-12	2,123,502	3,712,345	1,490,922	2,745,232	2,256,168	10,204,667
5-year average	2,960,347	4,461,512	1,501,110	2,782,898	2,291,626	11,037,146
1910-11	1,661,465	3,158,771	1,562,400	2,493,568	2,404,210	9,618,949
1909-10	2,020,871	3,406,005	1,376,592	2,382,352	2,196,578	9,361,527
1908-09	1,695,212	3,081,662	1,344,692	2,097,648	1,979,455	8,503,457
1907-08	1,077,393	2,382,935	1,390,911	2,292,528	1,777,066	7,843,440
1906-07	1,598,994	2,697,544	1,295,254	2,469,936	1,008,424	8,371,158
5-year average	1,610,787	2,945,383	1,393,870	2,347,206	2,053,147	8,739,706

BEET-SUGAR PRODUCTION

Crop year	United States [2]	Canada	Europe	Total beet sugar	Total cane and beet sugar, all countries
1923-33 (preliminary)	1,351,455	64,152	7,294,743	8,710,350	27,090,522
1931-32	1,148,243	54,044	8,328,590	9,530,877	29,435,450
1930-31	1,204,771	45,867	11,435,068	12,685,706	31,894,258
1929-30	1,009,919	31,213	9,214,461	10,255,593	30,602,126
1928-29	1,051,277	32,320	9,485,830	10,569,427	30,839,312
1927-28	1,081,070	30,477	8,995,700	10,107,246	29,210,036
1926-27	897,396	35,193	7,696,519	8,629,107	27,011,017
5-year average	1,048,886	35,014	9,365,516	10,449,416	29,911,350
1925-26	900,972	36,372	8,347,688	9,285,032	27,245,839
1924-25	1,091,087	40,544	7,933,036	9,064,667	26,867,443
1923-24	881,683	18,480	5,664,692	6,564,855	22,737,937
1922-23	689,848	13,888	5,123,244	5,920,980	20,590,506
1921-22	1,020,533	21,203	4,490,805	5,532,541	19,876,586
5-year average	916,824	26,097	6,311,893	7,254,814	23,463,662
1920-21	1,085,749	38,752	4,149,532	5,274,033	18,808,866
1919-20	731,312	18,480	2,916,862	3,666,654	17,554,785
1918-19	755,879	24,976	3,568,108	4,348,963	17,238,331
1917-18	764,811	12,600	4,832,920	5,610,331	19,476,891
1916-17	822,726	14,000	5,628,882	6,465,608	19,367,463
5-year average	832,096	21,762	4,219,261	5,073,118	18,489,207
1915-16	873,327	19,758	6,109,267	7,002,352	19,350,403
1914-15	723,808	15,656	8,564,127	9,303,591	20,586,062
1913-14	733,934	13,076	8,924,125	9,671,135	20,683,159
1912-13	698,952	13,385	9,276,538	9,988,875	20,327,393
1911-12	606,033	10,665	7,099,274	7,715,972	17,920,630
5-year average	727,210	14,509	7,994,666	8,736,385	19,773,531
1910-11	509,846	....	9,077,741	9,587,587	19,206,536
1909-10	504,666	....	6,873,340	7,378,006	16,739,533
1908-9	430,091	....	7,329,129	7,759,220	16,262,677
1907-8	493,024	....	7,349,747	7,842,771	15,686,211
1906-7	484,971	....	7,516,105	8,036,076	16,372,234
5-year average	484,520	....	7,629,213	8,113,733	16,853,439

[1] Under international agreement. [2] Beet-sugar crop of United States is shown on refined basis.

TABLE 1a.—*Sugar: Detailed statistics by countries of the sugar crops of the world, in recent years (revised to July 1933)*

	Harvesting period	1932-33 short tons	1931-32 short tons	1930-31 short tons
CANE SUGAR				
United States:				
Louisiana	October-January	222,759	156,614	183,694
Florida	December-April	36,000	23,625	26,400
Puerto Rico	January-June	840,000	992,430	787,795
Hawaiian Islands	November-June	1,008,000	1,025,352	996,289
Virgin Islands	January-June	5,600	4,577	2,016
Cuba	December-June	[1] 2,234,488	[1] 2,915,208	3,496,848
British West Indies		112,000	109,272	110,402
Trinidad	January-June	112,000	92,774	110,402
Barbadoes	do	62,720	65,527	56,175
Jamaica	do	29,120	21,538	5,826
Antigua	February-July	22,400	22,365	16,766
St. Kitts	February-August	8,960	6,910	8,235
Other British West Indies	January-June			
French West Indies:				
Martinique	January-July	40,320	46,883	42,029
Guadeloupe	do	33,600	39,199	27,328
San Domingo	January-June	470,400	478,936	406,236
Haiti	December-June	24,640	23,461	21,068
Mexico	do	198,240	260,131	291,898
Central America:				
Guatemala	January-June	44,800	44,800	44,028
Other Central America	do	100,800	80,640	104,970
South America:				
Demerara	October, December and May and June.	151,200	166,325	141,280
Surinam	October-January	19,040	15,680	18,480
Venezuela	October-June	22,400	20,160	21,999
Ecuador	June-January	22,400	26,244	23,210
Peru	January-December.	448,000	443,402	543,286
Argentina	June-November	390,018	388,046	427,607
Brazil	October-September.	1,064,000	1,092,000	1,032,785
Total in America		7,723,905	8,562,099	8,903,940
British India	December-May	5,209,120	4,446,400	3,604,160
Java	May-November	[1] 1,490,707	[1] 2,877,717	3,134,734
Formosa and Japan	November-June	924,000	1,285,256	1,040,201
Philippine Islands	do	1,283,370	1,100,709	876,201
Total in Asia		8,907,197	9,710,082	8,655,296
Australia	June-November	596,532	677,837	603,278
Fiji Islands	do	143,172	89,292	104,000
Total in Australia and Polynesia		739,704	767,129	707,278
Egypt	January-June	140,000	161,685	134,259
Mauritius	August-January	273,280	182,795	247,475
Reunion	do	60,829	48,072	56,465
Natal	May-January	401,977	364,784	393,009
Mozambique	May-October	106,400	79,098	85,421
Total in Africa		982,486	836,434	916,629
Europe, Spain	December-June	26,880	28,829	25,409
Total cane sugar crops		18,380,172	19,904,573	19,208,552
BEET SUGAR				
Europe:				
Germany	September - January.	1,232,000	1,755,087	2,832,022
Czechoslovakia	do	705,600	898,152	1,260,773
Austria	do	184,800	182,076	168,301
Hungary	do	117,600	140,281	262,272
France	do	1,120,000	975,079	1,348,098
Belgium	do	291,200	228,306	317,222
Holland	do	274,400	195,541	335,466
Russia and Ukraine	do	1,120,000	1,693,440	1,876,784
Poland	do	472,796	559,188	886,985
Sweden	September - December.	263,593	160,844	208,919
Denmark	September - January.	212,800	136,640	187,936
Italy	August-October	364,000	412,021	470,673

[1] Crop restricted under international agreement.

TABLE 1a.—*Sugar: Detailed statistics by countries of the sugar crops of the world, in recent years (revised to July 1933)*—Continued

	Harvesting period	1932-33 short tons	1931-32 short tons	1930-31 short tons
BEET SUGAR—continued				
Europe—continued.				
Spain	July-February	253,120	449,331	380,616
Switzerland	September - January.	6,720	6,832	6,389
Bulgaria	do	32,828	32,268	65,112
Roumania	do	72,800	54,369	170,274
Great Britain and Ireland [2]	do	376,726	271,969	481,472
Jugoslavia	do	95,200	100,903	110,083
Other countries	do	98,560	76,263	65,671
Total in Europe [3]		7,294,743	8,328,590	11,435,068
United States, beet [2]	July-January	1,351,455	1,148,243	1,204,771
Canada, beet [2]	October - December.	64,152	54,044	45,867
Total beet sugar crops		8,710,350	9,530,877	12,085,706
Total, cane and beet sugar		27,090,522	29,435,450	31,894,258
Estimated decrease in the world's production		2,344,928	2,458,808	[4] 1,202,132

[2] Refined sugar.
[3] European beet crop figures estimated principally by F. O. Light.
[4] Increase.

TABLE 2.—*Sugar beets and beet sugar: Total United States production 1901–32 and production by States, 1928–32*

Yearly average or year and State	Acres harvested	Crop (1,000 tons)[1]	Tons per acre	Price per ton	Number of factories	Beets used (1,000 tons)	Sugar made (1,000 tons)
United States:							
1901-5	227,841	2,079	9.22	$4.89	45	2,079	240
1906-10	386,052	3,910	10.13	[2] 5.18	63	3,910	479
1911-15	541,000	5,732	10.66	5.63	67	5,477	724
1916-20	698,000	6,623	9.50	9.38	88	6,200	832
1921-25	693,000	6,968	10.14	7.53	88	6,606	916
1926-30	701,000	7,718	11.00	7.32	80	7,402	1,055
1922	530,000	5,183	9.77	7.91	81	4,963	675
1923	657,000	7,006	10.66	8.99	89	6,585	881
1924	815,000	7,489	9.20	7.99	90	7,075	1,090
1925	647,000	7,381	11.40	6.39	88	6,993	913
1926	677,000	7,223	10.67	7.61	78	6,782	897
1927	721,000	7,753	10.75	7.67	83	7,443	1,093
1928	644,000	7,101	11.00	7.11	82	6,880	1,061
1929	688,000	7,315	10.6	7.08	79	7,117	1,018
1930	775,000	9,199	11.9	7.14	78	8,789	1,208
1931	713,000	7,903	11.1	5.94	66	7,659	1,156
1932	764,000	9,070	11.9	5.10	75	8,856	1,357
California:							
1928	49,000	638	13.0	8.03	5	630	103
1929	46,000	545	11.8	7.28	5	524	91
1930	65,000	768	11.8	7.46	5	753	124
1931	89,000	1,060	11.9	7.40	6	1,045	166
1932	104,000	1,288	12.4		6	1,282	213
Colorado:							
1928	179,000	2,394	13.4	6.97	17	2,410	384
1929	210,000	2,612	12.4	6.93	17	2,565	348
1930	242,000	3,312	13.7	6.91	17	3,126	407
1931	224,000	2,532	11.3	5.44	17	2,423	370
1932	156,000	1,777	11.4		17	1,701	277
Idaho:							
1928	27,000	297	11.0	7.44	6	317	53
1929	48,000	492	10.2	7.17	8	492	79
1930	44,000	446	10.1	7.41	7	427	66
1931	33,000	301	9.1	6.08	5	287	46
1932	53,000	709	13.4		7	661	108
Michigan:							
1928	71,000	452	6.4	7.22	12	458	64
1929	52,000	300	5.8	7.94	9	364	57
1930	74,000	513	6.9	8.08	10	507	86
1931	58,000	581	10.0	6.33	6	600	83
1932	122,000	1,215	10.0		11	1,216	171

Source: Statistical Abstract of the United States, 1932.
[1] Beets used 1901–12.
[2] 4-year average.

TABLE 2.—*Sugar beets and beet sugar: Total United States production 1901–32 and production by States, 1928–32*—Continued

Yearly average or year and State	Acres harvested	Crop (1,000 tons)	Tons per acre	Price per ton	Number of factories	Beets used (1,000 tons)	Sugar made (1,000 tons)
Montana:							
1928	28,000	258	9.2	$7.36	4	275	44
1929	38,000	386	10.2	7.29	4	348	54
1930	45,000	572	12.7	7.32	4	522	75
1931	56,000	617	11.4	6.01	4	600	92
1932	54,000	739	13.7	....	4	701	108
Nebraska:							
1928	86,000	1,021	11.9	6.98	7	975	146
1929	92,000	1,054	11.5	6.96	7	1,068	140
1930	81,000	1,136	14.0	6.95	7	1,095	136
1931	65,000	891	13.7	5.46	7	872	126
1932	66,000	877	13.3	....	7	815	113
Ohio:							
1928	38,000	266	7.0	7.13	5	238	31
1929	20,000	174	8.7	7.55	4	121	17
1930	31,000	286	9.2	7.75	4	223	33
1931 [3]	....	....	....	....	....	....	....
1932	26,000	259	10.0	....	3	251	42
Utah:							
1928	51,000	637	12.5	7.03	11	568	90
1929	45,000	565	12.6	7.05	10	523	77
1930	44,000	553	12.6	7.00	8	517	78
1931	49,000	505	10.3	5.82	7	491	77
1932	56,000	846	15.1	....	7	822	128
Wisconsin:							
1928	8,000	74	9.2	7.35	3	86	12
1929	8,000	56	7.0	7.29	3	65	10
1930	12,000	102	8.5	7.53	3	115	15
1931 [3]	....	....	....	....	....	....	....
1932	....	....	....	....	....	....	....
Wyoming:							
1928	44,000	462	10.5	7.21	4	368	59
1929	47,000	487	10.4	7.18	4	441	66
1930	46,000	646	14.0	7.19	5	657	94
1931	49,000	552	11.3	5.71	5	532	85
1932	40,000	506	12.6	....	5	537	85

[3] Data for 1931 cannot be shown without disclosing operations of individual factories.

TABLE B.—*Sugar: Estimate of quantity of raw cane sugar (or its equivalent) from each principal crop source used in supplying domestic consumption in the United States during years 1929 to 1933, inclusive, with averages*

CROP SOURCES OF SUGAR USED IN MAKING DELIVERIES FOR DOMESTIC CONSUMPTION AND/OR USE

[In short tons, round figures]

Period	Total all crop sources (does not include sugar reported as such)[1]	Grown in continental United States		
		Beet	Cane	Beet and cane combined
Approximate quantity used by all manufacturers marketing sugar for domestic (United States) consumption and/or use				
Calendar years:				
1933	6,516,000	1,366,000	515,000	1,681,000
1932	6,248,500	1,318,500	160,000	1,478,500
1931	8,561,500	1,343,000	206,000	1,549,000
1930	6,710,500	1,140,500	197,500	1,538,000
1929	[3] 6,964,000	1,026,500	189,000	1,215,500
Yearly averages:				
1931–33	6,375,500	1,342,500	227,000	1,569,500
1929–33	6,560,000	1,239,000	213,500	1,452,500

Footnotes at end of table.

TABLE B.—*Sugar: Estimate of quantity of raw cane sugar (or its equivalent) from each principal crop source used in supplying domestic consumption in the United States during years 1929 to 1933, inclusive, with averages*—Continued

Period	Grown in United States insular areas				
	Puerto Rico	Hawaii	Philippine Islands	Virgin Islands	Total
Calendar years:					
1933	791,000	989,500	1,241,000	4,500	3,026,000
1932	910,500	1,024,000	1,042,000	4,500	2,981,000
1931	748,500	967,000	816,000	2,000	2,532,500
1930	780,000	806,000	804,500	6,000	2,396,500
1929	460,000	928,500	724,500	4,000	2,117,000
Yearly averages:					
1931-33	817,000	993,500	1,032,000	3,500	2,846,500
1929-33	738,000	943,000	925,500	4,000	2,610,500

Period	Grown in foreign countries			Exports [3] (not included elsewhere)
	Cuba	All other foreign countries	Total	
Calendar years:				
1933	1,601,000	8,000	1,609,000	54,000
1932	1,762,500	26,500	1,789,000	52,500
1931	2,440,000	40,000	2,480,000	56,500
1930	2,945,500	30,500	2,976,000	83,500
1929	3,613,000	17,500	3,630,500	110,000
Yearly averages:				
1931-33	1,934,500	25,000	1,959,500	54,500
1929-33	2,472,500	24,500	2,497,000	71,500

Period	Total, all crop sources (does not include sugar exported as such)[1]	Grown in continental United States		
		Beet	Cane	Beet and cane combined
Calendar years:				
1933	5,386,000	1,366,000	166,500	1,532,500
1932	5,446,000	1,318,500	107,500	1,426,000
1931	5,935,000	1,343,000	150,000	1,493,000
1930	6,173,000	1,140,500	128,000	1,268,500
1929	6,382,500	1,026,500	158,500	1,185,000
Yearly averages:				
1931-33	5,569,500	1,342,500	141,500	1,484,000
1929-33	5,865,000	1,239,000	142,000	1,381,000

Period	Grown in United States insular areas				
	Puerto Rico	Hawaii	Philippine Islands	Virgin Islands	Total
Calendar years:					
1933	657,000	965,000	1,161,500	4,500	2,788,000
1932	791,500	998,000	980,500	4,500	2,774,500
1931	666,000	956,000	765,000	2,000	2,389,000
1930	702,000	787,500	775,500	6,000	2,271,000
1929	414,000	918,000	710,000	4,000	2,046,000
Yearly averages:					
1931-33	705,000	973,000	968,500	3,500	2,650,000
1929-33	646,000	925,000	878,500	4,000	2,453,500

Footnotes at end of table.

TABLE B.—*Sugar: Estimate of quantity of raw cane sugar (or its equivalent) from each principal crop source used in supplying domestic consumption in the United States during years 1929 to 1933, inclusive, with averages*—Continued

Period	Grown in foreign countries			Exports [2] (not included elsewhere)
	Cuba	All other foreign countries	Total	
Calendar years:				
1933	1,065,500	....	1,065,500	(3)
1932	1,235,500	12,000	1,247,500	(3)
1931	2,019,000	34,000	2,053,000	(3)
1930	2,624,500	9,000	2,633,500	(3)
1929	3,149,500	1,500	3,151,000	(3)
Yearly averages:				
1931-33	1,440,000	15,500	1,455,500	(3)
1929-33	2,019,000	11,500	2,030,500	(3)

[1] Approximate quantity used by cane-sugar refiners and beet-sugar factories in continental United States.

Period	Total, all crop sources (does not include sugar reported as such) [1]	Grown in continental United States		
		Beet	Cane	Beet and cane combined
Approximate quantity used by domestic, insular, and foreign manufacturers of "white" sugar and other sugar marketed for direct consumption [4]				
Calendar years:				
1933	930,000	....	[5] 148,500	....
1932	800,500	....	[5] 52,500	....
1931	626,500	....	[5] 56,000	....
1930	537,500	....	[5] 69,500	....
1929	580,500	....	[5] 30,500	....
Yearly averages:				
1931-33	786,000	....	[5] 85,500	....
1929-33	695,000	....	[5] 71,500	....

Period	Grown in United States insular area				
	Puerto Rico	Hawaii	Philippine Islands	Virgin Islands	Total
Calendar years:					
1933	134,000	24,500	79,500	....	238,000
1932	119,000	26,000	61,500	....	206,500
1931	82,500	11,000	50,000	....	143,500
1930	78,000	18,500	29,000	....	125,500
1929	46,000	10,500	14,500	....	71,000
Yearly averages:					
1931-33	112,000	20,500	64,000	....	196,500
1929-33	92,000	18,000	47,000	....	157,000

Footnotes at end of table.

TABLE B.—*Sugar: Estimate of quantity of raw cane sugar (or its equivalent) from each principal crop source used in supplying domestic consumption in the United States during years 1929 to 1933, inclusive, with averages*—Continued

Period	Grown in foreign countries			Exports [2] (not including elsewhere
	Cuba	All other foreign countries	Total	
Calendar years:				
1933	[6] 535,500	8,000	543,500	....
1932	[6] 527,000	14,500	541,500	....
1931	[6] 421,000	6,000	427,000	....
1930	[6] 321,000	21,500	342,500	....
1929	[6] 463,000	16,500	479,500	....
Yearly averages:				
1931-33	[6] 494,500	9,500	504,000	....
1929-33	[6] 453,500	13,000	466,500	....

[1] It should be noted that the quantities reported in this column represent the weight of raw cane sugar (or its equivalent in the case of beet sugar). It is not the weight of the sugar as marketed for actual consumption and/or use.
[2] Detailed crop sources of sugar exported are not available, probably all (or nearly all) were made from foreign-grown crops.
[3] Includes 1,000 tons from miscellaneous sources not shown elsewhere in the table.
[4] All sugars in this part of the table were processed in the respective areas where the several crops were grown. These figures include some raw cane sugar marketed for direct consumption.
[5] Louisiana plantation refined sugar marketed direct to the trade.
[6] Includes Cuban raw sugars marketed principally for direct consumption in quantity approximately as follows: In 1933, 13,500 (short) tons; in 1932, 17,500 tons; in 1931, 41,500 tons; in 1930, 20,000 tons; and in 1929, 123,500 tons.

NOTE.—Basic data from Willett & Gray's Weekly Statistical Sugar Trade Journal.

(Telegrams submitted by Mr. Kearney are as follows:)

BILLINGS, MONT., *February 22, 1934.*

CHARLES M. KEARNEY,
Harrington Hotel, Washington, D.C.:

We represent sugar-beet farmers of five sugar factory districts in Montana and Wyoming. We urgently request that you vote for no restriction on continental sugar production and that you use your influence to preserve American market for our own producers and not throw it open to any foreign country. Also, we urgently request that you give unqualified endorsement to program outlined by our representatives from National Beet Growers Association now in Washington by supporting the three amendments proposed by them to be made to Costigan bill.

MONTANA-WYOMING BEET GROWERS ASSOCIATION,
F. E. HUDDLESTON, *President.*

SCOTTS BLUFF, NEBR., *February 19, 1934.*

CHAS. M. KEARNEY,
Care of Harrington Hotel, Washington, D.C.:

Our campaign pledges and Roosevelt's Baltimore speech were directly opposed to the present sugar acreage curtailment program. If the Democrats are ever to win another election here, the sugar industry must not be knifed now. An increased acreage of beets means a lessening of production of those products where there is now a surplus. We ask a fair deal.

R. O. CHAMBERS,
Chairman Democratic Central Committee.

SCOTTS BLUFF, NEBR., *February 18, 1934.*

C. M. KEARNEY,
President National Beet Growers Association,
Harrington Hotel, Washington, D.C.:

The safety and future of North Platte project depends upon continuance and growth of sugar-beet industry; any curtailment of acreage will work toward failure of reclamation. Our district will not be able to pay Government construction charges if beet-sugar industry is crippled. Our farms and towns depend upon sugar industry. Any curtailment is a direct blow at irrigation.

PATHFINDER IRRIGATION DISTRICT.

SCOTTS BLUFF, NEBR., *February 19, 1934*.

CHAS. M. KEARNEY,
Care of Harrington Hotel, Washington, D.C.:

We respectfully make vigorous protest against enactment of proposed sugar plan decreasing beet acreage and increasing imports from Cuba and other foreign countries. Our district has 55,000 acres and 700 farmers, the financial structure of which is entirely dependent upon extensive raising of sugar beets. Even under present unlimited acreage our district has been forced to accept moratorium acts deferring annual repayment of construction charges to United States, and reduced acreage of this crop will prevent Government from realizing return of its investment in these reclamation lands and will reduce district collections so that it cannot operate. Farmers will fail and the economic condition of our communities will be acute. This is true of practically all areas under Government reclamation. It is hoped that a plan can be had that will protect our American farmer so that he can exist against the competition of American investment in alien countries.

GERING AND FORT LARAMIE IRRIGATION DISTRICT.

SCOTTS BLUFF, NEBR., *February 16, 1934*.

CHARLES M. KEARNEY,
President National Beet Growers Association,
Harrington Hotel, Washington, D.C.:

Representing 2,200 sugar-beet growers, we wire to vigorously protest the proposed curtailment of continental sugar production in President Roosevelt's new sugar deal in favor of a foreign people. Consider it a dangerous precedent for our Government to establish. Our people will rebel against its attempted enforcement. We want protection from foreign sugar the restriction of offshore refined sugar, and protection from greedy processors. United States sugar production should be encouraged for national food safety. We should remember World War sugar prices. Sugar consumed in the United States should all be refined by American labor.

NEBRASKA COOPERATIVE BEET GROWERS ASSOCIATION,
S. K. WARRICK, *President*.
B. J. SEGER, *Secretary*.

FORT MORGAN, COLO., *February 10, 1934*.

CHARLES M. KEARNEY,
President, National Beet Growers Association,
Park Hotel, Washington, D. C.:

Sugar-beet farmers will be dealt severe blow if compelled to reduce crop to secure promise of future relief. Irrigation reservoir systems costing many millions constructed for producing beets will be drastically reduced in value, causing defaults bonds, interest, and taxes. Colorado beet farmers equipped for beet production consisting of expensive machinery and heavy horses should be on equality with other agricultural communities now getting Government relief. We protest reduction of production; it will effect every line of business and considerable labor.

NATIONAL BEET GROWERS ASSOCIATION,
J. H. ROEDIGER, *Director*.

PUEBLO, COLO., *February 11, 1934*.

CHARLES M. KEARNEY,
Capitol Park Hotel, Washington, D.C.:

We have utmost confidence in you. We don't like the President's proposal. There is no crop in the United States that could be increased with as much benefit to all concerned as sugar if we would only quit worrying about the foreigners and stabilize the domestic price.

W. I. SANFORD, *National Director*.

TWIN FALLS, IDAHO, *February 8, 1934*.

CHARLES M. KEARNEY,
President National Beet Growers Association,
Capitol Park Hotel, Washington, D.C.:

Press report tonight state President Roosevelt has announced sugar program. Farmers here are up in arms over reduction in beet-grower quotas. Wiring our congressional representatives to get in touch with you at once and do all you can to raise our quotas and get increase in processing tax. Sugar company official stated today that they were going to have part at least of any tax that is made for growers and will not consider any contract for next year until such is approved.

IDAHO BEET GROWERS ASSOCIATION,
GEO. T. CORBLEY, *President*.

PROVO, UTAH, *February 13, 1934*.

CHARLES M. KEARNEY,
Care of Harrington Hotel:

Received wire from Senator King stating Finance Committee will hold meeting next Friday on the Costigan bill, and I trust you will be present at those hearings. As far as I am concerned, you are authorized to speak for the growers of the National Association.

J. W. GILLMAN.

GIBBON, NEBR., *February 11, 1934*.

CHAS. KEARNEY,
Capitol Park Hotel, Washington, D.C.:

Regret reduction in President's sugar plan, which is unfair to domestic producer. Understand quotas temporary. Domestic producer should get increase parity to consumption. We know that you and our friends at Washington will do what is best for the industry.

R. J. FRANCIS,
Director National Association.

(Letter of Thomas L. Chadbourne, of July 9, 1933, submitted by Mr. Kearney.)

MEMORANDUM FOR THE WASHINGTON SUGAR CONFERENCE

The Cuban delegation to this conference was appointed by President Machado to represent Cuban sugar producers and processors. They are here at the suggestion of our Secretary of Agriculture, transmitted to the Cuban Government in the form of an invitation through our State Department.

Seventy percent of the sugar production of the island of Cuba is owned by Americans in the form of investments in Cuban and American companies (bonds, debentures, and stocks), largely scattered among small holders throughout the length and breadth of the United States. This American investment, when made, exceeded $600,000,000 in amount. The present market value of the securities representing this huge sum does not now in the aggregate exceed $50,000,000.

These investors relied, and had a right to rely, and still rely upon the special consideration owed by our Nation to Cuba.

This conference convened on Tuesday, June 27. Unfortunately, the Cuban delegation could not arrive here until Friday, the 30th of June.

The conference appointed a general committee of 26, containing representatives from every section of the American industry but no representatives from Cuba.

This general committee met on Wednesday and appointed a committee of seven (which has functioned since as the most important committee of the conference) and excluded the Cuban delegation from representation on this committee notwithstanding the fact that the Cuban producers and processors had been invited to attend the conference and that Cuba produced more sugar consumed in the United States than any of the sections of the United States, continental or insular, which has been allowed representation on such committee.

The Cuban delegation has been here over 10 days and are not yet represented on this, the real committee of this conference.

The Cuban delegation is made up entirely of Cuban gentlemen. Our language is not their language, our habits of thought and methods of transacting business are unfamiliar to them. They may think this exclusion not only from the vital but from both of the committees of the conference, is the usual American method of conducting industrial gatherings where production quotas are to be decided upon. They may even be happy and content with this exclusion, but the American investor in Cuban sugar is dissatisfied and completely at a loss to understand it.

Had this sugar conference been organized by the Agricultural Department, with the intention of excluding from its councils the voice of the heaviest investment in the entire American supply of sugar (the American investment in Cuba), this result could not have been more completely attained than it has by the method adopted.

The Cuban delegation has been permitted to file memoranda with the chairman of the conference, which memoranda, by the way, I am informed by other delegates, have never found their way to them.

The total consumption of sugar by the United States is the pie to be divided by this conference, and that pie has been in process of being divided for 12 days without opportunity being afforded Cuba to argue eye to eye with the American producers about the size of the pieces, which, I understand, have now been decided upon by the continental and insular sections of the industry. All that is left is to cut the pie, and all that is left to Cuba is to accept or reject the crumbs that may break off and fall from the plate in this cutting operation.

What we should have done, and ought now to do for Cuba, was well expressed after the war of liberation by Presidents McKinley and Roosevelt and Secretary of War Root.

President McKinley:

"* * * The new Cuba, yet to arise from the ashes of the past, must needs 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 property. * * *

"We expect Cuba to treat us on an exceptional footing politically, and we should put her in the same exceptional position economically.

"* * * Cuba is an independent Republic, but a republic which has assumed certain special obligations as regards her international position, in compliance with our request. I ask for her certain special economic concessions in return, these economic concessions to benefit us as well as her * * *."

Secretary of War Root:

"In reliance upon fair and generous treatment by the United States, the Cuban planters have made strenuous efforts to revive their great industry. * * * Incided by our precept and trusting to our friendship they have struggled to retrieve the disasters under which their country has suffered. All the capital they had or could borrow has been invested in the rebuilding of their mills and the replanting of their land. More than half of the people of the island are depending, directly or indirectly, upon the success of that industry.

"* * * 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 aggressive 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."

President Roosevelt:

"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."

Those were the promises, let us view their fulfillment.

As a result of the same war that liberated Cuba, we acquired the Philippines and Puerto Rico. The following epitomizes the story of the recent sugar exports to the United States from our acquisitions, as distinguished from the sugar exports to this country of that ward of ours for whom our statements expressed such tenderness:

Year	Philippine Islands	Puerto Rico	Cuba	Year	Philippine Islands	Puerto Rico	Cuba
			Tons				*Tons*
1929	646,810	410,815	3,255,815	1931	731,219	671,068	2,101,140
1930	726,105	699,436	2,361,336	1932	934,535	816,587	1,725,629

Since the time we were so generous as to liberate this island we have raised our economic barriers against her (to whom we owed "special consideration") from a tariff of 1 cent, as recent as 1914, to the present rate of 2 cents (200 percent of the present world's value of sugar), have taken off a tariff of 1.685 on Puerto Rican sugar and have removed a limitation of 300,000 tons from the production of the Philippines whose sugar output mainly benefits the Spaniards, from whom we took the islands, Chinamen and Filipinos, as they are the largest producers of sugar, Americans producing but 28 percent of the Philippine crop, as well as granting them free access to our market.

Five years ago Cuba began her Herculean effort to stabilize the commodity which constitutes 80 percent of her wealth.

Three years ago, by a cut in her total production of that year from 4,670,000 to 3,120,000 tons, she succeeded in bringing about an international agreement among nine nations whose sugar exports constituted 80 percent of total world exports. Last year this production was reduced to 2,600,000 tons. This year to 2,000,000 tons.

This international agreement is entering upon its third year and its signatories have reduced world production some 6,500,000 tons and brought world production over 2,000,000 tons below world consumption, and to attain these results, Cuba has made great sacrifices, greater than any other nation in the agreement.

Preparatory to this international negotiation Cuba offered American producers (excepting Hawaii, who failed to put in an appearance) to limit her introduction of sugar into the United States to 2,800,000 tons if the other producers would stand still at their then production. While apparently sympathetic to the proposal, the American antitrust acts forbade such an agreement and the complete failure of any concrete result from the offer is evidenced in the table above of Philippine and Puerto Rican increases.

Cuban imports of American products have been reduced by reason of our ruining her sugar industry as follows:

1927	$155,382,000	1930	93,501,000
1928	129,849,000	1931	48,240,000
1929	127,050,000	1932	28,396,000

If discouragement of overproduction and enlightened, and not rapacious, self-interest is to be the order of the day, it cannot be denied that in this commodity Cuba has pointed the way; at a terrible sacrifice and without a whine Cuba has carried the flag. Her American investors in sugar feel that their and Cuba's initiative and sacrifices in behalf of this industry, are receiving scant recognition in the present conference.

The American investor in Cuban sugar has nothing to do and wants nothing to do with Cuban politics. It may well be that political considerations, about which he knows nothing and cares less, will induce Cuba to accept the judgment of America as to the size of Cuba's quota, but if that quota proves less than 2,000,000 long tons in raw sugar value, it will not be based upon past performances, present conditions, or any other rule of fair play, and if less than that figure, and the Cuban delegation rejects it, they can be assured of the whole-hearted approval of the American producers in their island.

If the Cuban delegation gets a sufficient quota to justify their entering a contract, their continuance in such contract for more than 1 year should be conditioned upon an increase, during the year, of Cuba's preferential from the present 20 percent to not less than 50 percent of the United States tariff.

THOMAS L. CHADBOURNE.

SHOREHAM HOTEL,
Washington, July 9, 1933.

The CHAIRMAN. George T. Cobbley. We will give you 15 minutes. Do you think you can complete your statement in that time?

Mr. COBBLEY. Yes, sir.

STATEMENT OF GEORGE T. COBBLEY, BLACKFOOT, IDAHO, DIRECTOR NATIONAL BEET GROWERS' ASSOCIATION AND PRESIDENT OF THE IDAHO BEET GROWERS' ASSOCIATION

Mr. COBBLEY. The Idaho Beet Growers' Association, of which I am president, has a membership of 7,700 growers. I am also a director of the National Beet Growers' Association.

In making sugar a basic commodity, and in applying quotas to the producing areas, the Agricultural Adjustment Administration in seeking to apply the allotment system. Sugar is not susceptible of such treatment, and this brief statement, while not intended to cover the entire scope of my testimony, is directed principally to this proposition.

In the allotment system, as applied by the Agricultural Adjustment Act, the reduction in acreage is controlled by the Agricultural Adjustment Administration, and is applied equitably and equally throughout all producing areas, and all producers in each area.

With respect to sugar the quotas are based upon refined sugar, and the processing taxes are to be paid at the refineries. Consequently, in fixing the domestic quota at 1,450,000 tons, the standard used is the sugar available for the market. The processors of sugar, in the beet-growing sections, contract each year with the growers to take all the sugar beets the growers shall raise on the number of acres mentioned in the contract. The result is that the processors will, of necessity, have regard for the amount of refined sugar to which they are limited, and will contract for the number of acres that, in their judgment, will produce the amount of sugar, after refining, to which each particular processor is entitled. In making these contracts for a certain number of acres, the processors will not consider the most favorable year, and assume that a certain average tonnage per acre of sugar beets will be produced, nor will they take the least favorable year, but rather, in the exercise of sound-business judgment will allow themselves a certain margin of safety in acreage and in production, and will avoid contracting for more than the number of acres which can reasonably be expected to provide the proper amount of refined sugar. This margin of safety will necessarily be arrived at by giving the sugar grower a little the worst of it, and the reduction in acreage will therefore be somewhat greater, on a percentage basis, than the reduction in the domestic quota for sugar from 1,750,000 short tons to 1,450,000 short tons.

The reduction in sugar for domestic producers is a fraction over 17 percent. These domestic processors, therefore, in contracting with the growers, will, in all probability, make a reduction of approximately 20 percent. This matter is not in and of itself of extreme importance, but it is an element which is proper to be considered. Whatever the reduction in acreage may be, whether 20 percent or more, or less, what is hereafter said will apply with equal force.

Each beet-sugar factory contracts with the farmers in a certain area, but in all beet-growing sections in the West factories are located near each other, and are not separate and individual industries, but are generally owned by the same company. Since my testimony can best be understood if applied to actual conditions, I will refer particularly to southern Idaho. There the Utah-Idaho Sugar Co. owns factories at Sugar City, another 17 miles south of Rigby, another 14 miles south at Idaho Falls, another 12 miles south at Shelley, and another 12 miles south at Blackfoot. Thus within 55 miles are 5 factories all owned by the same company. The Amalgamated Sugar Co. owns a factory at Twin Falls, another 42 miles east at Burley, and another 8 miles north and east of Burley at Paul. Each factory of these two companies has its own particular territory and acreage.

Assuming that each company, the Utah-Idaho Sugar Co. and the Amalgamated Sugar Co., is faced with a 20-percent reduction, each will apply it not to a particular factory but to the district which its chain of factories serves. In applying the reduction it will do so on a basis of contracts before the beets are planted. The reduction, where and in the amount applied, will be not in the hands of the Agricultural Adjustment Administration but in the hands of the companies owning these factories. Applied to the Utah-Idaho Sugar Co., of necessity, a 20-percent reduction would justify, in the interests of efficiency, the closing of one factory and the handling of the entire output by the remainder. The Rigby factory has not been operating for sometime, so that the Utah-Idaho Sugar Co. could very well consider the proposition of running 3 of its remaining 4 factories only, since the territory to be served could probably be served from the 3 factories, with the required reduction, as well as it is now served by the 4.

In reducing acreage therefore, the reductions will not be spread around among all growers, as with the wheat allotment plan, but rather contracts will not be made with those sections wherein it is least profitable to ship the beets to the factories. Another element enters in, however; every factory is not equally efficient. For instance, the Blackfoot factory, one of the oldest factories in southern Idaho, and serving what is probably the largest beet-sugar producing section, obtain an extraction of 288 pounds of sugar to the ton of sugar beets. The Shelley factory, a more modern factory, obtained an extraction of 302 pounds. The plans of the Utah-Idaho Sugar Cowpany contained provisions for the rehabilitation of the Blackfoot factory this year. With the proposed plan in effect, however, the Blackfoot factory would, in all likelihood, not be operated next year, and the Blackfoot growing district would be divided between the Shelley, Idaho Falls, and Sugar City factories.

The first direct effect of the present plan therefore, means the loss of the program of employment by which this factory would be rehabilitated this year. Other direct effects will be noted later.

Keeping the foregoing in mind, the Utah-Idaho Sugar Company will make its 20 percent reduction, by selecting those sections in southern Idaho, heretofore engaged in growing beets, which can reach these other factories at the least expense. Consequently, whole communities, such as Aberdeen, Grace, McCammon, Tyhee, and Downey, will be eliminated entirely. The allotment idea applied in such a manner, will leave whole sections unaffected, and will absolutely deny to other sections, equally good from a beet growing point of view, the right to grow beets. Multiply this situation. It will follow in every section of the United States that sections heretofore engaged in beet growing, because of the adaptability of those sections for such crops, will be denied the right even to plant such crops. Such a plan, founded on a principle of favoritism and operating to make fish of one section and fowl of another, cannot, and will not, be successful.

In thus leaving the power to make percentage reductions in the hands of the processors, and from a practical point of view under this plan, it cannot be placed elsewhere, the doors are opened wide for anything but an equal and equitable distribution of the burden. In the instance I have given, Blackfoot, built up through the years economically on the basis of the factory located there, will find itself with a closed factory, and the consequent direct loss to the entire community. Other communities may not gain, and may not lose, but Blackfoot, Aberdeen, Grace, McCammon, Tyhee, and Downey will each be directly affected by the loss entirely of the one industry most important to those communities. In all these communities, except Blackfoot, the loss will be, the cash crop of sugar beets. Blackfoot will still have a sugar beet growing section surrounding it and its loss, in this view, will be the closing of the factory around which that community has been built up. This situation is not extreme, but is exactly what will happen, and to ascertain its importance, consider that southern Idaho, while a very large sugar beet producing section, is only a small portion of the sugar beet producing sections of the United States, and the situation I have outlined will be multiplied many times.

The situation must be examined somewhat further, however. While I am using Blackfoot as an example, it is only because it makes the difficulty clearer, and also because I consider Blackfoot, and the beet growing section surrounding it, typical of beet growing sections everywhere. Not only has the city of Blackfoot owed a large part of its economic growth to the presence of the sugar factory, but the surrounding farming community has been built up also on that basis. First, because of the close market for sugar beets; and second, and equally important, the utilization of the byproducts, beet pulp, syrup, and sugar beet tops. The close proximity of the factory makes it possible for the farmers in that community to use beet pulp, and syrup, obtained at the factory, on their farms. Beet pulp is an extremely fine food for cattle, sheep and dairy stock. Syrup, is mixed with hay and likewise is extremely good for such purposes and for fattening purposes.

Under these circumstances, any beet-growing section near a factory will be built up on the basis of the close proximity of such feed, and the fact that farmers, with their horses and wagons, without expense practically, can transport these products to their farms. Necessarily, this will directly affect, and, in fact, will directly cause, a particular kind of farming, dairying, and so forth. The Blackfoot farming section, one of the oldest in Idaho has been thus built up. Take away this ready access for that community to the source of beet pulp and sirup and you affect directly all farming operations.

At first glance, it is not so emphatically apparent as further consideration shows it to be. Sugar-beet land is not land which can be kept in a productive state by the use of artificial and manufactured fertilizers. The land, in the hands of successful farmers, is kept in a high sugar-beet producing state by a proper rotation in crops. A certain amount of hay must be raised, and natural fertilization from a proper number of dairy cows, and other livestock, is an essential. Without the cheap beet pulp and sirup for feed, however, the dairy industry and stock industry in that section will be very seriously impaired. Its impairment will cause a lack in demand for hay, and a consequent loss to the farmers. In fact, the entire plan of agricultural development will be changed. This is in no sense an imaginary result, but will follow the closing of any sugar factory situated as the Blackfoot factory is, as certainly as the sun rises and sets.

In my limited statement, therefore, I have sought to drive home this conclusion: The sugar-beet industry in the United States, from the very nature of the industry, is not susceptible of having the allotment plan applied. The application of such a plan will work unfairly and inequitably everywhere. In many places it will not hurt either the factory or the grower, as in the example I have given from southern Idaho; it will not hurt either Sugar City, Idaho Falls, or Shelley, either in the towns or in the farming and beet-growing sections. In other sections, equally entitled to protection by this Government, namely, Blackfoot, Grace, Aberdeen, McCammon, Tyhee, and Downey, it will destroy the principal source of community prosperity, and the principal hope for the future. This is a typical example, and will be repeated all over the country.

Domestic acreage in the beet-sugar industry cannot be reduced equally or equitably. No practical measure can be framed which would bring about an equitable reduction. No code could be prepared that would accomplish this.

I wish further to call your attention to the fact that it is impossible to determine in advance what the beet yield will be. The variations appear in two forms:

(1) As to the yield per acre. In Idaho the yield per acre varies from 10 to 13 tons or a percentage between 20 and 25 percent.

(2) As to the sugar content. This varies from 15 to 18 percent of the beet or in percentage from 15 to 20 percent.

For illustration, assume that the beet content in a given year is 15 percent with a 10-ton per acre crop. This would produce, under our contract, 240 pounds per ton of beets. In case the sugar content is 18 percent with the 10-ton crop, the production would be 290 pounds of sugar per ton of beets.

In case of an overproduction of the quota per individual requirement, since sugar beets are perishable, it might entail a very substantial loss. There should be some plan of permitting carry-overs in order to do justice to the grower.

The sugar-beet industry has been a sustaining factor to labor, and to cut down or curtail production of this industry, at this time, would only tend to further place upon the Government the necessity of taking care of many more unemployed. Many thousands of laborers are now employed, not only in the beet fields and factories, but in feeding cattle, sheep, and dairy cows; many are also employed in the coal mines, where this industry, in Idaho alone, uses several carloads of coal per day when in operation; many are also employed in quarrying and preparing lime rock and sulphur. It is a matter of record that in 1932, from this industry alone, $19,250,000 was paid the Union Pacific Railroad for freight through the beet-growing territory that it serves, and much of that, of course, was paid out to labor.

In closing I have only to ask that you gentlemen of this committee face existing facts, and, when you conclude, as you will, that my statement just made is correct, provide an amendment to the present bill that will make it operate fairly throughout and not so unequally as it necessarily will operate in its present form. I know that you men of this committee want to be fair and I appeal to you to consider the facts. The statements I have just given you are correct. This problem cannot be fairly and honorably solved by further crippling American farmers and labor as would be the result if the bill, H.R. 7907, is enacted into law as it is. We plead that the American sugar-beet farmer and the labor dependent on him be allowed to supply his country with such quantity of sugar as can be economically produced in the United States. We should never permit the enactment of legislation that gives first consideration to foreigners in preference to Americans.

Senator KING. Let me ask you one question. As I recollect your geography, and I am rather well acquainted with your State, the district to which you have referred where the beet-sugar industry is developed, has a population of between 250,000 and 300,000 people.

Mr. COBBLEY. Yes, sir.

Senator KING. And the cattle and sheep industry there are so intertwined with the sugar industry that an injury to one would be an injury to the other?

Mr. COBBLEY. Yes, sir.

Senator KING. And that the sugar industry is the basis of the cattle industry and the sheep industry in part, and of course, furnishes the employment for the great mass of the people in that district.

Mr. COBBLEY. Yes, sir.

Senator KING. And if those factories should be closed down, the effect must be most serious, indeed, calamitous, to the southern half of Idaho.

Mr. COBBLEY. It would practically destroy the entire industry there and would also cripple all of our farming operations.

Senator COSTIGAN. Does your statement imply that you are opposed to any domestic stabilization or quota limitation whatever?

Mr. COBBLEY. I might say this, that we have never been well enough informed on just what the plan of the Secretary is, but we feel that there should be no limitation put upon us at this time. Any limitation that is made should be made on overseas sugar.

Senator COSTIGAN. Did the growers whom you represent subscribe to the so-called "stabilization" agreement which was considered last fall—the voluntary agreement which was presented to the Secretary of Agriculture—or were you opposed to that?

Mr. Cobbley. We were not opposed to it, but those things do not operate in our country very successfully. We get practically no benefit out of the wheat allotment or the hog allotment, because we follow a diversified crop rotation, and we have such small acreage of any one crop, that those things do not benefit us materially.

Senator McAdoo. Suppose a quota is applied as proposed here under this act, would it be based upon a reduction in acreage or a reduction in production?

Mr. Cobbley. I am thoroughly unable to tell you or answer that question, because I do not know where it could be done. It could not be equitably allotted to anything in the shape of sugar, because it could not go to acreage, because we have such a wide variation there in the acreage, and every percentage of sugar, that it could not be controlled that way at all.

Senator McAdoo. Is there any other way it could be done?

Mr. Cobbley. I think not. I think it could not be done.

Senator McAdoo. Suppose an attempt were made to accomplish it by a reduction in acreage. Could that be made effective unless there was some control of fertilization, and intensive cultivation?

Mr. Cobbley. It could not; no, sir.

Senator McAdoo. To what extent do you now use phosphates or fertilizers in the production of the crop?

Mr. Cobbley. Well, I think that about 40 or 50 percent of the beet farmers until last year tried phosphates, but with very little results. We have a soil condition there that does not seem to require that kind of fertilizer.

Senator McAdoo. Do you fertilize at all?

Mr. Cobbley. Only with manure.

Senator King. Your fertilizer comes from the excretions from your cattle, sheep, and horses; is that correct?

Mr. Cobbley. Yes, sir.

Senator King. And from the refuse from the beets themselves?

Mr. Cobbley. Yes, sir.

Senator McAdoo. What I want to get at is this fundamental point. Suppose there were a reduction of about 20 percent in the acreage on the theory that that would reduce the crop 20 percent, and there was no control of fertilizer, could you not overcome the reduction in production by an increased fertilization of this soil?

Mr. Cobbley. To a certain extent; yes.

Senator McAdoo. Could you fertilize enough, in other words, to produce as much of a crop out of the 80 percent of the acreage as you did with a less amount of fertilization?

Mr. Cobbley. I would not say as much, but we may increase it some.

Senator King. I omitted to state that in your fertilization, in addition to the factors that you referred to, was the rotation of crops, to renew the soil, and fertilizer.

Mr. Cobbley. We follow a very close system of rotation, under the direction of the Extension Department.

Senator Bailey. Let me ask you a question about this fertilizer business. Professor Tugwell could issue an order and tell you how much fertilizer you would use.

Mr. COBBLEY. I doubt if we would accept it if it comes from that source.

Senator BAILEY. Let me see if you would. Let me read this law:

Any person violating any order or regulation of the Secretary of Agriculture issued under this section, shall upon conviction be punished by a fine of not more than $5,000, and by imprisonment of not more than 2 years.

Does that strike you as an agricultural proposition? That is not an act of Congress. That is just an order. If they issue an order down the street here and one of you farmers violates it they will fine you $5,000, and you have got to go to prison, too, for not more than 2 years. How does that strike you as a remedial act for agriculture?

Mr. COBBLEY. That is a very serious thing.

Senator BAILEY. Do you think the people of your country will stand for that kind of legislation?

Mr. COBBLEY. No; I do not.

Senator BAILEY. I do not think they will anywhere else, and I thank God that they would not.

Senator COSTIGAN. May I return to my inquiry as to whether the wheat growers of Idaho urged the Secretary of Agriculture to sign the quota agreement last fall?

Mr. COBBLEY. Yes, sir. They were in favor at one time of the stabilization agreement. I suppose that is what you refer to.

Senator COSTIGAN. You are aware that there was limitation in the stabilization agreement of about 1,750,000 tons.

Mr. COBBLEY. Yes, sir.

Senator COSTIGAN. For the domestic output.

Mr. COBBLEY. Yes, sir.

The CHAIRMAN. Thank you. Mr. Lester J. Holmes, representing the California sugar beet interests. How much time do you want?

STATEMENT OF LESTER J. HOLMES, REPRESENTING CALIFORNIA SUGAR BEET INTERESTS

Mr. HOLMES. I will be very brief, Mr. Chairman. I do not intend to read my pamphlet, but merely get some of the vital things before you—call the attention of the Chair and the committee to some of the things in which the California beet growers are very vitally interested.

Senator MCADOO. May I ask you if you are the only representative here from California?

Mr. HOLMES. I am the only representative here from California.

Senator MCADOO. I think you had better make your statement as full as the committee will permit, because I think the committee should get the full case.

Senator KING. He is relying upon the able Senator from California.

The CHAIRMAN. The first witness represented the Sugar Beet Association, and you represent the industry?

Mr. HOLMES. Yes, sir.

The CHAIRMAN. We want to be fair to everybody, and I hope you will be as brief as you can, because there are many witnesses and some of them will not be heard if you take all of the time.

Mr. HOLMES. I will be exceedingly brief, Mr. Chairman. I wish to call to your attention the very vital facts in which California is interested in this way: We are second in production of sugar, beet sugar, in the United States, and our acreage at present is entirely—I won't say entirely, but almost entirely--planted. In most cases a large proportion of this acreage is up, and thinning will start in some cases next week. We are already making plans for labor, and necessarily, and disruption of the program is going to be of terrific importance to the California farmer. If we are going to have to tear up some of this acreage we are necessarily going to have to put it into some other crop—beans, onions, or potatoes, or some like crop—and it is almost getting too late to go into any of those crops.

Beans, on a very small portion of the ground, could be taken care of.

Senator GORE. Would there by any danger of overproduction in those crops?

Mr. HOLMES. There is a tremendous overproduction of beans at present, and if there were not a 3-cent duty on Japanese and Manchurian beans, we would be trying to sell our beans for 1 cent a pound.

I have here that I should like to file, telegrams which are representative from the banks and different branches of the business in California, and from the different reclamation districts. I would like to read one from one of those reclamation districts, no. 999, which is the district in which I live.

COURTLAND, CALIF., *February 18, 1934*.

LESTER J. HOLMES,
President California Sugar Beet Corporation,
Harrington Hotel, Washington, D.C.

Reclamation district 999 contains 26,000 acres of which approximately 7,000 acres have been planted to sugar beets for some years past. Sugar beets have been one crop that consistently met sufficient returns for farmers to pay interest, taxes, and assessments. Curtailment in beet acreage would add greatly to problems of farmers here. Other crops raised—beans, barley, onions, and asparagus—are now in surplus and prices inadequate. Urge that every effort be made to save the acreage for our farmers.

GUS OLSON, *Trustee, District 999.*

Senator KING. That is not a Federal reclamation district?

Mr. HOLMES. No, sir; that is a private reclamation district.

Senator KING. Under your State law.

Mr. HOLMES. Under our State law; yes, sir.

Senator COSTIGAN. Do you happen to recall what price the farmers recieved for beets per ton at the last crop?

Mr. HOLMES. The average price runs about $5.25. That is one thing that I wish to call your attention to, gentlemen of the committee. This program as outlined by the Secretary contemplates a base price of $6.57. We in California sell our beets for sugar content; in other words, we sell our sugar per ton. It is computed back to the price of beets. A 15 percent beet, for instance, at 3.5 cents a pound will bring $4.20, and 20 percent beets, which is not an abnormal content at all, but almost average, $5.81; hence the great difficulty of applying this tax. I just merely wished to call that to your attention as one of the many difficulties.

Senator KING. What is your average tonnage per acre?

Mr. HOLMES. I think over the State the average will be around $13 or $14 tons to the acre. The sugar content last year was 17.6—1932—a very high sugar content.

Senator KING. And if you had that content and you had 7 or 8 tons to the acre, that would give you over $100 per acre.

Mr. HOLMES. Yes, sir; approximately. The returns on sugar beets in California have been in the past years very favorable.

Senator KING. Even with the low price.

Mr. HOLMES. Even with the low price. I mentioned the fact that if we go into these other crops, we are absolutely going to destroy the balance, and with our great variety of crops in California, if we apply the same basic principle to these crops as we are to sugar, we are going to just go out of the picture, because they could be classed as the expensive crops, too.

We are called inefficient. I just wonder what is meant by the term "inefficient", as the Secretary used it. It is a well-known fact that the tariff in the United States on sugar permits us to have the lowest price to the consumer, and yet in the face of this, the sugar-beet farmers have met the price of the world price at all times. I just merely wish to call that to your attention and wonder on what basis we are termed inefficient.

Senator GORE. You say you produce it as cheaply as anywhere else, but you meet the competition abroad. That is due to the 2-cents-a-pound tariff, isn't it?

Mr. HOLMES. To a certain extent the 2-cent tariff is applicable, but the full 2-cent tariff—the Cubans have not availed themselves of the full 2-cent tariff. As the world price on sugar raw in 1932 was only 2.92, if they availed themselves of the full 2 cents, they certainly sold their sugar below the cost of production.

We endorse the amendments that have been introduced by Mr. Kearney, representing the National Beet Growers' Association, and believe that, inasmuch as the beet farmers of the United States are on a real, definite, firm basis, that we should not be curtailed, and the balance of our production be given to a foreign country. We believe that we should have first rights to the American market.

Senator KING. Do you think there should be opportunity for expansion in the development of beet sugar?

Mr. HOLMES. I think there should be a proportionate advance in our sugar production; yes, sir. I wish to file, Mr. Chairman, a copy of a letter from the National City Bank, dated October, 1933, more particularly on page 157, beginning, "Cuba and Sugar", and containing some six-odd pages.

The CHAIRMAN. Do you want all of that printed?

Mr. HOLMES. Yes, sir. All of that article is very, very important.

The CHAIRMAN. All right.

Senator MCADOO. Just that portion of the pamphlet?

Mr. HOLMES. Yes, sir.

The CHAIRMAN. Is that portion marked that you want printed?

Mr. HOLMES. Yes, sir. It is entitled "Cuba and Sugar", beginning on page 157.

(The excerpt referred to will be found at the conclusion of Mr. Holmes' testimony.)

Mr. HOLMES. And I wish also to file a brief more or less covering the situation.

The CHAIRMAN. All right.

Senator COSTIGAN. Did the California producers whom you represent, subscribe to the so-called "quota" agreement of last fall, presented to the Secretary of Agriculture for his signature?

Mr. HOLMES. My own association did not.

Senator COSTIGAN. Did you oppose it?

Mr. HOLMES. Passively.

Senator COSTIGAN. Did you take any part in the preparation and submission of that stabilization agreement?

Mr. HOLMES. I attended both of the hearings, in June and August, in Washington.

Senator VANDENBERG. May I ask one question? If you start with the comment that the Cuban tariff is going to be reduced, anyway, regardless of the balance of this scheme and you confront the necessity for marking under that reduced tariff, would you think, under those circumstances, that stabilization quotas, protecting existing plant facilities in the United States would be helpful?

Mr. HOLMES. I can answer that this way: We believe that the American farmer is entitled to protection from foreign countries dumping their sugar in this market.

Senator VANDENBERG. So do I; but assume that you are going to have a tariff reduction, does that create a situation which you can protect yourself against through some type of fair quota allocation?

Mr. HOLMES. I believe the beet growers are willing to go ahead on some definite basis if we knew exactly what that basis is, but to date, we have not had what we consider a fair proposition submitted to us.

Senator VANDENBERG. I think that is so, but I do not believe you quite get my point. If we admit that the tariff is going to be reduced, irrespective of this legislation, is there then some legislation which in your judgment would be helpful?

Mr. HOLMES. Yes, sir. I think that we more or less cover that in the amendments that have been submitted by Mr. Kearney.

Senator VANDENBERG. I have not seen your amendments.

The CHAIRMAN. The main thing that you oppose is a curtailment of the present production of sugar beets in your country?

Mr. HOLMES. Yes, sir.

Senator KING. And if there should be any curtailment, you assume it is only temporary, as was indicated by the fact that it was stated that this Agricultural Adjustment Act is only temporary, but is not a permanent policy.

Mr. HOLMES. It would have to be absolutely temporary.

Senator KING. You believe, with the growth of the country and the development of population, that there should be a proportionate increase of sugar to meet the domestic needs of the country?

Mr. HOLMES. Yes, sir.

Senator GORE. Do you think this Agricultural Adjustment Act is temporary?

Mr. HOLMES. That is beyond me to answer, Senator.

The CHAIRMAN. Thank you very much.

Senator McADOO. Just a moment. You stated that California was the second beet sugar producer of all the States.

Mr. HOLMES. Yes, sir.

Senator McAdoo. What is the first? Colorado?

Mr. Holmes. Colorado is the first.

Senator McAdoo. What was the total production in California last year?

Mr. Holmes. Something over 200,000 short tons.

Senator McAdoo. Two hundred thousand short tons?

Mr. Holmes. Yes, sir.

Senator McAdoo. Do you believe that if the tariff were reduced one half a cent a pound, for instance, 1.5 cents a pound, that there could be any allocation that would be desirable and that you would be benefited by that?

Mr. Holmes. You mean an allocation of acreage, or allocation of money from the tariff?

Senator McAdoo. I am talking about an allocation of acreage or an allocation of production.

Mr. Holmes. I am afraid if there is any allocation of production, it would seriously injure us in our farming proposition that we have set up.

Senator McAdoo. Suppose you were compensated for that by a processing tax. Could that be practically applied?

Mr. Holmes. In view of the range of discrepancy in the amount of sugar per ton, I fail to see how it can be applied equitably. We do not sell on a flat basis.

Senator McAdoo. Would you be willing to submit for California—assuming this year's crop is not interfered with because it has been planted and cannot be altered—would you be willing to submit for California a temporary arrangement of this character limited by statute for, say, 2 years?

Mr. Holmes. If they limit it to this statute, and they make an equitable basis, California has got to be curtailed. We cannot hold our acreage up and expect——

Senator McAdoo (interrupting). That is what I say. Would you be willing to submit to a 2-year period of allocation reduction as proposed in the President's message and contemplated in this bill? The bill does not provide for 2 years, but I am just presenting that as a suggestion.

Mr. Holmes. I would say, Senator, that in view of the protests, and so forth, that come from the people at home, that I could not alter my position that we must be allowed to go on as we are at present.

Senator King. You have in mind, do you not, I won't say the parable, but the Persian statement about the camel getting its nose into the tent. [Laughter.]

The Chairman. Thank you very much.

Senator Gore. What is your acreage? Just that one question.

Mr. Holmes. 1933 acreage was 108,000. In 1934, the acreage will be approximately the same. I have not the complete figure.

Senator Gore. And your tonnage is how much?

Senator McAdoo. Two hundred and eighty-nine thousand in 1933–34.

Mr. Holmes. I gave the figures to the Senator this morning.

Senator Gore. I thought you said you raised it.

Mr. HOLMES. That is in refined sugar, Senator. That is not the tonnage of sugar beets.

Senator McADOO. The total with the sugar production.

Mr. HOLMES. Yes, sir. Our average sugar per acre is about 4,650 pounds of sugar per acre.

Senator GORE. What is the tonnage of the beets?

Senator McADOO. Two hundred and eighty-nine thousand nine hundred and two tons of raw sugar.

Senator GORE. It was stated this morning something over a million tons of raw beets.

The CHAIRMAN. Thank you very much.

(The witness, Holmes, filed the following telegrams in connection with his testimony:)

SAN FRANCISCO, CALIF., *February 19, 1934.*

LESTER J. HOLMES,
President Central California Beet Growers' Association,
Washington, D.C.:

As president of the River Lines, which is largest California inland water carrier, and as a large owner in reclamation district no. 307, comprising 6,000 acres, greatest portion which annually farmed to sugar beets, I am naturally very familiar with sugar-beet problem in California. This industry spends far greater sums for planting, cultivating, irrigating, and harvesting than most crops, and it would not only be unfair to the industry to curtail its production but an economic loss as well, because the acreage curtailed would go into other crops, thus adding to their problems of overproduction.

W. P. DWYER.

SACRAMENTO, CALIF., *February 19, 1934.*

LESTER HOLMES,
Washington, D.C.:

Farmers in 58 reclamation districts represented by the association are vitally concerned in fixing sugar quotas. For past few years beet crop has carried many farmers, saving them from ruin; consider planting restrictions unjust, further increasing burden on heavily taxed lands. Would appreciate your using influence against proposed quotas.

FLOOD CONTROL ASSOCIATION OF SACRAMENTO AND SAN JOAQUIN RIVERS SYSTEM,
A. F. TURNER.

SACRAMENTO, CALIF., *February 19, 1934.*

LESTER J. HOLMES,
President Central California Beet Growers Association,
Washington, D.C.:

Sacramento Insurance Exchange composed of 50 representative firms vigorously protest reduction in sugar-beet acreage. More labor used and more dollars per acre spent on pay rolls than any other field crop. California pay roll of nearly three millions, immense stabilizing influence to agriculture this vicinity. Every member our organization affected, as is every other local business.

SACRAMENTO INSURANCE EXCHANGE.
H. J. THIELEN, *Secretary.*

SACRAMENTO, CALIF., *February 19, 1934.*

LESTER J. HOLMES,
President California Beet Growers Association:

Sugar-beet growers and farmers of California vigorously protest any reduction in sugar-beet acreage. No other farm industry provides as much man power per acre. The United States produces only 25 percent of its requirements; reduction in acreage is not justified.

THOMAS MCCORMACK,
Member of California Legislature, District 15.

WOODLAND, CALIF.

L. J. HOLMES,
President Central California Beet Growers Association,
Washington, D.C.:

Am secretary or attorney for five reclamation districts comprising 80,000 acres sugar-beet crop. One bright spot of depression this crop not overproduced. Curtailment thereof would throw more land overproduced crops adding to chaotic conditions in such crops and destroying stability enjoyed by beet growers.

ARTHUR B. EDDY.

SACRAMENTO, CALIF., *February 18, 1934.*

LESTER J. HOLMES,
President Central California Beet Growers Association,
Washington, D.C.:

We strongly oppose any curtailment of sugar-beet acreage. Any curtailment of sugar beet means the land will be planted to other crops now heavily overproduced. Sugar beets employ more farm labor than other crops that would be substituted therefor.

SACRAMENTO CLEARING HOUSE ASSOCIATION.

SACRAMENTO, CALIF., *February 19, 1934.*

LESTER HOLMES,
Washington, D.C.:

This entire section views with alarm possibility curtailment sugar-beet production. Present production far from sufficient to take care present demand. In addition, sugar-beet production employs more labor per acre than most any other agricultural crop. Use every effort to prevent success of plan.

CLYDE H. BRAND.

WOODLAND, CALIF., *February 19, 1934.*

L. J. HOLMES,
President Central California Beet Growers Association,
Washington, D.C.:

Firm of Armfield & Eddy, of which I am member, represents five reclamation districts. Beet growing in this area has materially stabilized position of many landowners during depression. Curtailment of this crop will destroy this stability and will cast more land to overproduced crops, thus aggravating demoralized condition in latter crops.

ELMER W. ARMFIELD,
President Bank of Woodland,
Woodland, Yolo County, Calif.

SACRAMENTO, CALIF., *February 19, 1934.*

LESTER J. HOLMES,
Washington, D.C.:

Sugar-beet industry provides one of most valuable and stable of all agricultural crop returns to California farmers, and indirectly to members and community prosperity. Therefore, we urge no sugar-beet acreage curtailment to permit increased sugar importation, penalizing American farmer and merchant and laborer alike to benefit foreign producer.

SACRAMENTO CHAMBER OF COMMERCE,
A. S. DUDLEY, *Secretary.*

FEBRUARY 19, 1934.

LESTER J. HOLMES,
Washington, D.C.:

Any curtailment in sugar-beet production will release beet land for other crops now overproduced. Sugar beets only crop which has had satisfactory market and has brought steady income to growers. Effect of reduction great blow to recovery here.

PICKETT & ROTHHOLZ.

(The witness, Holmes, filed the following statement:)

SUPPLEMENT NO. 1 TO TESTIMONY OF LESTER J. HOLMES, CONSISTING OF HIS STATEMENT BEFORE HOUSE AGRICULTURAL COMMITTEE

The beet growers of the State of California join with the sugar-beet producers of other States in protesting against certain provisions of the bill now under consideration by this committee. The provisions of the bill which relate to the manner of setting quotas would allow the Secretary of Agriculture, if he were unfriendly to our industry, to go back to the years 1925, 1926, and 1927, at which time, admittedly, we had a low production of sugar while, on the other hand, our importations from Cuba were at their peak.

California can be said to be one of the pioneers in the sugar industry, as it was there the first successful factory was built; in the year 1888–89. The success of the sugar-beet industry in the United States dates from that period. Since that time, under skillful leadership and Government encouragement and cooperation, the industry has grown steadily, not spasmodically, until we reached, in 1933, the largest beet-sugar tonnage ever produced in the United States. Not only have large factories been erected, each costing approximately $1,000,000, with their necessary equipment, including in several cases railroads, but also the farmers have steadily purchased machinery, invested money in new land, and, in general, have made the beet industry in these various States a larger farming operation. Today the sugar-beet industry is regarded as one of the most stable of our farming operations.

The farmer has planted beets and is using them in a regular system of rotation. Machinery has been bought upon the basis of so many acres of sugar beets per year. All other plans have been made along this same line. In fact, the farmers' whole scheme of production has been based on the theory that by planting so many acres of sugar beets he knew that he was going to get a certain cash return from that amount of ground. Our scale of living has been based upon those principles.

Now we are faced with the prospect of an arbitrary reduction, imposed by the Government of the United States. Not only will the individual farmer lose a certain amount of income from this curtailment, but the other effects are going to be far-reaching. Labor has come to look to the beet crop for employment. The sugar beet crop requires more labor per acre than any other crop of comparable size in continental United States. Not only would labor suffer from the curtailment, but the manufacturer and the wholesaler would feel the reduction to a great extent. I wish to introduce typical evidence as to the concern with which our people regard these proposals, in the form of telegrams from men representing a cross-section of our business and industrial life, as well as farmers.

I contend that it is our right and privilege as American citizens that we shall have the first opportunity to supply the American market to an efficient and economical point, which we in the industry contend has not yet been reached, and that any curtailment imposed by our Government is in violation of these rights.

The statement is made many times that the sugar-beet industry is a "necessarily expensive industry" by reason of a duty of 2½ cents a pound imposed on foreign sugar. Under our treaty arrangements Cuba has preferential of 20 percent, or 50 cents per hundred. The actual income from sugar beets is placed at about $60,000,000 for the year 1933–34. In setting this value, those making the calculation failed to take into consideration the amount of feed for livestock, sheep and cattle, the value of the beet pulp and molasses used as feed for fattening, or the value of the manure for fertilizer to keep not only the sugar beet ground, but a large portion of the ranch up to proper fertility, and the rotative value of the crop to the soil. When these are considered, it is clear that the value of the sugar-beet crop to the United States is far more than $60,000,000. In addition, there is the value of the labor, freight, supplies, etc., necessary to the manufacture of beet sugar. Had these been taken into account the total value of the beet crop in 1933–34 would approach $150,000,000.

The plan provides that Cuba shall have an increased quota into the United States of approximately 300,000 tons more than she sent into this country in 1933. Admitting that the Cubans are in distress we maintain that we are not responsible for their condition. We produce only about 25 percent of the consumption of sugar in the United States.

Let us go back and study the history of sugar prices in relation to the domestic sugar-beet crop. It has always been noted that when beet sugar is off the market then the price immediately starts to rise. As an example of this, let us go back to the year 1920 and look through the various months at the price of sugar. In 1920, we were producing less than a million long tons of sugar. At that time sugar was a commodity of fairly high price. On January 2, 1920, it was quoted at 12.75 per hundred pounds. By March 30, the price had risen to 13.34, at which time the domestic beet crop was depleted. From then on the market increased steadily until May 19, the price was governed by Cuba alone and has risen to $23.50 per hundred pounds, at which price world sugar came in over the full tariff and started the price downward. By the middle of September our new crop of beet sugar was then available for distribution. On September 30, the price had dropped to $9.06, dropped on an average of about 1½ cents a pound a month, until by the time we had beet sugar in full access to the consumer the price had dropped to $5.32 per hundred pounds.

This final price happens to be just 6 cents below the average price for the year mentioned, which was 11.35 cents. For this period the Cuban interests exported into our country 2,800 tons. Figuring this at 6 cents per pound we find that the American public was gouged in 1920 alone by the terrific sum of $336,000,000.

I merely wish to call this to your attention: That had we at that time a sugar crop produced in the United States equal to the 1933 production, the price of sugar probably never would have risen above 5½ cents. The same effect was had in 1911, only in a lesser degree as to price fluctuation. I quote from Mr. Wallace P. Gray, of Willet & Gray, at a special hearing before a committee of the House of Representatives in 1912:

"The moment our American beet-sugar production became available on the market, the rise stopped, and owing entirely and totally to the American production, refined sugars were 1½ cents lower than they were at the highest point."

The sugar-beet crop in the United States is the only guarantee that the consumers have that they will not again be gouged by foreign and tropical interests.

Not only does the American beet-sugar production protect the consumer against price manipulations, but it also protects the country as a whole in times of national emergency. I have twice answered my country's call to arms, and I am a thorough believer in preparedness. It seems to me only good sense that we should produce in continental United States a reasonable proportion of the sugar we used for consumption. Certainly 30 percent of our consumption is the very minimum that we should produce on the continent as a safeguard against any shortage of supplies if sugar from tropical sources were cut off.

A great deal has been said about the prices of sugar, yet let us look the situation squarely in the face. The duty-paid price of raw sugar for the year 1932 averaged only $2.92 per hundred, yet it has been estimated by those who should know that to properly raise and process a pound of sugar in Cuba costs about $2 per hundred pounds of 96° raw sugar, and even that does not contemplate the American standard of living. In other words, Cuba in her desire to market sugar in the United States, actually sold about $1.08 below cost, thus producing ruin not only for Cuba, but for the American farmer as well.

In view of the fact that it has been stated that this is necessarily an expensive industry, let us consider briefly the tariff on certain commodities grown in the Middle West, which the Secretary of Agriculture hopes to raise in large quantities and sell to Cuba. The tariff on corn is 25 cents per bushel of 56 pounds. Using as a base 100,000,000 acres of corn with an average yield of 27 bushels per acre, we have a total annual production in the United States of 2,700,000 bushels. Apparently the tariff on this commodity is costing the people of the country $675,000,000 a year. Who can deny, were it not for this tariff of 25 cents a bushel, that our corn could be more cheaply raised in the Argentine, and other countries and shipped to our various seaboard towns for feed and the various other uses to which corn is put. What would become of our great feeding industries? Certainly they would be moved from the Middle West to the seaboard where cheaper corn could be obtained.

Again, what about hogs? There is a duty of 6 cents a pound on hogs, and who can say but what the consumer is unknowingly paying this tax? In the case of beef there is a 6 cents a pound tariff protection, and on top of that there is a virtual embargo on frozen Argentine beef by reason of the fact that in previous years an outbreak of hoof-and-mouth disease occurred there. On these various commodities a processing tax has been levied with the idea of passing that tax on to the consumer, thus materially raising the retail price. In the case of sugar, however, the intention is not to pass on the tax to the consumer, but in violation of all precedents the tax is to be so set that the price to the consumer will not rise. The farmer must take less from the processor to keep business on the usual basis. We are putting a finished product on the table in every home, a product which does not require further preparation, for a price less than 6 cents a pound. Any of these other articles—beef, hogs, corn—are not in finished shape but must of necessity be further processed, or money spent for cooking or preparing for human consumption. Yet we are accused of being a "necessarily expensive industry."

For the sake of comparison I would like to mention a few other crops that would be placed in the position of sugar if this revolutionary policy is carried out. We grow in the United States about 2,000,000 acres of flax. This product enjoys a tariff protection of 65 cents a bushel. I leave it to you—how much cheaper would be our oil for paints and cattle feed if it were not for this tariff?

What is to be said about some of the vegetable crops? Tomatoes, for instance, are protected by a tariff of 7 cents a pound. If this protection were removed what would happen to the great California green-vegetable area. What about Florida, the panhandle of Texas, and Arizona? Is this Government prepared to say to these growers: "Too bad, American farmers, but we can buy these products much cheaper from Mexico and other Latin-American countries"?

Again, what use are we to make of the land which would be freed by the curtailment of the sugar-beet crop, or perhaps even the entire elimination of the industry? Shall we plant these acres to potatoes? New England States think about our cutting their market away from them? Then shall we plant beans? Beans today are a drug on the market, and if it were not for a 3-cent duty the country would be flooded with Manchurian and Japanese beans. Certainly Texas and Indiana would be greatly alarmed to see our fertile acres planted to onions, for we could produce tremendous crops of this vegetable on some of our irrigated lands.

I have not picked these crops to speak disparagingly of them or to hold them up as horrible examples. I merely want to call your attention to the fact that their production would logically have to be abolished if we applied to them the same principle which this bill proposes to apply to sugar. If not entirely abolished, we would have to drastically reduce production for Japanese and Manchurian beans, for Mexican tomatoes, and so on down the list. Mr. Chairman, and members of the committee, some of you gentlemen come from districts in which these crops are an important factor. I cannot conceive of your voting to take away from your farmers these sources of income. As far as the best farmers are concerned, any wholesale disruption of the present situation must necessarily mean that our standard of living will be lowered, and we ask: "Will it be lowered eventually to the standard of the tropical or oriental family"? I believe in all fairness that the administration does not wish that on us.

If we join the basic commodity group, my understanding is that we cannot plant any other basic crop or any other crop that would compete with it. Our only change, then is to plant some of these other crops, which at the present are making a fair living, but the added production of approximately 200,000 acres at this time would entirely destroy the balance between supply and demand of these crops, and seriously injure the farmer and his family on these projects, not to mention what would actually happen when the complete average is outlawed. We in California are still further distressed. The bulk of our acreage is planted—a good proportion of this planted acreage is up. Our crop system for the season of 1934 has been entirely completed. It is now too late in most cases to swing these acres to some other crop which would provide taxes and interest, except possibly beans.

We believe, in view of the fact that we, as a Nation, are only producing approximately 25 percent of the sugar consumed in this Nation, that it is wrong in principle and entirely un-American to demand that we curtail our production and lower our standard of living in order that foreign tropical countries and island dependencies may be give our market.

SUPPLEMENT NO. 2 TO TESTIMONY OF LESTER J. HOLMES, CONSISTING OF A LETTER FROM THE NATIONAL CITY BANK, DATED OCTOBER 1933

CUBA AND SUGAR

The newspapers have carried full reports of the upheaval in Cuba and attendant circumstances, and there is no need for us to comment upon the political situation which has arisen, beyond saying that at no time since the independence of Cuba was established has there been in this country any sentiment worth mentioning in favor of the annexation of the country to the United States.

The history of the sovereignty of Spain in Cuba is one of many vicissitudes. Not to express an outside judgment, the colonial administration was very unsatisfactory to the Cubans, and in 1868 a rebellion broke out which lasted 10 years, and constantly threatened to involve the United States. The war was practically a stalemate, and peace was finally established by the promise of certain reforms. Another rebellion broke out in 1895, and proceeded inconclusively, but was attended by great suffering and loss of life to the population until the United States intervened in 1898. The immediate impulse to this action was given by the blowing up of the United States battleship *Maine* in the harbor of Habana, by unknown parties with the loss of 260 lives. Our Government based its action upon the broad ground that from the standpoint of the nearest neighbor, and with the consideration for human misery that is always due, the situation in Cuba was both hopeless and intolerable. It explicitly disclaimed any purpose to control the island, except for its pacification, and the treaty of peace with Spain by which the latter relinquished its authority, fully recognized that the existing occupation of the island by the United States was temporary and preliminary to the establishment of Cuban independence.

In the treaty between the United States and Cuba by which the relations between the two countries were defined, which was ratified by a constitutional convention, the independence of Cuba was acknowledged by the United States, but Cuba complied with the wishes of the United States by making certain agreements, which in substance were, not to make any treaty or compact with a foreign government that would impair its own sovereignty over any part of the island, not to contract any public debt the interest upon which, with sinking-fund provisions, could not be regularly met from the revenues, that it would sell or lease lands for certain United States coaling or naval stations, continue certain sanitation works necessary to protect the ports of the United States from the importation of contagious diseases, to defer the disposition of the Isle of Pines until a later time, etc., and, most important of all, the following:

The Government of Cuba consents that the United States may exercise the right to intervene for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty, and for discharging the obligation with respect to Cuba.

There are persons so prejudiced that they interpret any utterance in favor of the maintenance of public order or the protection of property as favoritism to "business" or the "money power", oblivious to the fact that the mass of the people are dependent upon the activities of business for a livelihood. Whatever differences of opinion there may be now as to the wisdom of the above provision, the authors undoubtedly intended it to be helpful to Cuba. They were apprehensive that among a people inexperienced in self-government a state of disorder might arise, possibly involving social conditions as serious as those which had prompted the United States to intervene. The intention was to give assurance to the world that order would be maintained in the island, with protection to life and property, and to discourage attempts by discontented elements to overthrow a lawful government by force.

The Government of the United States under all administrations has sought to promote order and good government in Cuba by friendly counsel and mediation. One intervention under the treaty occurred in 1906 and lasted until 1909, but the Government was manned mainly by Cubans during this period. By its original self-denying declaration upon entering the war, by treaty with Cuba after peace was established, by its withdrawal after the intervention, by the settlement of the controversy over the Isle of Pines in favor of Cuba, and by its consistent policy throughout to the present day, the Government of this country has given sufficient proof that it has no designs upon Cuba. The natural desire of the people of Cuba to govern themselves has been, is, and will be resented by the people and the public authorities of this country.

ECONOMIC RELATIONS

Notwithstanding the unimpeachable record of the United States, as recited above, the people of the United States should recognize that they have a large responsibility for the state of turmoil, disorder, and human suffering which has existed in Cuba in recent years and for the unhappy conditions existing there now. For those troubles have been and remain primarily economic, and Cuba is economically dependent upon the United States.

The natural products of the United States and Cuba are almost wholly complementary, not competitive. The chief product of Cuba is sugar and in the 5 years 1924–28 it constituted 84 percent of the value of all the island's exports.

Sugar is found in many plants, but the commercial product is almost wholly from two, the sugarcane and the sugar beet. The former is a natural product of the Tropics, and for this reason utilizes the sun's rays in the making of sugar more effectively than does the sugar beet, which is a developed product of the Temperate Zone. Commercial production from beets dates from the time of Napoleon Bonaparte. Until then Europe had obtained its sugar from the Tropics, chiefly the West Indies, but when in Napoleon's wars with England the latter overcame the French Navy, the French Emperor founded the beet-sugar industry by a system of subsidies to provide a domestic supply. The same motive, i.e., to have an assured supply in the event of war, has prompted nearly all of the European countries to foster the beet-sugar industry.

A NATURAL TRADE

If Providence had been planning for the cheapest possible supply of sugar for the great population which one day would occupy the United States, it could not, within the range of human knowledge, have done better than by placing the island of Cuba precisely where it is with the soil and climate that it possesses. On the other hand, the chief agricultural products of the United States never have been grown in Cuba in quantities sufficient for the home consumption, and the country is lacking in both the capital and trained labor to supply its own manufacturers. Thus there is the basis for a mutually advantageous exchange of products, and it developed from an early day. For a long time such import tariffs as were imposed by the two countries were designed to raise revenues for the governments rather than to restrict trade. However, our sugar duty gave a stimulus to sugar production in this country, first from cane in Louisiana, lately from cane in Florida, years ago from beets in California and the plains region of the West, and more recently as far east as Ohio.

As the home production increased, the agitation for more protection increased, until the rate of duty became 1.68½ cents per pound under the Dingley Act of 1897, but this was reduced under the reciprocity act of 1903 to 1.348 cents. This act was carried through Congress by the earnest support, first of President McKinley, and then President Theodore Roosevelt and his Secretary of State, Elihu Root, each of whom urged that not only was it a sound national policy to maintain intimate relations with Cuba both politically and economically, but that we were virtually pledged to that policy already by the terms of the treaty which this country had practically dictated. The United States had obtained a distinctly preferred position in Cuba over any other country, including the right to maintain a naval station at Guantanamo, a strategic position for the defense of the Panama Canal and practically making the south shore of Cuba this country's first line of defense in the event of our having a war with any other country.

The reciprocity treaty went into effect in December 1903. It gave Cuban sugar a concession of 20 percent from the duty levied upon all other foreign sugar coming into the United States, in exchange for satisfactory concessions made by Cuba on importations from this country. On the strength of this, large sums of Cuban, American, and other foreign capital were invested in Cuba in various enterprises, but especially in the rehabilitation and development of the sugar industry, which seemed to have been placed on a sure basis. It may be fairly said that the treaty was intended to establish a permanent basis for intimate business and political relations.

THE EFFECTS OF THE WAR UPON SUGAR

The price of sugar was controlled during the war, and when the control was taken off the markets for a time were in great confusion. The war devastated the beet-sugar regions of several European countries, and European production fell from about 8,000,000 tons in the crop year 1913–14 to 2,594,000 in 1919–20. The obvious deficit in supplies started competitive buying in all markets. Not only did dealers scramble for supplies, but large consumers and even families sought to accumulate stocks, with the result that in the spring of 1920 Cuban raws sold in New York as high as 23.57 cents per pound. This, however, was without reckoning with the consumer and it soon developed that there was plenty of sugar at the price. Seventeen countries shipped sugar to the United States in that year, with resulting disaster to the sugar trade. Indeed, sugar became a drug on the market, the raw commodity falling below 2 cents in New York. Later the price recovered moderately, on account of the deficit in European production, but the beet sugar mills of Europe were rebuilt rapidly with larger capacity than before, and from that time on the sugar industry all over the world was sinking into deep depression.

The countries that were producing sugar for a part of their supply were induced by the low prices to protect their domestic producers by increasing import duties, and this production was liberal enough to stimulate further expansion, with the result that total world production increased despite the low prices. From 18,460,000 tons in 1913–14, it rose to about 24,000,000 tons in 1924–25 and to 28,480,000 tons in 1930–31, and the exporting countries like Cuba and Java found their former markets being closed against them.

THE FATE OF CUBA

The sugar industry in Cuba has been developed with special reference to the United States market, which was practically assured to it by the reciprocity treaty, as against all other foreign sugars. But with the increase of our import duties in 1920, 1921, and 1928 production in the United States, Puerto Rico, Hawaii, and the Philippines increased rapidly. At the date of the reciprocity treaty the production of beet sugar in the United States was less than 200,000 tons, and of all duty-free sugar, including the cane product of Louisiana, Puerto Rico, the Hawaiian Islands, and the Philippine Islands, less than 1,000,000 tons. By the end of the World War the aggregate had increased to 2,000,000 tons; the 1925–26 crop was 2,600,000 tons and that of 1929–30 3,459,000 tons. In the latter year, the Hawley-Smoot revision of the tariff raised the general sugar duty to 2.5 cents per pound, which made the reciprocity rate 2 cents. Under its influence the production of the duty-free sugars has increased each year until for the current year it is estimated at about 4,250,000 tons.

It should be understood that so long as any part of the sugar supply of the United States must be imported, the market price for all the domestic production is fixed by the price ruling for the imported supplies. In other words, the domestic and insular sugars sell just low to crowd out the quantity of Cuban sugar. The Cuban production had reached about 2,500,000 tons before the war and thereafter increased steadily to about 5,000,000 tons in 1924–25 and repeated this in 1928–29, but since then under drastic governmental control the crop has been steadily reduced to about 2,000,000 tons in the present year. This has meant ruin and distress to the people of Cuba. The price of Cuban raws in New York Harbor, preduty, has been below 2 cents in every year since 1929 and touched the low point 0.57 cent, in 1932. It is now about 1.60 cents. Almost continually throughout the last 3 years the duty upon Cuban raws has been more than 100 percent upon the import value, much of the time above 200 percent, and at the low price level about 250 percent.

Almost all of the companies producing sugar in Cuba are bankrupt or in the hands of receivers, and of course the individual producers have fared no better. Certainly this is true of all who were financed to any extent by debt. Costs have been cut with unsparing hands, wages to figures that would be impossible anywhere but in a country where the climate makes the requirements for clothing and shelter comparatively slight and food can be had at only a slight outlay of labor. The purchasing power of the Cuban population has been almost destroyed.

THE LAST DUTY INCREASE

When the proposal for the last duty increase was pending at Washington, the situation was reviewed at length in these columns (June 1929) and a portion of the comment is reproduced herewith, because it describes the effects of our sugar policy upon Cuba as well as anything that could be written now.

PAN AMERICANISM AND CUBA

For many years our statesmen of all parties have professsed the doctrine of Pan Americanism, which is supposed to mean that a fundamental basis exists for close and harmonious relations between the countries of the Americas, and that such relation should be cultivated. * * * The official headquarters of the Pan American Union are located in Washington, D.C., and it would seem that the purpose which prompted the formation of that organization and the gift of the building which it occupies should find some degree of expression in our national legislation affecting trade. * * * We have more intimate relations with Cuba than with any other member of the Pan American Union. * * * In view of this natural community of interests, as well as the political ties existing, it would seem that if Pan Americanism means anything in the trade policies of this country it should appear in our trade relations with Cuba. * * *

When the full measure is taken of what the ruin of the sugar industry would mean to the 3,500,000 inhabitants of Cuba, no parallel for the disaster can be found outside of the annals of war, and the injury done in this case would be far more lasting than the injuries of war. Devastated Belgium and France have been rebuilt and are more prosperous than before, but there would be no rebuilding of Cuba until a market was found for her products. The prosperity of Cuba depends upon her ability to utilize her soil and climate for the purpose to which they are supremely suited and to trade with a population which will take such products in exchange for their own. In all history there has been no such destruction of property values or displacement of an industrial population by legislative decree as would result from forcing the people of Cuba to abandon sugar production or even to cut it one half. Alternative employment for the population cannot be named. The people are unskilled and without experience in anything else, and the United States wants nothing else from Cuba any more than it wants sugar. Exclusion of its products from this country would mean the depression of Cuba to a distinctly lower level of social life.

It cannot be to forcibly stated that while the beet-sugar industry is fighting for expansion—to capture the full United States market—Cuba is fighting for life, to hold the place she has long held in the only available market for her product, and for the only means of a decent livelihood for her people.

THE MERITS OF THE CASE

Opposition to this increase was not based upon sentiment for Cuba alone. Although there are beet-sugar factories in Wisconsin, three economists of the University of Wisconsin, B. H. Hibbard, John R. Commons, and Selig Perlman, submitted a brief on the subject in which they estimated that the increase would cost the consumers of the United States $150,000,000 per year, against possible benefits to the beet growers of $43,000,000 per year, and that the cost to the farming population as consumers would be $64,000,000 per year. The argument did not prevail, because the principle of protection was said to be involved. But is the principle of reasonable protection involved in such a case? It is one thing to foster a home industry which labors under no natural disadvantage, but a different thing to tax the public for the support of an uneconomic employment of capital and labor. There must be a line between the reasonable and the unreasonable if there is to be any foreign trade.

The argument for the further development of the beet-sugar industry has been that it would give the farmer another crop and thus reduce the acreage of his natural crops, but the Wisconsin University brief answered this by showing that the number of farmers growing sugar beets is very small in comparison with the total number of farmers and always will be under any possible development of the industry, and that the higher cost of sugar to farm families alone, not to speak of other consumers, would exceed any possible gains to the beet growers. Two cents per pound upon the 5,800,000 long tons consumed in this country annually would amount to about $260,000,000, an extra cost to the consumers, which would not be profit to the American producers but mainly chargeable to the fact that climatic conditions are less favorable to the production of sugar in the United States than in Cuba.

The Department of Agriculture, in view of the emergency situation in agriculture, is urging the retirement of marginal lands from cultivation and the concentration of labor upon the most productive lands. The logic of this would include the elimination of crops which yield the smallest money return per unit of labor applied, and undoubtedly this would include sugar beets, if that part of the return from beets which is due to the tariff were eliminated from the calculation.

It is said that wages and the standard of living are lower in Cuba than in the United States, and that such competition should be prevented, but there will be no competition between Cuba and the United States if we do not force it by attempting to do the work which Cuba is best qualified to do. Her standard of living and our own also will be improved by natural trade. There is no more reason why the United States should produce the sugar for its own consumption than there is why every family in this country should grow its own vegetables, make its own clothes, or do its own laundry work.

The sugar industry of the United States never has supported, nor ever can support, as many consumers of this country's farm products as a prosperous trade with Cuba will support. In the 10 years from 1916 to 1925, inclusive, the exports of the United States to Cuba averaged about $225,000,000 per year, fluctuating with the price of sugar in a manner which clearly shows this to be the source of Cuba's purchasing power. In 1932 these exports had fallen to $28,800,000 and no class of producers in the United States escaped the effects of that fall.

Insofar as higher duties have been intended to increase the revenue to the Treasury, the results have been disappointing. Customs receipts from the sugar tariff have not been permanently increased. Reflecting the tariff advances of 1921 and 1922, together with a sharp increase in imports in 1922, the total duties collected from sugar rose from $71,300,000 in the former year to $147,900,000 in the latter. By 1932, however, the total was down again to $76,000,000. After 1926 the decline was interrupted in only 1 year, and was due directly to the influence of the tariff in shifting the principal source of supply from a duty-paying source (Cuba) to a duty-free source (insular territories). Moreover, if the domestic industry, including our insular territories, develops its sugar production to completely supply the domestic consumption there will be no revenue from sugar.

PENDING NEGOTIATIONS

The authorities at Washington have been endeavoring to arrange through mutual agreements a quota system, by which the sugar demands of this country would be apportioned to the several sources, all of the sugars included being duty-free, except the Cuban product. The schedule as submitted for adoption by the domestic and insular producers gives Cuba 1,780,000 long tons per year, which except for last year is less than its actual share in imports in any year since 1912. On the other hand the domestic and insular producers have assigned to themselves 4,486,000 long tons, an amount in excess of any year's production heretofore. The beet-sugar producers have peremptorily refused to consent to any future limitation of their production. This means that they maintain the objective of eventually supplying the entire domestic demand.

The president of the National Beet Growers Association, commenting upon the quota agreement, is quoted as follows:

> The program agreed upon today is one which recognizes the principles for which we fought at the public hearings on the sugar-stabilization agreement. We contended that the American market belongs first of all to the American farmer. We have in no sense modified our position.

Apropos of this, it seems pertinent to quote the following from the author of the Declaration of Independence:

> Could every country be employed in producing that which nature has fitted it to produce and each be free to exchange with others natural surpluses for natural wants, the greatest possible would then be produced of those things

which contribute to human life and human happiness, the numbers of mankind would be increased, and their condition bettered.—THOMAS JEFFERSON.

THE WESTERN PRODUCERS

Before closing the comment upon beet sugar, it is due to say that the beet-sugar producers of the plains and intermountain region of the West have an argument for their case which does not apply to the industry east of the Missouri River. They have a regional consumption demand which, if supplied from the seaboard, involves a long rail haul with freight charges which must be covered by prices in that territory. Moreover, climatic conditions are favorable to the largest possible sugar content in beets.

In short, the industry in that region is on a different economic basis, to the extent of this local demand, from anywhere east of the Missouri River, and undoubtedly could live under a lower tariff, if not entirely independent of the tariff. Insofar as this is true, the foregoing comments are not intended to apply, but this portion of the industry has nothing to gain from a tariff policy which looks to spreading the industry over all of the country, under an artificial stimulus. When all imported sugars are eliminated, a purely competitive situation will exist in the domestic industry, and it is probable that an oversupplied situation will be found to exist. Moreover, the greater part of such an investment always will be subject to the risk of tariff reductions.

SUGAR FROM THE PHILIPPINES

When the Philippine Islands came under the sovereignty of the United States the first tariff legislation affecting the entry of their products to this country established a general rate of 25 percent off the levies upon importations from foreign countries. Later a limit upon imports of Philippine sugar was fixed at 300,000 tons per year. In 1913 Philippine sugar was made duty free and the limit taken off. After the war was over and this country's sugar duties were raised by the acts of 1921 and later, large sums went into the sugar industry in the Philippines for the express purpose of producing sugar for United States consumption. The production has increased steadily and in the crop year of 1932–33 has amounted to about 1,150,000 long tons, with exports to the United States of over 1,000,000 tons. The increase of the Philippine supplies in this market necessarily has meant the exclusion of an equal quantity of the Cuban product. The Philippines are wanting their independence, but say that the loss of the United States market for their sugar will ruin their sugar industry, built up especially for this market.

Thus the policy of developing in the Philippines a sugar supply for the United States, in substitution for the Cuban supply, has been injurious to all the parties affected. It has been very costly to the consumers and Treasury of the United States, terribly disastrous to Cuba and now is a cause of perplexity and controversy among the Philippine people, and of prospective loss to the investors there in Cuba. It has involved this country in the charge of acting in bad faith with both Cuba and the Philippines. Obviously it was a mistaken policy from the beginning.

AMERICAN INVESTMENTS NOT RESPONSIBLE

Representations that American investments and American business operations in Cuba have been responsible for the economic disaster which has befallen the Island, have no warrant in the facts. The reciprocity treaty seemed to afford the promise of a new era in Cuba, and foreign capital, chiefly from the United States, flowed into the Island as never before, in response to the applications and invitations of the Cuban people. Railroads were built, public utilities constructed or rehabilitated, the sugar industry was reconstructed and expanded, new industries were established, the cities were paved, provided with modern sanitation and adorned with fine business structures and public buildings. Naturally, property values increased, wages advanced, and despite some vicissitudes the outlook for the future was promising until the Great War came on with its world-wide effects.

A part of the American capital which went to Cuba took the form of loans to Cuban borrowers, but much more of it was employed in fixed investments under corporate ownership, in which in many instances Cubans participated to some extent by accepting securities for old properties, in whole or part. In other cases old enterprises were bought out for cash, and usually at prices that now seem very high. At the present time a very large amount of American capital appears to be hopelessly sunk in Cuba. It has met this fate in pursuance of a perfectly rational purpose to produce a great staple article of food as cheaply as it could be produced anywhere in the world and more cheaply than it could be produced in its natural market, the United States.

The foreign banks represented in Cuba—American, Canadian and others—went there to do the usual banking business, responding to the prospect that there would be need for increased banking facilities to handle the business of the Island. Anyone competent to write upon the subject at all should know that banks do not acquire real estate or industries if they can avoid it, and that the National Bank Act, of the United States, under which the New York banks were operating in Cuba does not permit such investments. Unfortunately these banks have been obliged to take over from debtors certain plantations and other properties in Cuba, as thousands of banks have been obliged to take over farms and other properties in this country. Any representation that the banks have desired such acquisitions, or have any prospect of profiting by them is a travesty of the facts. No acquisition of this kind is included in the stated assets of this bank.

The larger part of the public debt of Cuba has been incurred since the depression in sugar began, the expenditures being for public works and prompted in large part by the importance of affording work for the unemployed. Other countries have thought themselves justified in large expenditures for similar reasons. The loans for these purposes were not forced upon the Cuban Government and there is no reason for representing the lenders as plunderers.

To sum up, the American investments in Cuba have been made for legitimate business purposes, were expected to increase the wealth and income of the island, serve the needs of its people and serve the special needs of the trade between Cuba and the United States. Obviously the tariff upon sugar has affected American interests in Cuba the same as Cuban interests there.

It goes without saying that the tariff policy of the United States has not been determined by enmity or malicious intent toward Cuba, but by what the Government at Washington has conceived to be the interests of the people of this country. Nobody would claim that the interests of American investors or businesses in Cuba should prevail in such legislation over the interests of this country as a whole. The national policy should be determined upon broad considerations. The only criticism of the policy ever offered in this publication has been that the determination has been made without proper consideration for all the conditions which have concerned the United States. The attitude of this bank on the subject has been the same ever since the adoption of the reciprocity treaty. It accepted the policy so cogently advocated by President McKinley, President Theodore Roosevelt and Secretary Root, and has stood by it ever since, believing it to be in the interest of both countries.

Whether the tariff upon sugar would have been advanced as it has been, three times since the reciprocity treaty was adopted, if there had been no war, cannot of course be known, but probably not. The war resulted in the large production for this market in Puerto Rico and the Philippines. It was the violent changes in the production and prices of sugar occasioned by the war which caused, first the extravagant rise of prices and then the extravagant rise of production and consequent fall of prices, followed by the defensive increase of tariffs in this and other countries with its final spur to production—which accomplished the ruin of Cuba.

In truth, the state of the sugar industry illustrates very clearly the general disorganization of industry caused by the war, all over the world. Moreover, the people of Cuba were just like the people everywhere else in assuming that the great industrial activity of the war time and years following, with the accompanying rise of prices and wages, signified that a wonderful and permanent prosperity, unparalleled in all the past, had been born of the war, which would have been a violation of both reason and morality. All of the conditions of that time were abnormal and fictitious, but the people of Cuba were deceived by them and went into debt on the strength of them, just as did the people of the United States, and with similar results. The great lesson of the depression is that war is an anachronism in modern life, that modern highly organized, interdependent society cannot afford to have war.

THE WORLD SUGAR SITUATION

Reference has been made above to the destruction of about 70 percent of the sugar-making capacity of Europe during the war, causing a rise of prices which stimulated an excessive development of new capacity. Thus the sugar production of the United States and its insular territories increased from about 2,000,000 tons at the end of the war to over 4,000,000 tons in the present year.

Japan and India had previously supplied less than one half of their own consumption, obtaining the remainder from Java. Japan is now fully self-supporting (from the island of Formosa) and is reported as exporting some sugar. The situation in India was described recently in the London Times as follows:

Rapid developments of the sugar industry in India have produced a situation of international importance, according to the weekly trade letter of the Sugar Federation of the British Empire. That is the reason why the Government of India has called the conference reported in The Times on June 15, of sugar-growing States and Provinces which is to be held at Simla on July 10.

In the 1931–32 season 30 factories were working in India, in 1932–33 some 27 new factories came into operation, and the federation has received information that 53 new factories are in course of construction for the present season, 1933–34. Calculating the prospective outputs of the 110 factories, the federation estimates that they are capable of a production this season of 950,000 tons, equal to the total India home and import requirements last year.

Italy, Spain, and France, formerly importers of part of their supplies are now self-sustaining. One of the strangest cases is that of Great Britain which has expended about $100,000,000 in the last 8 years in subsidizing the establishment of a beet-sugar industry in England, although the cane-sugar industry of its own colonies has been in dire straits. This policy of Great Britain toward its colonies has been identical with that of the United States toward Cuba, although the production of England has excluded Cuban rather than Colonial sugar from the home market, while contributing to the general excess.

In all, this post-war expansion of sugar production in the face of existing overproduction has curtailed the aggregate of sugar exports to the amount of about 6,000,000 tons, Cuba and Java being the chief sufferers. It has destroyed the purchasing power of sugar producers everywhere, as we have seen in the case of Cuba, not to speak of investments aggregating hundreds of millions. No single word describes the sugar situation so well as anarchy, and before anybody lays the responsibility of it upon the free system of industry governed by the law of supply and demand, we will repeat that it has all been fostered and directed by governments, in frank disregard of all economic law.

Moreover, the same policy is running rampant among the industries generally over the world, in violation of the principle of specialization and exchange which has been the principal factor in industrial and social progress. The volume of all trade has fallen about one half in 3 years, owing to confusion in production and prices, caused primarily by the violent changes occasioned by the war. The situation has been as bad in domestic as international trade, owing to a similar disruption of trade relations. It is only stating the obvious truth to say that there can be no general restoration of employment and prosperity except by the restoration of the reciprocal and balanced exchanges by which the different population groups are able to obtain and consume each other's products. All of the improvements in industry and gains of mass production will come to nothing unless there is a reasonable degree of order and cooperation in production and exchange.

OCTOBER 1933.

THE NATIONAL CITY BANK OF NEW YORK.

Mr. KEARNEY. Mr. Chairman, we have several other people whom we desire to have heard, and I wonder if they could not file their statements at this time.

The CHAIRMAN. They may, and I will say that this afternoon we will give an opportunity to everyone who does not want to speak before the committee, but prefers to put his statement into the record, to do so.

Mr. C. J. Bourg has requested 10 minutes, and we will be glad to hear you, Mr. Bourg. You represent the Louisiana Sugar Cane League?

STATEMENT OF C. J. BOURG, OF LOUISIANA

Mr. BOURG. I represent Louisiana Sugar Industries, also the American Sugar Cane League, which is an organization of cane growers and sugar producers in Louisiana, with a membership of 5,200. All members are cane growers and only a very small percentage have an interest in sugar factories. The growing of sugar cane and the producing of sugar has been an agricultural industry in Louisiana for more than 100 years, and around this industry the population of the southern portion of the State has been organized. The normal production of sugar in Louisiana is most accurately exemplified by the production figures of the pre-war base period of 1909–14, taken from sugar statistics issued by the Tariff Commission, which is as follows:

	Tons
1908–09	414,000
1909–10	375,200
1910–11	355,040
1911–12	360,874
1912–13	162,574

This gives a total of 1,668,088, which is a 5-year average of 333,615.

The CHAIRMAN. What was the average for the 10 years preceding those years? It did not come up to that, did it? That was when you had reached the peak of your production in Louisiana, as I understand it.

Mr. BOURG. Yes, sir; but the 10-year average pre-war is over 300,000.

Senator GORE. Was 1913 a bad crop year, or was there some other cause for that drop in that year?

Mr. BOURG. The mosiac disease began just about that time, and it was not until 1918 that the Department of Agriculture located the cause for the decrease in the crop and proceeded to bring us disease-resistant varieties of cane. And we have since that time been able to build up our production so that from a low in 1926 of 47,000 tons, we had built up to 1932 production of 222,760 tons. So that we have been, as it were, in the hospital, and we are now in the convalescent stage, which has brought about, as the Secretary of Agriculture said this morning, through the assistance of the Department of Agriculture.

Senator COSTIGAN. Do you happen to have the Department of Agriculture's estimate of the pre-war price of cane sugar?

Mr. BOURG. Yes, sir. I have it from conversation with the Department of Agriculture officials. The average price was $4.02 for raw sugar, and the pre-war parity, which is 116 percent of that, is $4.68 per ton of cane, because we pay in dollars per ton what raw sugar is worth per pound on the market. Cents per pound.

Senator GORE. What do you say you do?

Mr. BOURG. We say we get $1 per ton for cane on the basis of the cents per pound of raw sugar of the New York market.

The statement of production which I have just made gives the historical background and indicates that the production of these very recent years shall not be used as the normal or fair basis for the establishment of a quota for the future production of Louisiana.

The American Sugar Cane League, and through it the Louisiana sugar industry agrees with the principles of a managed economy for agriculture under the Agricultural Adjustment Administration, and we believe that the best solution of the problems of the domestic sugar industry of the United States is the application of a quota system to control the distribution of sugar in the United States from all producing areas. We reiterate our position of sympathy for all people of other countries who are in distress, but we maintain that the first duty of the United States Government is to care for its own citizens first.

We believe firmly in the principle of the American market for the American farmer.

In view of the fact that the problems of the domestic sugarcane and sugar-beet grower have been before the Department of Agriculture for many months, and in view of the fact that the growers have accordingly received assurances that the benefits of the national program would be extended to them on the basis of the 1933–34 crop, we have every confidence that the bill under consideration is intended to provide for benefit payments to be made to the growers of continental United States on the basis of the 1933 crop. We further believe that this expectancy is justified, because only upon this basis could the growers receive any benefits during the calendar year 1934, this year.

Senator KING. Do you contemplate that that will be paid out of an appropriation by the United States of $25,000,000 or $50,000,000?

Mr. BOURG. From the proceeds of the processing tax, which would be applied immediately, but unless you used last year's crop as the basis, you would have to wait until the harvesting of this year's crop, which is the last 3 or 4 months of the year, so that payments could only be made next year.

Senator KING. Would the processing tax be retroactive and applied to sugar which has already been sold?

Mr. BOURG. Unless this bill is changed, the processing tax will apply upon all sugar now existing in the United States. Floor stocks.

Senator KING. Supposing some of last year's crop has been sold and consumed, would you expect the processing tax to be applied to that?

Mr. BOURG. No; it could not apply to that.

Senator KING. Then I was wondering if you expected any appropriation out of the Treasury?

Mr. BOURG. No; I do not think that it would be necessary, because the processing tax which is contemplated, I think, will provide ample funds for the payments.

Senator KING. In any statement you have just made, are we to understand that you favor a reduction of 306,000 tons, or 360,000 tons in domestic sugar-beet production?

Mr. HOLMES. No, sir.

Senator KING. Of course, you get an agumentation of about 20,000 tons, don't you?

Mr. BOURG. No, sir; Senator. That is a mistake of computation, for the reason that Florida has a crop that goes over into the next year, and the computations that brought about this error of 20,000 was that they took the Florida crop of 1932–33 and added it on to the Louisiana crop of 1933–34. If you take Florida and Louisiana of 1932–33, you actually get 262,000 tons, and if you take the crop that has just been harvested in Louisiana, plus the crop which is now being harvested in Florida, which is estimated by everyone at 50,000 tons, it will be 258,000.

Senator KING. Then you have not suffered, if this quota is adopted, any reduction?

Mr. BOURG. No, sir. It would be approximately what Florida and Louisiana produced last year.

Senator KING. Are you satisfied with any policy that will restrain the Louisiana and Florida producers of sugar increasing the acreage in production?

Mr. BOURG. No, sir; not any more however in Florida and Louisiana than in the United States. We believe that continental United States should not be restrained under its present capacity.

Senator KING. Do you think that with the consumptive needs of 100 that we should be satisfied with a domestic production of, say, 20 to 22 or 23 percent, and expand no more even though the population increases?

Mr. BOURG. No, sir; certainly not; and I cover that a little further in my statement.

Senator KING. Excuse me for interrupting you.

Mr. BOURG. It is reasonably to be expected that because the consumption of sugar in the United States has for several years been decreasing during the depression, there will be an increase in the consumption of sugar in the future. It is entirely justifiable to expect that this increase in consumption will be allotted first to continental production in keeping with the acknowledged principle of American Government that the American market belongs to the American farmer, certainly to the extent that continental production is able to absorb the market demands.

In the past there has been a considerable sentiment in Congress to equalize the cost of production in continental United States as against protected insular areas within our tariff walls. In other words, there are those members of Congress who have hesitated to increase tariff protection because the benefits were not restricted to continental growers but were extended in the same proportion to growers and producers of insular areas where the cost of production is much less than in continental United States. We are sure that this is entirely a just position, with which no grower or producer from a lower cost producing area can quarrel. We believe that the bill under consideration contemplates such a readjustment in the cost of production for the benefit of continental growers.

That is in accordance with the declaration made upon the floor of the Senate by several Senators in the 1930 debate.

We believe that a reasonable limitation of off-shore refined sugar should be undertaken, because the competition of this sugar affects materially the interests of Louisiana farmers and the price which they receive for their cane.

Senator GORE. What kind of sugar?

Mr. BOURG. Refined sugar. White sugar.

We recognize that the present situation in the sugar market of the United States is such that something must be done by the Federal Government. We are convinced that there must be control of the production and distribution of sugar within the United States market. We are unable to suggest a better method than the allotment of quotas and we ask that in the development of a program that the rights of the grower be given first consideration.

Senator GORE. How many parishes in Louisiana grow sugar?

Mr. BOURG. How many parishes in Louisiana grow sugar?

Senator GORE. Yes.

Mr. BOURG. Seventeen.

Senator COSTIGAN. How many parishes in all are there in Louisiana?

Mr. BOURG. Sixty-three. I should say sugarcane for sugar, Senator Gore.

The CHAIRMAN. Thank you very much. The representative of the Florida sugar interests, Mr. Bergen.

Mr. BOURG. We would like to preserve the right to file a statement.

The CHAIRMAN. Thank you very much—you can do that. Mr. Oviatt, representing the Michigan, Ohio and Indiana beet growers. How much time do you want, Mr. Oviatt?

Mr. OVIATT. Ten minutes, I would suggest, if it is agreeable.

The CHAIRMAN. Proceed.

STATEMENT OF C. R. OVIATT, REPRESENTING THE MICHIGAN, OHIO, AND INDIANA BEET GROWERS

Mr. OVIATT. My name is C. R. Oviatt; my address is East Lansing, Mich.

Mr. Chairman, and gentlemen of the committee: I am appearing as a beet grower of Michigan, and as a delegated representative of approximately 70 percent of the 26,000 beet growers in Michigan, Ohio, and Indiana, who are affiliated through the Farmer and Manufacturers Beet Sugar Association.

We come into this hearing to consider a bill and a proposal which in itself is indefinite in detail and very indefinite as to underlying principles.

The explanation of the Secretary of Agriculture has been very helpful and illuminating. It has clarified certain portions of the proposal and presented certain principles and policies, but it lacked completeness of detail in meaning and application.

May we first briefly consider certain features of the proposal which appear to have a certain degree of merit? The recognition of sugar beet and sugarcane as basic commodities is, in itself, most satisfactory, for they are important crops and sugar is a basic food necessity.

Whether or not the inclusion of sugar beet and sugarcane under the provisions of the Agricultural Adjustment Act would prove beneficial, would largely depend upon the application of the plan. The payment of benefit payments under the conditions outlined in this bill would prove a questionable substitute for adequate tariff protection, but if the tariff is reduced by the President, this proposal, if reasonably administered, would be beneficial in attempting to bring parity prices to beet and cane growers for their products. The amount of benefit would likely depend upon the amount of the payment which was possible under the proposal, and the terms of the Agricultural Adjustment Act, and the completeness of the degree to which the tax can be added to the price of sugar.

We readily subscribe to the principle of applying quotas to the several producing areas so as to balance deliveries of sugar with demand. We want a fair and comprehensive program of quotas worked out and applied. However, there appears in the bill and in this proposal, and the explanation thereof, to be a great deal of uncertainty.

What are a few of these indefinite points?

The bill provides that in the event of the lowering of the tariff, that a limited processing tax may be applied, but does not provide for the reverse action—that the tariff shall be raised when and if the tax is dropped—a most serious omission.

Senator COSTIGAN. Before you proceed. Do you realize that if the tariff is reduced by the President, it will be under the tariff law passed by a Republican administration, and under the flexible provisions of the law, in response to findings by the Tariff Commission as to the differences in costs of production at home and broad?

Mr. OVIATT. I presume that would be the situation; yes, sir.

Senator COSTIGAN. Also that there is no corresponding provision in the law for an increase unless the relative costs of production increase on the side of the American producer.

Mr. OVIATT. Yes, sir, Mr. Senator; but as I understand it, we are considering a bill which does mention and ties up a processing tax with a tariff reduction.

The CHAIRMAN. The Tariff Commission, you understand, has already made the recommendation for this reduction?

Mr. OVIATT. I have heard that that has been done.

The CHAIRMAN. That is true.

Mr. OVIATT. To continue, we have had but little explanation of the basis of benefit payments. Will parity price for beets and cane be established on entire continental average prices? Will the payments vary in the several beet-producing areas? If so, what areas and what variation? Will areas mean regions, groups, of States, States, districts, factory areas, or individual farms? Will previous and present prices for beets in such areas be considered, other than as they affect the general average?

Will cost of production be a part of the formula? Will sugar content and purity factors be considered? Will there be adequate adjustment of prices to equalize the primary differences in contracts of various areas in such important items as transportation of the beets, where the price does or does not include delivery of the beets?

Will the secretary attempt through the payments, to bring up the price to a common level for all growers, regardless of the terms of their contracts with the processors?

Will the secretary through payments attempt to carry the load for certain companies who offer lesser prices or division of receipts with the growers?

In the event of restriction—while beets may be named a basic commodity, we note the suggested quotas are in terms of sugar. Will restriction or areas, States, individuals, be in terms of sugar or acres? Who will apply such restrictions and how?

In the event of the necessity of entirely closing certain mills because of insufficient acreage for capacity operation, how will growers in such areas be adequately paid to entirely cease beet production?

Can extra payments be secured to transfer beets from one factory area to another to combine sufficient tonnage for reasonable operation?

Can mill operators be recompensed for added per ton costs because of restricted tonnage?

We do not admit that any restriction is sound in principle, but should restriction be imposed, it could not be considered unless it provided for a quota covering capacity operation of all mills, and a full quota for all farmers now growing beets.

We were considerably discouraged by the inference of Secretary Wallace that this proposal had a special Rocky Mountain interest. We have been hoping against hope that this angle of intersectional problems might not be involved, yet the Secretary infers that it is involved. We are going to assume that this was one of the personal wanderings of the Secretary, and that it was not the intention of this proposal.

Senator KING. I suppose it is assumed that because you only represent 24,000 or 25,000 beet growers, they are not important.

Mr. OVIATT. That might be assumed by some people, but we certainly do not admit that contention. We were cheered by the testimony before the House committee of Mr. Ezekiel, that the whole plan contemplated marketing agreements which by eliminating cross hauling and unnecessary marketing expense, and giving assured markets in our own area, would result in added markets for our products. We are delighted to have this promise.

In spite of certain discouraging testimony before another congressional committee, we have been heartened by statements that all economic factors of the situation would be weighed in considering the justification of the continuance upon a high level of the industry in certain areas. Such a statement of policy was encouraging to us because of our special set-up.

We wish to call special attention to the geographical, industrial, and social lay-out of our area.

We are situated, as you know, on the Great Lakes, the largest and most important fresh inland waterways of the world. The industrial and agricultural development of that area has concentrated in that area millions of people. It is the most thickly populated area of any of our inland districts.

What does this situation offer by way of encouragement for our business? Well, what do we need? As component parts for business to be encouraged in this country, and we also trust that in spite of the testimony which has proceeded during the past week, that such business is to be encouraged in this country.

What do we need? What we need, first, is demand for a product; second, the physical production capacity; third, man power; and fourth, capital.

What do we have in our particular area? As well as other areas in this instance, almost constant demand for sugar. We have the soil and the climate; have the man power and we have the capital.

What about that most important fact, demand? Certainly we have it, and it is right at our very door. The three States of Michigan, Ohio, and Indiana produced approximately 200,000 tons of sugar in 1933 while the residents of those three States consumed approximately 500,000 tons nearly three times as much consumption as production. What a fine situation and what a logical development we have.

We have the farms and the farmers, the laborers for the field, factory, and allied interests; we have the roads; we have the mills; we have the coal mines, quarries, and producers of the other needed supplies; we have the trucks and the railroads; we have the purchasers for our byproducts; we have the distributor set-up to get our sugar to the tables of our consumers, and—most important—we have hosts of consumers right there in our own district. We do not need to ship our sugar very far, particularly if we were allowed our own market. We have the ideal outlet of our own fields and factories. Is not this the kind of industry we need to foster? Must not such interrelated activities of interest and employment be the basis of our future economic development?

In special reference to the labor factor—we wish to call attention to the community of interest in the operation of sugar mills. Most of these mills are located in the small towns and the beets are secured in our own area within a radius of approximately 15 miles as the average of the mills. The operating employees of the company live in these small towns. During the campaign the extra crew is recruited from the town and from the families of the growers who are supplying the beets to the mill. Such a combination of agriculture and industrial employment is most desirable, and many trials and much space in publications have been given to the trials along this line of a combination of industrial and agricultural employment. This particular factor has been a feature of our regular program for these many long years.

We wish to take exception to the expressed attitude of the Secretary of Agriculture that the Department is not interested in the question of whether sugar is refined here on the continent or outside. How can the Secretary of Agriculture be interested, and he admits that he is, in the consumption of general agricultural products in Cuba, and not be interested in the consumption of agricultural products within our own country? Does the Secretary not know? He must know that we have a better chance to sell pork, beans, cotton, and all agricultural and all industrial production to a man who is employed in the refinery here in New York, for example, as compared, for example, to our chance to sell the same or other products to a man doing the same work in the island of Cuba? Particularly when he works under the N.R.A. regulations here as compared to conditions of employment there. Our farmers prefer to sell the continental workers, and so would you.

Reference was made during the previous session to the increased creage in our area, and the suggestion was made that agricultural and industrial prices alone were responsible for the increase. Granting a definite influence of these factors, we must point out that a relatively recent and important development has been a big factor in our situation. We refer to the development of a cooperative contract and operation in our area. Unlike the former situation in which contracts for beets guaranteed a definite, set price per ton irrespective of the quality of the beets or of the amount of the resulting products or of the price finally secured for such products, this new arrangement divides the responsibilities and risks of production and marketing, and shares the adversities and advantages of price situations by providing a percentage division of net proceeds—now usually 50 percent to the grower and 50 percent to the operator.

The grower grows and delivers the beets to the mill, the operator accepts the beets and converts them into salable products—sugar, dried pulp, and molasses. From the gross amount of the receipts is deducted the marketing expense, leaving the net proceeds, which are equally divided, and there is no specific guaranty to either partner. While we naturally strive to increase production and efficiency in all phases including marketing, so that we may divide the largest return which is possible under the conditions——

Senator GORE (interrupting). How long has that been in effect?

Mr. OVIATT. That general program was inaugurated in 1931.

Senator GORE. How did it work out compared to the old system?

Mr. OVIATT. Much more satisfactory to date, sir.

Senator GORE. To both parties concerned?

Mr. OVIATT. I believe so. It is a real partnership in fact as well as principle. The grower is being given a voice in this set-up by encouraging the formation of local associations and the federation of their interests of the Farmers and Manufacturers Beet Sugar Association, where equal numerical representation with the operators is provided upon the board of directors, and an agricultural division is being set up to be supported by about 85 percent of the growers during this season.

Does not such efforts deserve support?

In reference to the quota, the Secretary appears to be astounded at our refusal to accept without question this proposal since he infers, if not stated, that we do not know what will be good for us. We justly resent this inference, and likewise the inference that beet and cane farmers should be tickled with any handout from the Secretary of Agriculture, who is so wrapped up in the corn and hog program that he does not see our problem. Why should we be tickled with this proposal of a quota of 1,450,000 tons as compared to our production during last year of 1,756,000 tons of sugar which was produced from a contracted acreage of 1,090,000 acres of beets?

Now, Mr. Chairman and gentlemen of the committee, speaking for the eastern beet growers, we favor certain phases of this proposal. We like the recognition of beet and cane industries as basic and fundamental industries, worthy therefore of continued protection and of support. And we are convinced that the quota term of alloting rather definite amounts to the several producing areas will be most beneficial in restoring order to a chaotic industry.

Now, then, our people are fair minded, reasonable folks, who are willing to make certain concessions in order to make progress. Our people are cooperative, and that infers a willingness to give, to adjust, to make reasonable compromises. I believe that our group—speaking now for the eastern producers—could be sold to the proposition of giving this whole matter a fair trial provided we can be assured of certain safeguards, provided that it could be agreed that the tariff will automatically go up to balance the amount of the contemplated reduction at such a future time as the processing tax and benefit payments are removed. Provided that it can be—I should say, provided that we can be convinced that the program includes production and marketing features which will allow us to continue to produce and sell our own sugar to our own people in our own three States, with definite effective marketing restrictions upon competitive sugars.

Senator KING. You mean competitive sugars produced in the United States or in foreign countries?

Mr. OVIATT. Generally speaking, competitive sugars produced outside of the United States, but as you know, Senator, there is competition among sugars within the United States, and it is our opinion that since we produce approximately one third of our sugar in those three States, that we would have a preferred claim to our own markets in those three States.

Senator KING. Don't you think that would be a rather dangerous plan—I want to get your views—to establish within the United States a regional field within which area, production from other parts of the United States would be excluded? Might not the people who grow oranges in Florida say, "We do not want any competition from California", and the wheat growers of Iowa and Kansas say, "We do not want any competition from the wheat or flour that may come from Michigan"? I suggest to you that to me, at least, it is rather revolutionary to say that we may divide the United States into districts for the purpose of applying what might be called tariffs or Federal obstacles to a free interchange of commodities among the American people, on the commodities produced in the United States.

Mr. OVIATT. There is a point there, of course, that since there would be less unnecessary transportation involved and a more effective marketing situation in our own area, we certainly feel particularly under that situation of producing approximately one third of the sugar for our own three States, that any advantage which we could be given would be appreciated and would be reflected in the price paid to our growers for our beets.

Senator KING. May I suggest to you—you are a very intelligent man—that one of the primary causes of the adoption of the Constitution of the United States was to get away from that policy which was being rapidly developed, under which the commodities of Massachusetts, for instance, were excluded from Connecticut and vice versa. But we will not prolong it. I want to invite your attention to a proposition which to me seems to be fraught with a great deal of danger if it were inaugurated.

Senator GORE. Don't drag the Constitution into this.

Mr. OVIATT. The further provision, Mr. Chairman, that I have noted here, or one further provision, provided that the quota allotment for beets will be at least sufficient to allow capacity operation of all of our present constructed equipment; and, provided further, that any increase in the total quota which may become possible because of increased consumption of sugar be pro rated to continental cane and beet producers so far as they may be able to meet such demands.

Senator GORE. How many sugar factories are there in Michigan?

Mr. OVIATT. Sixteen.

Senator GORE. How many have been operating and how many closed in the last 2 or 3 years?

Mr. OVIATT. There were 15 operating this season.

Senator GORE. And how many last season?

Mr. OVIATT. Eleven, I believe.

Senator GORE. How many the year before?

Mr. OVIATT. Seven, I believe.

Senator COSTIGAN. What was the reason for this increase in factory operations?

Mr. OVIATT. The answer to that I have very definitely suggested in this new cooperative arrangement of our area, which we feel is most worthy of consideration and support.

Senator COSTIGAN. Was one reason the unemployment situation which led many workers who ordinarily would have been in your factories, to go out into the fields to grow beets?

Mr. OVIATT. I have already stated in my statement that the change in the agricultural and industrial situation were definite factors, but this new feature was a more important factor, in my opinion.

Senator GORE. What is the price of sugar per ton at the factory?

Mr. OVIATT. That, of course, depends on your price situation.

Senator GORE. I mean, the current price.

Mr. OVIATT. I do not have adequate information on that. The general price level at the present time in beet sugar is $4.30, I believe, plus the adjustment for transportation to the particular point in question.

Senator KING. Does a sort of a Pittsburgh-plus, as applied to steel, apply to sugar?

Mr. OVIATT. The general price situation has, as I believe you gentlemen understand it—it is that the price of sugar in the United States varies with the distance from the shipper.

Senator GORE. It would be around $4.30 in Michigan at the factory?

Mr. OVIATT. It would be slightly higher than $4.30 in Michigan.

Mr. Chairman and gentlemen, you may be assured of the support of our group to the proposals when and if these proposals have been adequately covered.

The CHAIRMAN. I notice on this list that Mr. F. L. Crawford represents the eastern beet growers. Do you speak for both the Michigan, Ohio, and Indiana, and the eastern beet growers, too?

Mr. OVIATT. Yes, sir; I have been delegated to speak for them. Mr. Crawford represents one of the operating concerns in our area, and I do not know whether or not it is his desire or that of his group that he speak at this time. It is perfectly agreeable to me.

Senator GORE. Will you state the relative importance of Michigan, Ohio, and Indiana in this beet growing?

Mr. OVIATT. The relative importance?

Senator GORE. Yes.

Mr. OVIATT. Take the number of factories, for example. Michigan has 16 factories; Ohio has 5 factories; and Indiana 1.

Senator COSTIGAN. Were the growers you represent satisfied with the stabilization quota agreement of last fall?

Mr. OVIATT. No, sir; not entirely satisfied.

Senator COSTIGAN. Did you oppose it?

Mr. OVIATT. No, sir; we worked on that development and were favorable to its trial, although as you know that during the season, through pressure from various departments of the Government and other sources it seemed advisable to keep adding to the total of consumption until the sum became unwieldly.

The CHAIRMAN. We thank you very much.

The CHAIRMAN. Mr. Bass, representing the Puerto Rican interests. How much time, Mr. Bass?

Mr. BASS. About 20 minutes, Mr. Chairman.

The CHAIRMAN. I hope you will be as brief as possible.

Mr. BASS. It might be less. I will try to limit myself as much as possible—just a question of a moment or two.

The CHAIRMAN. I understood that you wanted to leave. I think we had better finish this domestic proposition, then. I thought you wanted to finish pretty quickly and get away, and I was anxious to get rid of as many as possible, so I think we will take you in the morning, Mr. Bass.

Mr. BASS. Very well.

STATEMENT OF HON. HARRY B. HAWES, REPRESENTING THE PHILIPPINE SUGAR INDUSTRIES

The CHAIRMAN. Is there anybody here now on this list who wants to speak for 5 or 10 minutes, and put their matters in the record? Senator Hawes?

Mr. HAWES. That would suit me, Mr. Chairman.

The CHAIRMAN. Senator Hawes, we will hear you now.

Mr. HARRY B. HAWES. Mr. Chairman, in order to be brief I request the privilege of filing some data and submitting tables and so forth.

The CHAIRMAN. That request will be granted.

(The papers and data submitted by Mr. Hawes appear at the end of his testimony.)

Mr. HAWES. Mr. Chairman, the Government called a conference in Washington on the 26th of last June, at which representatives of continental beets and cane growers attended, sugar producers, and all sugar areas were represented, and a vast amount of information was secured, which is available for the members of this committee.

Finally, after 3 months' continuous conference, on the 25th of September, we arrived at an agreement, signed by everybody, I believe, excepting Louisiana, and with a reservation from the Philippines. This 3 months' conference was educational and it developed certain fundamental facts. One is that in any arrangement, either voluntarily or by act of Congress, the first consideration must be American consumption of sugar. The estimate finally arrived at was approximately 6,500,000 tons, raw sugar. This was exceeded some years ago by 460,000 short tons, and that consumption may return, but until it does return, the yardstick must be American consumption.

The Government at that time requested that each area should make reasonable and equitable sacrifices where it was necessary. The quotas agreed upon were as follows:

	Short tons
Continental United States:	
United States beet	1,750,000
Louisiana	250,000
Florida	60,000

	Short tons
Insular areas:	
Hawaii	975,000
Virgin Islands	15,000
Puerto Rico	875,000
Philippine Islands	1,100,000
Foreign: Cuba	1,700,000
Total	6,725,000

The quotas claimed as of sugar in the ground were as follows:

	Short tons
Continental areas:	
United States beet	1,525,000
Louisiana	250,000
Floida	60,000
Total continental	1,835,000
Insular areas:	
Hawaii	1,025,000
Puerto Rico	925,000
Virgin Islands	6,000
Philippines	1,404,000
Total insular areas	3,360,000
Total continental and insular	5,195,000

Certain quotas were claimed by these areas which I have here and this discloses the following percentages of outs, estimates by the different areas as follows; the beets were increased 14 percent.

Senator KING. And that gave a tonnage of what, Senator, if you have it there? If it is not before you, I won't ask it.

Mr. HAWES. Yes, sir. I have got it right here. The continental beets, 1,750,000 tons, Louisiana 250,000 tons, Florida, 60,000 tons.

The CHAIRMAN. That was the last plan that was adopted. There was one adopted before that, that was somewhat lower, was it not?

Mr. HAWES. The final plan was lower.

There was a decrease in Hawaii of 5 percent, a decrease in Puerto Rico of 5 percent, a decrease in the Philippines of 21 percent, and of the Virgin Islands, an increase of 150 percent.

Now, that we have this matter before the Congress in the form of a bill, we do not propose to enter any objection except for the purpose of clarification and to secure certainty. We have confidence in the departments that they will not abuse the power they have. It is my firm belief that it is necessary that all areas, beet, cane, insular, and colonial should know with certainty that their quota will be, and that they may be assured that these quotas will not be changed, excepting as the American consumption of sugar changes. If there is an increase in consumption, there will naturally follow an increase in quotas which should be upon a pro rata basis. If there is a decrease in consumption, there will naturally follow a curtailment of quotas which should also be on a pro rata basis.

The peculiar difficulty in the Philippine Islands arises from the fact that there are but three ways in which a voluntarily fixed limitation can be arrived at. One is by voluntary action of the planters themselves; the second is by a proclamation of the Governor General, both of these methods being more or less unofficial. To be positive of legality, it would probably be necessary to secure this limitation by act of the Philippine Legislature.

All three of these methods are now in process of completion in the Islands.

The 1933 deliveries of the Philippine Islands amounted to 1,241,226 short tons. The proposed Philippine quota of 1,037,000 short tons is, therefore, 204,228 short tons less than the actual deliveries for the past year.

The Philippines have in the ground now approximately 1,400,000 short tons of raw sugar, but realizing that there must be some limitation, and agreeing to make our share of the sacrifice (although you will observe it is greater than any other area, the Philippine Sugar Association has voluntarily placed a limitation of 1,288,000 short tons, allowing for export 1,200,000 short tons.

The 88,000 is domestic consumption.

This is a voluntary reduction of 200,000 tons, which means a very heavy loss to Philippine sugar producers, a loss to merchants, and a very serious loss to the supporting revenues of the Philippine government.

Having directed your attention to this voluntary action on the part of the Philippine sugar producers, you will note the suggestion of the President in his message that this be again reduced to 1,037,000 tons, creating an additional loss of 163,000 tons. We estimate, if this law is passed, a total loss of our American market to the extent of 363,000 tons now ready for shipment or in the ground.

I raise no captious objections to this program, but there is one feature of the bill which requires amendment and clarification.

This suggestion that I am about to make was presented to the House by the beet-sugar people, by Hawaii, by Puerto Rico, by the cane people and the beet people of other producing areas, and that is that the quota should be fixed and definite.

Senator KING. Senator, may I interrupt you?

Mr. HAWES. Yes.

Senator KING. Do you understand that this is to be a permanent plan, or rather, that it comes within the terms of the Agricultural Adjustment Act, which expires, it is thought and it is hoped by many, in 2 years?

Mr. HAWES. My idea is that it will be a permanent plan, because sugar is a world-wide subject, and the whole world is trying to reduce the sugar output, and the President made a statement which is satisfactory to us, as follows:

> The average marketings of the past 3 years provide on the whole an equitable base, but the base period should be flexible enough to allow slight adjustments as between certain producing areas.

On such a basis our President submitted the following preliminary and temporary quotas for the various producing areas supplying sugar to the United States:

	Short tons
Continental beet	1,450,000
Louisiana and Florida	260,000
Hawaii	935,000
Puerto Rico	821,000
Philippine Islands	1,037,000
Cuba	1,944,000
Virgin Islands	5,000
Total	6,452,000

These recommendations are based on the last 3 years' deliveries, for all the areas except Cuba, fair enough in their way, taking a broad view of the subject, but decidedly a hardship for the Filipino people.

This bill proposes to abandon the 3 years' basis on which the quotas are arrived at and to broaden this basis by an additional 5 years. You can readily understand what this means not only to the Philippines, but to beets, continental cane, Hawaii, Puerto Rico, and all other areas.

May I stop just long enough to inject a thought that we have probably taken the high peaks in domestic, continental, and colonial producing areas, but this would provide an opportunity of going back 5 years and increasing the quota from Cuba.

As one of the witnesses said yesterday, it might be increased as much as 3,000,000 tons.

Senator KING. Well, that would be possible.

Senator COSTIGAN. Also decreasing the quota from the Philippines?

Mr. HAWES. Yes. Gentlemen of the committee, we can raise under the American flag every ton of sugar consumed by the American people, and when I say "under the American flag", I mean, of course, continental United States, the Philippines, Puerto Rico, Hawaii, and the Virgin Islands. I therefore respectfully urge that the committee follow the quotas given by the President, and that they be based on the 3 last years' production; that there be no uncertainty about it; and when I make this statement, gentlemen, I believe that those who preceded me and those who will follow will all agree that that uncertainty should be dispelled.

Senator GORE. You would fix those 3 years, Senator, and not have a sliding period?

Mr. HAWES. That is the idea exactly.

Senator COUZENS. What was the tonnage provided in the Hawes-Cutting bill?

Mr. HAWES. Eight hundred and fifty thousand long tons. Reduced to short tons would be 955,000 short tons.

Senator COUZENS. Would that be satisfactory to the Philippines now?

Mr. HAWES. Oh, no. In the Hawes-Cutting bill we put that in there because that was the high peak, and I am very thankful to the Senator for asking me that question, because it may call for a little explanation, which he will find in this memorandum.

Java changed the kind of cane that it planted. Louisiana did the same. Puerto Rico and Hawaii did the same, and the Philippines produced the same kind of cane that is now produced in all the other areas feeding the market of the United States. They have not increased their acreage. I believe, in 5 years, there is probably an increase of only 36,000 acres.

Senator GORE. Out of a total of what?

Mr. HAWES. Out of a total of over a half a million acres.

Gentlemen, the Philippines have today on their way here 1,400,000 tons due not to any new investments, not due to any increased mill capacities but due solely to the changing of the variety of cane, the same kind of cane that is being used throughout the world.

Senator KING. When you say on the road, you do not mean physically, but in the ground?

Mr. HAWES. In the ground.

Senator KING. On the floors?

Mr. HAWES. In the ground and on the floors. Now, gentlemen, that is the only point that I want to make, and I think in making that request, you will find that every other sugar-producing area outside of Cuba asks for the same amendment.

(The information requested is as follows:)

BRIEF ON THE PHILIPPINE SUGAR INDUSTRY

I. SUGAR PRODUCTION IN THE PHILIPPINES

(1) A very old industry, centuries old.
(2) Paralyzed by revolutions, 1896–1902, 6 years.
(3) Free trade with the United States; responsible for encouragement of industry.
(4) Underwood initiated equal treatment policy.
(5) No expansion in areas, but increased production due to improved varieties of cane. Congress limited acquisition of public lands to 2,500 acres.
(6) Economic stability of islands mainly due sugar industry. Two million people employed; main support of government.
(7) Sugar pays for United States purchases.

II. UNITED STATES RESPONSIBILITY TO PHILIPPINES AND CUBA

(1) Cuba liberated, Philippines retained.
(2) Responsibility to Cuba national; not individual groups.
(3) Cuban sugar and Philippines sugar problems.
(4) Cuba produces seven times sugar per capita as Philippines.
(5) Land holdings in Cuba enormous; in Philippines restricted by law.
(6) Philippine ranks eighth as United States customer; Cuba fifteenth.

III. THE PHILIPPINE POSITION

[APPENDIX, AMERICAN-PHILIPPINE COMMERCE]

(1) Increased forty-fold since American occupation.
(2) Significance of balance of trade. Favorable due to payments for bond interest, freight, insurance, etc.
(3) Free trade resulted in mutual benefits.
(4) Philippines one of our best markets.
(5) In 1931, Philippines ranked eleventh; in 1932, ninth; in 1933 (9 months), eighth.
(6) Best per capita in Orient.
(7) Potential market due to increasing population.
(8) Philippine commerce and American shipping.
(9) Very important to American banking and finance.
(10) The Philippines, a real gold mine?

SUGAR PRODUCTION IN THE PHILIPPINES

History records that when Magellan discovered the Philippines in 1521 he found the natives already growing sugarcane, but not until the latter part of the eighteenth century did the Philippine farmers seriously begin growing sugarcane. In 1855 the Philippines exported 53,172 short tons of sugar. By 1875 the sugar exports of the islands had increased to 141,218 short tons, and in 1895 the Philippines reached its record of sugar exportation under the Spanish regime, exporting 376,401 short tons of sugar that year, a figure which was not exceeded until 1922.

The foregoing facts indicate the highly developed state of the Philippine sugar industry during the last 50 years of Spanish rule in the islands, Philippine sugar being able then to compete in the world's markets.

PARALYZED BY REVOLUTIONS 1896–1902

During the 6 years of warfare caused by the Philippine revolution in 1896 and the conflict with the United States lasting until 1902, the sugar industry was ruined and paralyzed to such an extent that for over 10 years after American occupation sugar exports of the islands decreased to negligible quantities.

FREE TRADE WITH THE UNITED STATES

On August 5, 1909, Congress passed the Payne-Aldrich tariff act, establishing free trade with the Philippine Islands, and allowing sugar free entry into the United States to the extent of 300,000 tons.

During the consideration by Congress of this legislation proposing free-trade relationship between the Philippines and the United States, the Philippine people opposed the adoption of this measure, and through their Philippine Assembly, on March 27, 1909, adopted a joint resolution petitioning Congress not to establish free trade, on the ground that, in the words of the petition, "* * * Free trade between the United States and the islands would in the future become highly prejudicial to the economic interests of the Philippine people and would bring about a situation which might hinder the attainment of the independence of the said people." Despite this protest by the Philippine people, Congress imposed free trade upon them.

OSCAR UNDERWOOD INITIATED POLICY OF EQUAL TREATMENT

In 1913 when the Democratic Party came into power Congress enacted the Underwood-Simmons tariff law, on October 5, 1913, which removed the restrictive provisions in the previous law of 1909 with respect to sugar and tobacco. Congressman Underwood, who sponsored the bill, explaining the removal of these restrictions on the floor of the House, stated as follows:

"The change in this paragraph of the bill is largely striking out the limitation on the importation of sugar, filler, and cigar tobacco and wrapper tobacco * * *. We may leave the limit where it is * * * but we would leave it where it is to the shame of every American citizen. We could not honestly face those dependent people who give us free trade in their markets if we close our doors here * * *. Because we do not want to stand and face that world in such a position as that and say (to the Filipinos) that under our law we command you to open the door, so that American goods can flow into your country, because we have the power to do it, and then turn around and say to them that on the only thing they can import, practically, into our country and make a market for we will close our doors and prevent them developing their trade. I say that no true-born American citizen who faces this question fairly and squarely and understands the situation will consent to that." In every tariff act of Congress since 1913, equality of treatment of Philippine products with continental and other colonial products was recognized, and Congress has many times declared that as long as the Philippine Islands remain under the American flag their products will be treated in the United States in the same manner as the products of Puerto Rico, Hawaii, or any State of the Union.

AMERICAN INITIATIVE

The establishment of free trade had the immediate effect of attracting American capital into the islands for the development of the sugar industry. In 1910, a group of Americans obtained concessions in the Island of Mindoro, a heretofore undeveloped, uninhabited territory, and constructed the first modern centrifugal sugar factory in the Philippine Islands. Two years later, two other American companies established sugar centrals at Calamba, on the Island of Luzon, and at San Carlos, on the Island of Negros.

Thus, the modern development of the sugar industry was initiated by pioneering American business men and American capital, because it took a decade to convince the Philippine farmers of the advantages of improving their sugar production and manufacture by the use of modern methods, and not until 1918–21 were the Filipino producers convinced of the necessity of modernizing their methods. Then also began the establishment of the six so-called "bank centrals" with the financial aid of the Philippine National Bank.

ANTIQUATED CARABAO MILLS REPLACED BY MODERN CENTRALS

As a result of these changes, the replacement of these thousands of primitive, inefficient wooden carabao mills by modern centrals and factories, and the recent improvement in methods of cultivation and planting of higher-yielding cane varieties, sugar production in the Philippines in the past two decades has naturally doubled and trebled as has happened in Cuba, Hawaii, Puerto Rico, Java, Formosa, and other sugarcane-producing countries when those countries changed their methods of manufacture from the antiquated mills to the modern factories. It is a well-known fact that the wooden carabao mills then in vogue in the islands could only extract 30 or 40 percent of the sugar content of the cane while the modern sugar central factory recovers as much as 92 to 95 percent of the sugar in the cane. Had the cane harvested in 1895, which turned out a production of 431,000 short tons, been milled by the modern centrals now established in the islands, the result would have been a production of about 1,100,000 short tons.

The modernization of the sugar industry of the Philippine Islands which has taken place in the past two decades has now been completed with the establishment of 44 modern sugar factories in various sugar regions with the normal and maximum productive capacity of 1,400,000 and 1,800,000 short tons, respectively.

NO EXPANSION IN AREAS

However, there has been very little increase in the acreage for sugarcane in the Philippines since the Spanish regime. In 1895, when the Philippines produced a crop of 431,000 short tons, the record under the Spanish regime, there was planted to sugarcane that year at least 500,000 acres of land, as compared with 596,000 acres planted in 1921, and 633,000 in 1931.

The increase in sugar production in the Philippines has, therefore, been brought about not by increasing acreage, but by improvements in the technique of production and milling and by increased yields per acre through the substitution for the native cane varieties of superior varieties in use in Java, Cuba, Puerto Rico, Hawaii, and in Louisiana and Florida.

The Philippine Department of Agriculture gives the following table showing the annual area planted to sugarcane for the decade, 1921 to 1931.

	Area acres		*Area acres*
1895	500,000	1926	572,886
1921	596,373	1927	586,501
1922	595,076	1928	585,636
1923	561,642	1929	636,811
1924	561,395	1930	640,073
1925	591,740	1931	633,031

The foregoing data show that for the past decade the area planted to sugar cane increased only 36,358 acres, or 6 percent.

Congress not only imposed upon the Philippines free trade with the United States, but in addition they placed a limitation upon land ownership; the limitation was 1,024 hectares or 2,500 acres. Therefore, with the exception of one central in existence before this limitation, the sugar acreage is practically all in small holdings, entirely unlike the situation in other producing areas.

The successful cane areas are found today in the regions where there are established communities, where there is a dependable supply of cane being produced by hundreds of thousands of small planters, and where labor is plentiful and readily available.

SUGAR INDUSTRY MAINTAINS PHILIPPINE ECONOMIC STABILITY

Practically all the lands devoted to the cultivation of sugarcane in the Philippines are tilled by Filipinos numbering 2,000,000 including their families.

Unlike other sugar-producing countries, which must rely on foreign labor to grow sugar, the Philippines depends solely upon native labor for its production of sugar. It is to be noted in this connection that considering the social value of the sugar industry, the Philippines can claim that all of the benefit accruing to the people who grow the cane goes to 100 percent Filipino labor, owing allegiance to the United States—a record which cannot very well be matched by other sugar-producing countries supplying sugar to the United States.

Of the 48 provinces, 17 with a population of over 7,000,000 people, or more than half of the total population of the islands, are directly or indirectly dependent upon the sugar industry. At least, 2,000,000 farmers, laborers, and their families depend for their livelihood upon the growing of sugar cane.

The sugar industry more than any other industry in the islands has been responsible in raising the standard of living of the Filipino people. Recognized authorities place the standard of living of the Filipino people 300 percent above that of the peoples of their neighboring countries.

The investment in this industry is controlled by Filipino and American investors. Part of the investment made by the Filipinos was borrowed from their national banks with encouragement from American officials. Very little of the capital may be called foreign capital. The total aggregate investments in the Philippine sugar industry amount to $251,512,535 as follows:

Investments in centrals	$84, 012, 535
Investments in lands	140, 000, 000
Crop loans	22, 500, 000
Miscellaneous investments	5, 000, 000
Total	251, 512, 535

Of the total of $84,012,535 invested in centrals, 40 percent is American investment; 37 percent Filipino; 22 percent Spanish; and 1 percent cosmopolitan, as shown in the following table:

Nationality	Number of centrals	Total investments	Percentage of total investments	Nationality	Number of centrals	Total investments	Percentage of total investments
American	12	$33, 815, 650	40	Others	2	$792, 417	1
Filipino	22	31, 127, 894	37				
Spanish	9	18, 276, 574	22	Total	45	84, 012, 535	100

The investment classified as "Spanish" includes investments made by two of the oldest established companies in the islands—one established 75 years ago, and the other more than 50 years ago—so that it is generally considered in the Philippine Islands that these are Philippine investments. Moreover, many of the holders of the stock of the centrals classified as "Spanish" are in fact Filipinos.

Of the 44 centrals in the Philippine Islands, approximately 24, or more than one half of them, are small mills, with capacities ranging from 150 to 750 tons of cane per day. Most of the mills are financed by a group of Filipinos, while a few others were established by cosmopolitan investors, including Filipinos, Americans, and others. No Chinese are financially interested in the mills.

In 1932 sugar and its byproducts constituted 63 percent of the value of all exports from the islands. Practically all the sugar exported went to the United States, as shown in the following statistics:

	To all countries		To United States	
	Value	Percent	Value	Percent
1. Sugar and byproducts	$60, 359, 000	63. 31	$60, 145, 000	99. 64
2. Coconuts and manufacture of	15, 455, 000	16. 21	12, 063, 000	78. 05
3. Tobacco and manufacture of	6, 399, 000	6. 71	3, 243, 000	50. 68
4. Manila hemp and manufacture of	5, 675, 000	5. 95	1, 893, 000	33. 35
5. Embroideries	3, 267, 000	3. 43	3, 252, 000	99. 53
6. Lumber and timber	835, 000	. 87	173, 000	20. 74
7. Hats	591, 000	. 62	435, 000	73. 71
8. Pearl buttons	244, 000	. 26	244, 000	100. 00
9. Other exports	2, 514, 000	2. 64	1, 200, 000	47. 73
Total	95, 339, 000	100. 00	82, 648, 000	86. 69

His Excellency, Hon. Frank Murphy, Governor General of the Philippine Islands, stressing the effect sugar production upon the country in his cable to the War Department on September 8, 1933, called attention to the following statistical points:

"(1) Sugar accounted for 63 percent of all income derived from export trade in 1932. Remove it from the list and a favorable visible balance of trade of $15,500,000 would have been converted into a negative balance of $44,500,000.

"(2) The total annual income from all sources is estimated at $200,000,000 sugar comprising nearly 30 percent of the total.

"(3) There are 10 banks in the Philippines and in addition 3 private companies engaged in agricultural financing. The total loans, overdrafts, and advances of these 13 establishments amount to $72,500,000. Of this amount $34,000,000 or 47 percent is advanced on sugar.

"(4) Considering the Government-owned Philippine National Bank alone, its loans, overdrafts, and advances amount to $22,500,000, of which $17,500,000 or 77 percent, is advanced on sugar.

"(5) The Government-owned Manila Railroad collected $2,300,000 as freight revenue in 1932. Of this amount nearly $1,000,000, or over 40 percent, was derived from handling sugar.

"(6) The Philippine Railways in Cebu, Iloilo, and Panay, in large part guaranteed by the Government, also derives the bulk of its freight revenue from sugar.

"(7) Five of our leading Provinces, Occidental Negros, Oriental Negros, Pampanga, Laguna, and Tarlac, are largely supported by taxation from sugar. Extreme withdrawal of this support in these provinces would seriously affect the public finances and be reflected in cessation of public works and closing of schools. * * *"

SUGAR PAYS FOR PURCHASES IN UNITED STATES

The Philippine sugar industry has thus been developed within highly protective tariff walls both at the market in the United States and at the place of production, in the Philippines. Without the United States tariff protection the industry cannot survive world competition.

As sugar constitutes 63 percent of the total value of all exports from the Philippines, the purchases of these islands from the United States are mainly paid for by the sugar exported to the American market.

It is to be noted that as a consequence of their ability to market their sugar in the United States, the Filipinos are today one of the best customers of American agriculture and industry.

Since taking over the islands 35 years ago, America's trade with the Philippines has increased fortyfold, from a little over $5,000,000 in 1899, to over $200,000,000 in 1929.

According to the compilation recently made by the United States Chamber of Commerce, the Philippines today ranks eighth among the customers of the United States.

DEVELOPMENT OF INDUSTRY BRIEFLY SUMMARIZED

The foregoing facts and data about the development of the sugar industry in the Philippines may be summarized as follows:

That long before America went to the Philippines, the Filipino had a sugar industry which was relatively more highly developed than that in any of the sugar principal producing countries today;

That Congress and the Federal Government, by imposing free trade on the Philippines, were responsible for bringing about the modernization of the industry which resulted in recent increased production;

That with free trade America has secured a monopoly of the Philippine market, with the result that the standard of living there has increased 300 percent above that of the surrounding countries, making it impossible for the industry to survive world's competition after the withdrawal of the United States tariff protection;

That the sugar industry is now the very foundation of the social, economic, and political life of the Filipino people; and

That, recognizing these circumstances, Congress has consistently followed the policy that as long as the Islands are under the American flag, their products shall be given equal treatment in the American market with any products produced under that flag.

THE SUGAR-STABILIZATION PLAN

On the 27th of June 1933, at the request of the Federal Government, there assembled in Washington representatives of (1) continental beet growers, (2) continental cane growers, (3) Philippine, (4) Hawaiian, (5) Puerto Rican, and (6) Cuban sugar growers and processors, for the purpose of drawing a marketing agreement, which, in the words of Mr. Charles J. Brand, coadministrator of the Agricultural Adjustment Administration—

> will be equitable for everyone who has a legitimate place in the picture.

Hearings and discussions continued from June 27 and until a signed agreement was secured on September 25, 1933, a period of 3 months, which developed statistics, facts, and divers arguments on every phase of the sugar problem.

UNITED STATES CONSUMPTION

From the testimony and briefs filed, it is now possible to separate and set out certain indisputable facts. Dr. John Lee Coulter, sugar expert, member of the Tariff Commission, the conferees, and other national experts agreed that the domestic consumption for 1933–34, including certain classes of sugar for manufacturing purposes, was approximately 6,500,000 short tons.

ESTIMATED PRODUCTION, 1933–34

To supply this domestic sugar market, continental and insular areas claimed at that time a tonnage production aggregating 5,195,000 short tons, as follows:

	Short tons
Continental areas:	
United States beet	1,525,000
Louisiana	250,000
Florida	60,000
Total continental	1,835,000
Insular areas:	
Hawaii	1,025,000
Puerto Rico	925,000
Virgin Islands	6,000
Philippines	1,404,000
Total insular areas	3,360,000
Total continental and insular	5,195,000

There would, therefore, be left for Cuba and foreign areas a balance of 1,305,000 short tons.

The Philippine estimate was a presentation of figures prepared jointly by the Bureau of Insular Affairs, Governor General Frank Murphy, representatives of the Department of Commerce, representatives of the Department of Agriculture, and the Philippine Sugar Growers Association, and the national sugar statisticians, Willett and Gray, and by Dr. John Lee Coulter.

BASIC QUOTAS

The marketing agreement, in the form in which it was finally signed by all the domestic producers, except Louisiana, assigned the following quotas for a 3-year period in short tons, raw basis:

	Short tons
Beet sugar, United States continental	1,750,000
Louisiana, United States continental	250,000
Florida, United States continental	60,000
Hawaii, United States insular	975,000
Puerto Rico, United States insular	875,000
Virgin Islands, United States insular	15,000

	Short tons
Philippine Islands, United States insular	1,100,000
Cuba, foreign	1,700,000
Total	6,725,000

The signature of the Philippine representative to this agreement was affixed with a reservation as to the quota of 1,100,000 tons.

The signature was given only because of an earnest desire to cooperate in what was at that time stated to be the wish of the President.

Under the estimated American consumption of 6,500,000 tons, Cuba could send to this country approximately 1,800,000 tons. The marketing agreement assigned Cuba a basic quota of 1,700,000 short tons with additional deliveries of 300,000 tons for the first year, 200,000 tons for the second year, and 100,000 tons for the third year.

PHILIPPINE DELIVERIES EXCEED QUOTA

The following are the figures of United States consumption for the calendar year of 1933, compared with the quotas under the marketing agreement:

	United States consumption [1]	Percent total	Quotas under marketing agreement	Increase (+) or decrease (−) consumption over quota
Continental areas:	*Short tons*			
United States beet	1,365,978	21.63	1,750,000	−384,000
Louisiana and Florida cane	314,736	4.98	310,000	+4,736
Total, continental	1,680,714	26.61	2,060,000	
Insular areas:				
Hawaii	989,580	15.67	975,000	+14,580
Puerto Rico	790,992	12.52	875,000	−84,005
Virgin Islands	4,548	.08	15,000	−10,452
Philippine Islands	1,241,228	19.65	1,100,000	+141,228
Total, insular	3,026,348	47.92	2,965,000	
Foreign areas:				
Cuba	1,600,711	25.34	1,700,000	−99,289
Others	8,231	.13		
Total, foreign	1,608,942	25.47	1,700,000	
Grand total	6,316,004	100.00	6,725,000	

[1] Compiled from Willet & Gray.

The foregoing statistics demonstrate the pertinent fact that the Philippine Islands is the only major sugar area which not only reached its estimate but exceeded substantially its basic quota. This excess was 141,000 short tons.

PHILIPPINE SUGAR COMPLEMENTARY TO DOMESTIC SUPPLY

It is also to be noted that continental beet and cane sugar supplies 27 percent of the American sugar consumption; Hawaii and Puerto Rico 28 percent, the Philippines 20 percent, or a total of 75 percent.

Even with its potential production under existing mill capacities, the Philippines will contribute only 25 percent of the amount of sugar consumed in the United States.

Philippine sugar is not, therefore, a competitor of United States continental or of other insular sugars. It merely supplements the domestic supply.

UNITED STATES RESPONSIBILITY TO PHILIPPINES AND CUBA

There has been a propaganda designed to magnify United States responsibility to Cuba and minimize the same responsibility to the Philippine Islands.

This is unfortunate and embarrassing, but, as there is an attempt to make the Philippines pay substantially the entire bill for benefits which are to accrue to Cuba, it compels a reluctant statement.

CUBA LIBERATED, PHILIPPINES RETAINED

In the year 1898, as the result of the War with Spain, there came into the possession of the United States Puerto Rico and the Philippine Islands. Hawaii was placed under American sovereignty in the same year because of its strategic naval importance. The Virgin Islands followed by purchase in 1917.

Americans went to Cuba as liberators and benefactors in a war which lasted only 90 days. Because of this war the United States was compelled to continue a new war in the Philippines for three and a half years.

The United States governs the Philippine Islands, although the Philippines pay their own bills and the entire cost of their government.

A great naval station and a division of America's Army are maintained there.

The American flag flies and will continue to fly for many years.

RESPONSIBILITY TO CUBA NATIONAL; NOT INDIVIDUAL GROUP

All of these territories or insular possessions over which the American flag flies are entitled to equal and impartial treatment in the matter of quotas and reservations.

They should not be discriminated against in their economic welfare for the benefit of a foreign nation.

If the United States is under an obligation to assist Cuba in its time of distress, it is a national obligation to be borne equally by all of the people of the United States, and not by one particular area or one special group.

Continental and insular sugar growers are not responsible for disorder in Cuba, for its financial difficulties, or for the reckless expenditure of American millions in the overproduction of sugar.

While American citizens and Colonials are undoubtedly sympathetic with the difficulties now confronting Cuba, we respectfully submit that if their responsibility is a United States responsibility, it does not belong exclusively to the sugar-producing areas of the nation, much less especially to the Philippine Islands.

Cuba is a foreign nation, with its own flag and its own government.

The limitation on American relationship is the Platt Amendment, which was enacted more for the benefit of Cuba than for the United States. With this exception, America has no more responsibility to Cuba than to any other foreign nation.

CUBAN SUGAR AND PHILIPPINE SUGAR PROBLEMS

It is asserted that Cuban sugar production is essential to preserve its economic life.

This is equally true of the Philippines. Sixty percent of its total business is related to sugar; 63 percent of its total exports is sugar, which finds its only market in the United States.

The Philippines have an ocean haul of 11,000 miles, requiring from 45 to 60 days to reach their market. Cuba has relatively a short distance to the American market, taking but few hours of sailing to reach American shores.

While there are ample provisions for storing reserve sugar in Cuba, warehouse storage capacity in the Philippines is extremely limited.

A large reserve in the Philippines will be a constant threat to the world market. It will tend to keep down the price.

CUBA PRODUCES SEVEN TIMES SUGAR PER CAPITA AS PHILIPPINES

There are four times as many people living in the Philippine Islands as there are in Cuba.

Cuba has an area of 41,000 square miles with a population of only 3,700,000. The Philippines have an area of 114,000 square miles with a population of 14,000,000, an increase of 7,000,000 since American occupation. It will only be a short time before they will have a population of 25,000,000, with a potential population of 60,000,000.

Cuba, according to Willett and Gray, produced in 1932–33 a total of 2,235,000 short tons, or a per capita sugar production of 1,200 pounds, while for the same period the Philippines produced 1,283,000 short tons, or a per capita production of only 180 pounds.

Cuba is therefore producing seven times as much sugar per capita as the Philippines.

LAND HOLDINGS IN CUBA ENORMOUS; IN PHILIPPINES RESTRICTED BY LAW

As is the case in most tropical countries, Cuba's ownership of sugar-producing lands is confined to a few large proprietors having immense land holdings. They usually control the factory as well as the lands on which the sugar is grown. It is, therefore, quite apparent that social disadvantages often arise from this system of sugar production.

In the Philippines land holdings are restricted by law. Sugar is produced by thousands of small farmers with small land holdings, ranging from 1 or 2 to 50 acres.

There are no serious social disadvantages so far as labor is concerned, and there is no contract labor in the Philippines.

PHILIPPINES RANK EIGHTH AS UNITED STATES CUSTOMER; CUBA RANKS FIFTEENTH

To tax the Filipino people—and curtailment is a tax—for the sole benefit of Cuba is not an equitable thing.

Because there is trouble in Cuba does not preclude the probability of trouble in the Philippines, since America forced them into the sugar business by act of Congress and it is now proposed to reduce their sugar business to assist a foreign nation.

The Philippines are America's eighth best world customer; Cuba ranks fifteenth.

Nothing herein is intended to discourage or oppose assistance for Cuba, but is merely a plea for fair and equal treatment for another great sugar-producing area under the sovereignty of the United States and over which flies the American flag.

THE PHILIPPINE POSITION

The Philippine representatives in the prolonged marketing agreement conferences, in all verbal statements, and in three different briefs have clearly defined their position as desiring to cooperate and make equitable sacrifices where necessary.

Philippine sugar producers are anxious to cooperate with the Federal Government and with colonial and insular producers in any plan which is equitable and fair, which is not discriminatory or destructive. They are prepared to make common sacrifices, but must insist that burdens and benefits should be proportional and equitable.

PHILIPPINE SUGAR ASSOCIATION,
By HARRY B. HAWES,
United States Representative.

WASHINGTON, D.C.,
February 23, 1934.

APPENDIX, AMERICAN-PHILIPPINE COMMERCE

(1) Increased fortyfold since American occupation.
(2) Significance of balance of trade. Favorable due to payments for bond interest, freight, insurance, and so forth.
(3) Free trade resulted in mutual benefits.
(4) Philippines one of our best markets.
(5) In 1931, Philippines ranked eleventh; in 1932, ninth; in 1933 (9 months), eighth.
(6) Best per capita in Orient.
(7) Potential market due to increasing population.
(8) Philippine commerce vital to American shipping.
(9) Very important to American banking and finance.
(10) The Philippines, a real gold mine.

AMERICAN-PHILIPPINE TRADE

Since the United States took over the Philippine Islands in 1899 our trade with the Philippines has increased 40 times, from a little over $5,000,000 in 1889 to over $200,000,000 in 1929. Our sales to the Philippines, since taking them over have increased 91 times, from $1,350,000 in 1899 to $92,600,000 in 1929. On the other hand, our purchases from the Philippines increased 32 times, from $3,935,000 in 1899 to $124,465,000 in 1929.

These figures show a most significant fact; that is, that the purchasing power of the Philippine people for the products of American farms and industries has increased at a relatively greater rate than their sales to us.

Trade with the United States compared with all other countries

TRADE WITH THE UNITED STATES

Years ended Dec. 31	Imports	Percent of total imports	Exports	Percent of total exports	Total trade	Percent of total trade
	Pesos		*Pesos*		*Pesos*	
1899	2,706,172	7	7,870,510	26	10,576,682	16
1900	4,306,396	9	5,921,702	13	10,228,098	11
1901	7,068,510	12	9,092,584	18	16,161,094	15
1902	8,306,348	12	22,951,896	40	31,258,244	25
1903	7,674,200	11	26,142,852	40	33,817,052	25
1904	10,197,640	17	23,309,936	40	33,507,576	28
1905	11,179,892	19	29,680,814	44	40,860,706	32
1906	8,955,772	17	23,738,578	36	32,694,350	27
1907	10,135,076	17	20,658,774	31	30,793,850	24
1908	10,203,672	17	20,901,510	32	31,105,182	25
1909	12,890,662	21	29,453,026	42	42,343,688	32
1910	40,137,084	40	34,483,450	42	74,620,534	41
1911	38,313,974	40	39,845,254	44	78,159,228	42
1912	48,618,020	39	45,764,014	41	94,382,034	40
1913	53,352,522	50	32,868,036	34	86,220,558	42
1914	48,022,802	49	48,855,420	50	96,878,222	50
1915	52,762,138	53	47,306,422	44	100,068,560	43
1916	45,725,346	50	71,296,265	51	117,021,611	51
1917	75,241,295	57	126,468,717	66	201,710,012	62
1918	117,649,222	60	178,293,837	66	295,943,059	63
1919	150,982,829	64	113,305,384	50	264,288,213	57
1920	184,579,556	62	210,432,525	70	395,012,081	66
1921	148,260,030	84	100,713,586	57	248,973,616	61
1922	95,476,651	60	128,223,201	67	223,699,852	63
1923	100,705,070	57	170,094,046	70	270,799,116	65
1924	120,797,206	56	194,627,805	72	315,425,011	65
1925	138,595,166	58	218,089,883	73	356,685,049	66
1926	143,151,236	60	200,006,430	73	343,157,666	67
1927	142,956,594	62	232,076,500	75	365,033,094	69
1928	167,716,135	62	231,171,751	75	398,887,886	69
1929	185,185,917	63	248,930,946	76	434,116,863	70
1930	156,366,057	64	210,684,122	79	367,050,179	72
1931	124,279,366	63	166,844,793	80	291,124,159	72
1932	102,595,499	65	165,295,733	87	267,891,232	77

TRADE WITH ALL OTHER COUNTRIES

Years ended Dec. 31	Imports	Exports	Total trade
	Pesos	*Pesos*	*Pesos*
1899	35,679,800	21,822,654	57,502,454
1900	45,421,162	40,059,044	85,480,206
1901	53,256,432	39,914,122	93,170,554
1902	58,377,984	34,391,912	92,769,896
1903	59,948,568	38,850,604	98,599,208
1904	48,957,822	34,989,064	83,946,886
1905	48,921,208	37,228,734	86,149,942
1906	43,861,764	41,547,206	85,398,970
1907	50,772,544	45,536,960	96,309,504
1908	48,168,568	44,300,634	92,469,202
1909	49,278,176	40,395,648	89,673,824
1910	59,301,638	46,773,478	106,075,114
1911	57,734,840	49,829,000	107,563,840
1912	74,717,782	64,082,586	138,500,368
1913	53,263,050	62,677,876	115,950,926
1914	49,154,504	48,523,848	97,678,352
1915	45,862,229	60,319,586	106,181,815
1916	45,267,329	68,578,100	113,845,429
1917	56,352,766	64,739,896	121,092,662
1918	79,549,201	92,095,127	171,644,329
1919	86,295,275	112,930,268	199,225,543
1920	114,297,009	91,815,186	206,112,195
1921	83,417,118	75,517,059	158,934,177
1922	64,918,638	62,943,395	127,862,033
1923	74,294,424	71,411,934	145,706,358
1924	95,224,584	76,061,520	171,286,104
1925	100,870,501	79,664,527	180,535,028
1926	95,446,748	73,762,209	169,208,957
1927	88,746,349	79,071,670	167,818,019
1928	101,597,661	78,937,341	180,535,002
1929	109,134,632	79,962,739	189,097,371
1930	89,819,850	55,650,133	145,469,983
1931	74,078,071	41,099,355	115,177,428
1932	56,194,671	25,380,428	81,575,099

NOTE.—From official report Insular Collector of Customs, Philippine Islands.
One Peso, Philippine Currency is equivalent to 50 cents United States Currency.

SIGNIFICANCE OF BALANCE OF TRADE IN PHILIPPINE COMMERCE

In 1932 the Philippines imported $51,290,000 worth of merchandise from the United States and exported $82,690,000 worth of Philippine goods to the United States. There is, therefore, a balance of trade, measured by the value of the merchandise exports which appear in customs reports, in favor of the Islands to the amount of $31,000,000. This balance of trade represents the so-called "invisible items" in foreign commerce, such as interest payments on bonded indebtedness, freight, insurance, and dividends paid to American investments in the Philippine Islands.

The interest payments on the Philippine indebtedness alone amount to from 2½ million dollars to 3 million dollars annually.

It is a truism in foreign trade that commerce between temperate countries and tropical countries tends toward a balance favorable to the tropical country, due to the fact that the temperate country is generally the investing country from which capital flows into the tropical country, and in return the tropical country supplies the raw material and products of the tropics.

England, for example, has generally an unfavorable balance of trade with countries in which she has invested considerably of her surplus capital. The so-called "favorable balance of trade" of the Philippine Islands with the United States only demonstrates the fact that to pay off the obligations of the Philippines and the purchases they make here, they have to sell merchandise valued in excess of $31,000,000 over the value of their purchases in 1932. Moreover, the reduced currencies of foreign countries, particularly Japan, had in the past 3 years, been responsible for decreased imports of American products into the Philippines. Japans' goods, because of the depreciated value of the yen, were able to undersell American goods in the Philippines. To remedy this, however, the Philippine Legislature, a year ago, adopted six amendments to the tariff law preventing dumping of foreign goods into the Philippines, as a consequence of depreciated currencies, thereby protecting American goods in the Philippines.

FREE TRADE RESULTED IN MUTUAL BENEFITS

American-Philippine commerce is a healthy relationship. The Philippines is a tropical country, while the United States is a temperate country. The products of the Philippines are different from those of the United States. There is, therefore, no direct competition between the products of the respective countries. The Philippines needs the agricultural and industrial products of the United States, while Americans require raw materials from the Philippines for their homes and industries.

To the Philippines the free-trade arrangement resulted in its present economic stability and has become the very foundation of its economic and social progress.

To the United States it has opened the Philippine market to American agricultural and industrial products, to American shipping, banking, mining, and other economic enterprises.

THE PHILIPPINES IS ONE OF OUR BEST MARKETS

Today the Philippines is the best market for our cotton goods, dairy products, canned sardines, and galvanized iron sheets.

In recent years, the Philippines bought about $15,000,000 worth of cotton goods directly from our markets, while it purchased from other countries approximately $6,500,000 of cotton goods that were manufactured from the raw cotton exported by the United States to these countries. This meant to the American farmers the employment of some 500,000 acres of cotton fields to supply the demand in the Philippines for American cotton goods.

The iron and steel mills, foundries, metallurgical and machine shops of the United States sold that year, 1929, to the Philippines $21,000,000 worth of iron and steel products, tools, and machines.

The petroleum industry of the United States had supplied the Philippines with $8,000,000 worth of mineral oils.

The automobile factories had shipped to the islands 3,700 trucks and 3,600 automobiles valued at $7,500,000.

The American farmers had shipped 3,000,000 bushels of wheat to the islands, the crop from 200,000 acres. Moreover, they sent dairy products valued at nearly $4,000,000.

UNITED STATES' BEST CUSTOMERS IN ORDER OF IMPORTANCE

[Figures from U.S. Department of Commerce]

	Value of United States exports in 1931
1. United Kingdom	$455, 974, 000
2. Canada	396, 355, 000
3. Germany	166, 050, 000
4. Japan	155, 050, 000
5. France	121, 820, 000
6. China	97, 923, 000
7. Netherlands	65, 590, 000
8. Belgium	59, 441, 000
9. Italy	54, 815, 000
10. Argentina	52, 652, 000
11. Philippine Islands	48, 883, 000
12. Cuba	46, 964, 000
13. British India	36, 698, 000
14. Spain	33, 971, 000
15. Brazil	28, 579, 000

United States' best customers in order of importance, 1932

[From Our World Trade published by the United States Chamber of Commerce]

Country	Percentages of total exports	Value of United States' exports	Country	Percentages of total exports	Value of United States' exports
1. United Kingdom	17.9	$288,463,000	9. Philippine Islands	2.8	$44,987,000
2. Canada	15.0	241,425,000	10. Belgium	2.5	40,350,000
3. Japan	8.3	134,537,000	11. Mexico	2.0	32,575,000
4 Germany	8.3	133,472,000	12. Argentina	2.0	31,670,000
5. France	6.9	111,562,000	13. Cuba	1.8	28,775,000
6. China	3.5	56,171,000	14. Brazil	1.8	28,600,000
7. Italy	3.0	49,135,000	15. Australia	1.7	26,818,000
8. Netherlands	2.8	45,407,000			

United States' best customers in order of importance, January–September, 1933

[Compiled by Our World Trade by the United States Chamber of Commerce]

Country	Percentages of total exports	Value of United States' exports	Country	Percentages of total exports	Value of United States' exports
1. United Kingdom	17.6	$194,854,000	9. Netherlands	2.8	$30,478,000
2. Canada	13.4	147,797,000	10. Belgium	2.6	29,184,000
3. Germany	8.3	91,965,000	11. Mexico	2.4	26,879,000
4. Japan	8.3	91,295,000	12. Argentina	2.3	24,905,000
5. France	7.1	78,347,000	13. Brazil	1.8	20,046,000
6. Italy	3.6	40,025,000	14. Spain	1.8	19,905,000
7. China	2.9	32,525,000	15. Cuba	1.7	19,296,000
8. Philippine Islands	2.9	32,232,000			

Best per-capita purchaser in Orient for American Products in 1931

	Per capita purchasing power in 1931
1. Philippines	$3.88
2. Japan	2.41
3. British Malaya	1.58
4. Java and Madura	.27
5. China	.24
6. British India	.10

INCREASING POPULATION

When the United States went to the Islands, the Philippines had but a population of around 7,000,000. However, after 35 years of American guidance, during which time they have improved their sanitary service, their population has doubled until it is now approximately 14,000,000. The Filipinos are becoming more and more Americanized in tastes and in habits, so that if their progress continues it is reasonable to expect that in 20 years from now their population will have increased to 25,000,000 people, all of whom will have acquired the American ways of living and who will constitute probably the best customers of America in the world. Recognized experts claim that the Philippines, properly developed, can support a population of from 60,000,000, or approximately half the inhabitants of the United States.

PHILIPPINE COMMERCE VITAL TO AMERICAN SHIPPING

Two decades ago there were hardly any American trans-Pacific commercial lines. Today, however, American shipping is effectively competing with foreign shipping in the far eastern trade because of the volume of Philippine commerce, the bulk of which is carried in American bottoms.

Volume of cargo carried by American and foreign vessels from and to the United States and Philippine Islands, and by American vessels only from and to foreign countries, calendar year 1933

INWARD CARGO—AMERICAN

Nationality of vessels	Atlantic (number of vessels)	Cargo in kilos	Pacific (number of vessels)	Cargo in kilos
American	121	123,823,877	187	191,887,906
British	103	88,737,917	44	91,025,383
Danish	22	5,771,967	8	3,044,963
Dutch	1	504,311	13	34,180,943
Japanese			6	244,000
Norwegian	17	19,952,430	15	88,322,145
Panama	2	3,788,000		
Swedish			1	10,565,999
Total	268	242,578,502	274	419,071,369

OUTWARD CARGO—AMERICAN

Nationality of vessels	Atlantic (number of vessels)	Cargo in kilos	Pacific (number of vessels)	Cargo in kilos
American	160	257,641,104	199	95,173,711
British	132	220,650,896	21	20,640,528
Danish	25	48,352,467		
Dutch	2	3,203,798	9	5,018,742
German	1	4,166,000		
Japanese	108	330,700,197	10	1,105,417
Norwegian	60	116,972,013	24	11,437,721
Panama	19	13,211,411	3	1,923,078
Total	507	994,887,796	266	135,299,197

INWARD CARGO—FOREIGN COUNTRIES

Nationality of vessels	Atlantic (Number of vessels)	Cargo in kilos	Pacific (Number of vessels)	Cargo in kilos
American	27	16,101,907	335	331,613,690
British			147	179,763,300
Danish			30	8,816,930
Dutch			14	34,685,254
Japanese			6	244,030
Norwegian			32	108,274,575
Panama			2	3,788,000
Swedish			1	10,565,999
Total	27	16,101,907	567	677,751,778

OUTWARD CARGO—FOREIGN COUNTRIES

Nationality of vessels	Atlantic (Number of vessels)	Cargo in kilos	Pacific (Number of vessels)	Cargo in kilos
American	18	670,779	377	353,485,594
British			158	241,291,424
Danish			25	48,352,467
Dutch			11	8,222,540
German			1	4,166,000
Japanese			118	331,805,624
Norwegian			84	128,409,734
Panama			22	15,134,489
Total	18	670,779	791	1,130,867,772

NOTE.—From official report of insular collector of customs, P.I. 1 kilo equivalent to 2.2 pounds.

IMPORTANCE TO AMERICAN BANKING AND FINANCE

American banking handles the bulk of Philippine financing. All Philippine Government loans are floated in the United States, and Philippine Government funds in the United States are deposited in the banks here. Moreover, a considerable portion of the banking needs in the Philippine Islands is supplied by American banks' agencies there.

To a great extent this is true of the utilities, commercial houses, and other industrial establishments.

THE PHILIPPINES, A REAL GOLD MINE

The recent and rapid development of gold mining in the Philippines has been due mainly to American initiative and enterprise. Most of the successfhl mining concerns in the Islands are owned by American citizens. Results have shown that the Philippine Islands have untold deposits of gold that can be profitably recovered with modern mining equipment. The growth of this new industry is evident from the value of gold bullion mined in the Philippines and sent to the United States for the past 5 years, from 1928–1932, as follows:

Year	Ore dollars	Bullion dollars	Coin dollars	Total dollars
1928	750	1,865,176	----------	1,865,926
1929	19,176	3,281,217	200,000	3,500,393
1930	4,100	3,730,641	----------	3,734,741
1931	1,452	3,765,675	----------	3,767,127
1932	375	5,055,746	----------	5,030,121

As a result of the Federal monetary program and the increase in the value of gold, gold mining in the Philippines has received such an impetus that it is possible that the islands may in the near future be the largest source of gold supply of the United States outside of continental areas.

The CHAIRMAN. Thank you very much, Senator Hawes.

Mr. Bass, we will take you if you will finish in 15 minutes. Then we are going to adjourn for the afternoon. Mr. Bass represents the Puerto Rican interests.

Senator KING. First, it is understood, Mr. Bass, that you may put into the record anything in your paper that you do not have time to present.

STATEMENT OF JOHN BASS, REPRESENTING PUERTO RICO SUGAR PRODUCERS' ASSOCIATION

The CHAIRMAN. Mr. Bass, do you represent the same interest that Mr. H. R. Bishop represents?

Mr. BASS. No, sir. I am representing over 90 percent of the entire production of raw sugar in Puerto Rico—practically the entire production.

The CHAIRMAN. Mr. H. R. Bishop represents whom?

Mr. BASS. He represents a few small mills.

The CHAIRMAN. All right, you may proceed. I may say for the benefit of the audience that we are going to begin hearings promptly at 10 o'clock in the morning. We probably won't have hearings in the afternoon. We want to finish, if possible.

Mr. BASS. The proposed House bill, at present under consideration, contains certain provisions which the vast majority of sugar producers in the Island of Puerto Rico, whom I represent, consider discriminatory and highly detrimental to their interests.

Puerto Rico has a population of about 1,600,000 law-abiding United States citizens and the sugar industry is the backbone of the island. The sugars are produced in Puerto Rico by practically 100-percent American citizens, whose standard of living is way below the standard which American citizens should enjoy, and which conditions are due primarily to the large amount of unemployment existing there, to the sufferings brought about in Puerto Rico on account of the hurricanes of 1928 and 1932, and due to the low sugar prices which have prevailed during the last few years. However, it is not only the Puerto Rican laborer, but also the Puerto Rican farmer and sugar producer who had to suffer on account of these hurricanes and low sugar prices. Many of them are today hopelessly in debt; others are bankrupt and a good deal of them lost their properties through foreclosure proceedings. These conditions have transgressed into the general business conditions in the island, and the Puerto Rican Treasury is in many instances unable to collect back taxes, thereby seriously affecting the financial conditions in the island. In spite of this Puerto Rico has put up a heroic fight to prevent becoming a serious problem for the Federal Government.

In view of these circumstances, I most earnestly ask you to give my propositions the most serious consideration.

We are more than willing, and we believe we have demonstrated this in the past, to cooperate to the fullest extent with the sugar producers in other areas in order to bring about better conditions in this important industry, but we must insist that due consideration be given to our status and our problems, and that, as good American citizens and as one of the best customers of the mainland, we are not being discriminated against.

I am introducing herewith certain amendments to the proposed House bill which I would like to discuss briefly, in order to show their importance to Puerto Rico.

1. On page 2, seventeenth line, strike out the words "beet molasses and sirups" and insert the words "and beet molasses" instead.

2. Page 4, twentieth line, add after the semicolon "*Provided further*, That for purposes of this section the importations from Puerto Rico during the years 1929 and 1933 shall be considered to be increased by the amount of the hurricane damage affecting these importations as determined by the Secretary of Agriculture."

3. Page 5, second line, cross out the words "production or the marketings" and insert the words "marketing for consumption" instead.

4. Page 5, twelfth line, add "(C) From importing sugar into Puerto Rico."

5. Page 5, fifteenth line, strike out the word "long" and insert the word "short" instead.

6. Page 5, seventeenth line, add after the comma the words "*Provided*, That such quota shall in no event exceed 250,000 short tons for the State of Louisiana and 80,000 short tons for the State of Florida."

7. Page 7, twenty-fourth line, add after the word "from" the words "Puerto Rico."

8. Page 7, twenty-fifth line, add after the word "Guam" the words "and all or part of the taxes collected upon the processing of sugar in Puerto Rico."

9. Page 1, strike out lines 3, 4, 5, 6, 7, 8, 9, and 10.

In accordance with the bill, it is proposed to give the Secretary of Agriculture the power to restrict importation of Puerto Rican sugars into the continental United States equivalent to a 3-year average of importations during the years 1925 to 1933. As you undoubtedly know, the Puerto Rican importations during 1929 and 1933 were subnormal on account of the fact that these importations were most seriously affected by an act of God. We cannot possibly conceive that after we have suffered enormous hardships and financial setbacks due to these hurricanes, we should now be called upon to accept these drastic curtailments brought about by these hurricanes during these years as a standard for our future, and that other domestic areas and even foreign countries should be allowed to take advantage of our great misfortune also in future years by being given that amount of the sugar quota in which rightfully belongs to us. We do not ask for a preferred position. We do not even ask that other sugar areas should contribute to make up for the heavy losses which we have sustained due to these hurricanes. All we ask is that the importation figures for 1929 and 1933 deliveries into the continental United States, which will be used in arriving at the 3-year quota average, be corrected so that instead of being based upon actual deliveries during these years they be based upon deliveries which we could have made if we would have been spared these calamities.

Such a disaster as caused by a hurricane cannot be compared with crop curtailments, which may also at times affect other areas on account of dry weather conditions, and so forth.

The CHAIRMAN. What was the average during those 3 years?

Mr. BASS. The average during these 3 years actually was about 820,000 short tons.

The CHAIRMAN. And what is normal production?

Mr. BASS. The normal average would have been approximately 860,000 tons. There isn't much of a difference, but every dollar helps considerably to contribute to the island income.

Senator COSTIGAN. Mr. Bass, how frequently has the island suffered from hurricanes?

Mr. BASS. During the last few years we had two hurricanes within 4 years. Prior to that we did not have a serious hurricane until about 10 or 15 years ago.

The CHAIRMAN. What is the real difference, then, about?

Mr. BASS. At times it cuts the crops as much as 50 percent, all depending upon where it strikes. If it strikes the entire island it is much more.

The CHAIRMAN. No; I mean this averaging of this period of 1929 to 1933, you said was about 860 tons, wasn't it?

Mr. BASS. No; the average exportations for 1931, 1932, and 1933 would have been at least 860,000 tons.

The CHAIRMAN. And the average generally preceding that in that period, preceding that, was how much?

Mr. BASS. It all depends what average we take, 5 years or 8 years or how much.

The CHAIRMAN. Well, that is what I am trying to get at, just about how much now. What is the controversy about? About how many tons?

Mr. BASS. About 30,000 or 40,000 tons. It is not so very much, but I think it is fair to ask for it. After all, we are also subject to dry weather conditions in Puerto Rico at times. And, of course, a hurricane creates considerable loss of life, destroys factories and buildings, and so forth. It is a real calamity to the island. We are not asking for your sympathy. We are asking for human and moral rights. I skip all that, because I think I have everybody's sympathy in that respect. I am referring particularly in this respect to my amendment no. 2. I furthermore note from the proposed bill that there is considerable discrimination shown in connection with the fixing of the quota in favor of the continental sugar producers and against Puerto Rico, inasmuch as the language of the bill would allow the 3-year average to include also deliveries made by continental sugar producers during 1934, whereas no such privilege is accorded to Puerto Rico. True enough that the continental crop starts about 2 months earlier than the Puerto Rican crop, but this in itself should not be sufficient reason to change the figures for an entire 12-month period. If the idea of fixing these basic quotas is based upon a certain amount of sugar which each area markets in the continental United States during any given year, then this idea should be followed up just as much in connection with the continental producers as in connection with Puerto Rico. The continental sugar producers cannot any more market and distribute their production within 3 months than can Puerto Rico. For that reason I recommend to you most seriously my proposed amendment no. 3.

While up to the present time and in view of the absence of any similar legislation no sugars have been shipped into the island of Puerto Rico from other sugar-producing areas, whether domestic or foreign, with the exception of refined sugar from the continental United States, at the same time we are confronted with the possibility that any such other area, in order to get rid of its surplus sugars, might consider the importation of sugars into Puerto Rico at a lower price rather than abandon them. Such sugars could be imported into Puerto Rico in the form of raw sugars and refined there, either for local consumption or for re-export to the continental United States, or they could be brought into Puerto Rico in the form of refined sugars for the same purpose. There is nothing in this bill which would prevent such a possibility, and I feel that the sugar interests of Puerto Rico should receive adequate protection in this respect. I therefore offer amendment no. 4 to take care of this eventuality.

Senator GORE. That is to prohibit the importation of sugar into Puerto Rico?

Mr. BASS. To prohibit the importation of sugar into Puerto Rico from other islands, such as Cuba and Santo Domingo, and so forth. It would seriously handicap our quota.

Senator GORE. Well, wouldn't the 2 cents per pound tariff protect you against that?

Mr. BASS. Oh, it might not, because some of these countries who have surpluses of sugar may figure it would be better to undersell, in spite of the tariff, rather than abandon the sugars entirely. We have seen it in the past.

While we fully sympathize with our brothers in Louisiana and Florida, at the same time, if we should be called upon to drastically curtail our crop in Puerto Rico, and while it may be advisable to impose no such curtailment upon Louisiana or Florida, we feel that it is going too far to ask Puerto Rico for these sacrifices and allow further expansion of the sugar industry in Louisiana and Florida, and we therefore believe that in any event the Louisiana crop shall not be allowed to exceed 250,000 short tons, and the Florida sugar production shall not be allowed to exceed 80,000 short tons. I therefore introduce amendments nos. 5 and 6, in order to correct this discrimination.

The proposed bill furthermore intends to amplify section 15 (o) of the Agricultural Adjustment Act in favor of the Philippines by providing that the President, in his discretion, is authorized to decree that processing taxes collected upon Philippine sugars coming into the continental United States shall be returned to the Philippine Treasury and be used for rental or benefit payments in connection with the reduction of sugar acreage in the Philippines. No such provision is made in connection with Puerto Rico, which, after all, is inhabited practically 100 percent by American citizens and is subject to practically all the Federal laws. While we presume that under the proposed bill the Puerto Rican farmers and sugar producers and all those who grow sugarcane will be entitled to benefit and rental payments, at the same time we understand the Secretary of Agriculture will have considerable discretionary powers in this respect under the act, and we therefore feel that in order to take care of our own particular problems in Puerto Rico, we should be accorded the same privilege as the Government of the Philippines by having these processing taxes returned, in whole or in part, to the island of Puerto Rico to be spent there as the Puerto Rican Government sees fit in order to equitably compensate those who would suffer on account of the restrictions brought about by the proposed bill and under the Agricultural Adjustment Act. Such an action would also incidentally relieve the Secretary of Agriculture of a great number of details and problems which I feel the Government of Puerto Rico could solve quite satisfactorily. In this respect I offer amendments nos. 7 and 8.

In looking at section 2 I notice that sirups are not included in the term "sugar" except for the purposes of section 8a of the act as amended, which section refers to the quota provision. I interpret this exception to mean that no processing tax should be levied in connection with the processing of sirups, and if my interpretation is correct, then I feel that this exception should be omitted, as otherwise considerable harm will be done to the sugar industry, since sirups will be allowed to be sold at considerably lower prices in comparison with raw and refined sugar. In this respect I would like to inform you that considerable large quantities of sirups are imported from Cuba and refined in this country and sold here in form of liquid refined sugars to candy manufacturers, soda fountains, and other large consumers. These sirup manufacturers already today have a considerable advantage under the existing tariff provision, and such an exception would furthermore help these manufacturers to displace a further large quantity of raw and refined sugar. Therefore, if this exception in any way should circumvent the spirit of this act, then I most strongly recommend that my amendment no. 1 be accepted.

I would also like to add in this respect that we would also favor seeing a similar quota arrangement in connection with the importation of blackstrap molasses, since if the sugar production in Cuba should go up the blackstrap production would go up, too, and do serious harm, not only to the continental beet farmers, but also the farmers in Louisiana and Puerto Rico.

After having discussed the amendments which I herewith have introduced, I would like to state in general that I believe any proposed legislation should also provide that the basic sugar quotas be definitely fixed for each producing area and that provision be made that if the consumption in the United States should increase or decline or the production in any given area should for some reason or other be below the quota, then the quotas of the other producing areas be increased or decreased pro rata. This would allow each area to plan ahead of time its cultivation and production program, arrange its finances, and care for its many problems in a business-like way, rather than to be left continuously in the dark as to what the future may have in store for it. This is especially of great importance to Puerto Rico, as the Puerto Rican crop is not planted for one year but is planted for several years ahead of time and the abandonment of sugarcane in the fields would be of great harm to the industry. It would furthermore give us a certain guaranty to the effect that our quota would not be drastically curtailed in any given year due to the selection of an average of particularly low delivery years since 1925. I furthermore believe that in fixing these quotas provision should be made that same be based upon 96-degree sugars in order to prevent any given area from circumventing its quota by shipping high-testing sugars, and in this respect get a higher quota than is contemplated under this act.

The ninth amendment, which I herewith propose, refers to the first part of the proposed bill which tends to amend the Agricultural Adjustment Act by providing that in the case of sugar beets and sugarcane the rate of the processing tax shall in no event be in excess of the amount of the duty reduction by the President of the rates of duty on sugar in effect on January 1, 1934, under paragraph 501 of the Tariff Act of 1930.

When this tariff bill was written sugar was selling considerably higher than today, and the cost of production was naturally considerably lower, since we are subject today to the N.R.A., and higher cost of bags, cotton goods, and materials in general.

Such a provision in effect amounts to ordering the President to lower the sugar duty for the very reason that unless the President cuts the sugar duty no processing taxes on sugarcane and sugar beets could be assessed at all by the Secretary of Agriculture. Hence this provision specifically limits the processing tax to the amount of the duty cut. In the event that the President should not elect to cut the sugar duty and the Secretary of Agriculture thereby would be prohibited from assessing a processing tax, then the entire purport of this bill fails, since without any processing taxes there could be no benefit or rental payments made to the sugar-beet and sugarcane farmers and there would be no compensation provided for them in connection with any acreage limitations or limitations of production. Certainly, under these circumstances, it would be most unfair to stop the farmer from producing sugar beets and sugarcane or the mill from producing sugar by cutting down their quotas without giving them proper compensation the same as is provided for in connection with other basic commodities.

As a matter of fact such a provision would be in strict violation of the Agricultural Adjustment Act, which provides under section 9 (a) that the Secretary of Agriculture shall levy processing taxes on basic agricultural commodities. If the President should not choose to cut the sugar duty, then under such proposed provision no processing tax could be assessed at all and this would be in strictest contradiction of section 9 (a) of the present act. Therefore, this particular provision in the bill is really the heart of the entire bill. There is no such provision in the Agricultural Adjustment Act in connection with any other basic agricultural commodity, and I see no reason why sugar should be singled out in this respect. True enough, that under the Tariff Act of 1930 the President has the Executive power to either decrease or increase the sugar duty after the Tariff Commission has made an investigation and forwarded their recommendations to the President. The Tariff Commission has investigated the sugar duty for about 2 years, and none of us has seen their recommendations. It might well be that the Tariff Commission has recommended a cut in the sugar duty. It might, however, also be very likely that the Tariff Commission has recommended that there should be no cut in the sugar duty except under certain conditions and safeguards for the domestic sugar industry. It might even be the case that the Tariff Commission, instead of recommending a decrease in the sugar duty, might have actually recommended an increase. All these factors are entirely unknown to us and even if they were known, then we do not know as yet to date, whether the President would follow these recommendations and order a cut in the sugar duty, and, if so, we would not know the extent of such a proposed cut.

If such a proposed cut would be small, then under the proposed provision of the bill, naturally, the processing taxes would have to be small, and if the processing taxes would be small, then the benefit payments or rental payments to the American farmers, naturally, would have to be small, and, since under the Agricultural Adjustment Act those rental and benefit payments may not be adequate to compensate our farmers adequately in connection with any acreage or production restrictions. In such an event the only ones to benefit by such a provision in this bill, in the event of such an inadequate processing tax and rental and benefit payments, would be foreign countries, such as Cuba, and they would benefit at the expense of our own citizens. I cannot possibly conceive that Congress would take such an attitude in the present emergency when our own farmers are in such need of help.

Another reason for my protest against the inclusion of such a provision in the proposed bill is the fact that it, in substance, provides that the American producer and the American farmer should himself pay for this processing tax and that same should not be collected from the consumer, since this provision in the bill makes the amount of the processing tax dependent and contingent upon, first, a duty cut by the President; and, second, upon the amount of the duty cut.

There is no other basic commodity to which such conditions apply. Such a provision, in substance, instead of helping the American sugar farmer by a price increase of his commodity, would actually provide for a price decrease, contrary to the declared policies of Congress under the Agricultural Adjustment Act, and then would go ahead and give the farmer part of this price decrease back in form of benefit payments. In other words, it would provide that the farmer would have to pay himself the benefit and rental payments, or, putting it in still other words, the American farmer would be expected to lift himself up by his own bootstraps.

I cannot conceive that this should be the object of any farm-relief policy. I haven't seen it in connection with any other commodity. As a matter of fact, the object of the Agricultural Adjustment Act was to raise the price of basic commodities, among others, the price of hogs, and have the consumer pay for this price increase, and considerable criticism is being heard at the present time due to the fact that it is alleged that the packers instead of adding the processing tax on to their products and collecting same from the consumer, are actually deducting it from the price to pay the farmer for the hogs, and while we are criticizing the packer for this action, we at the same time propose to write in a provision into the sugar bill which actually would make such a provision mandatory.

I consider it extremely discriminatory to ask the Puerto Rico farmer, as a consumer of other basic commodities, to pay the continental cotton farmer and to the continental producer of other basic commodities a high processing tax or to pay him indirectly benefit and rental payments when at the same time the continental farmer producing cotton, corn, hogs, and other basic commodities should not be called upon as a consumer to also help out his brother, the sugar farmer in Puerto Rico or the sugar farmer in the continental United States by also paying him indirectly rental and benefit payments to also help him receive a slightly higher price for his sugar cane and sugar beet farmer in the United States as well as in Puerto Rico needs this sort of help just as much as the continental farmer producing other basic commodities.

In this respect I would like to say that Puerto Rico is one of the largest consumers of farm products made in the continental United States, primarily rice, cotton goods, beans, and farm products in general, consuming approximately $80,000,000 worth of these products annually, and, of course, as the cost has gone up recently, anywhere between 30 percent and 100 percent, it is rather very burdensome, and I think we ought to get proper relief in connection with other farm commodities, so to speak, on produce that is consumed in the continental United States.

If we want to single out the American sugar farmer to help a foreign nation, like Cuba, to get back on its feet, not only for the benefit of such foreign nation but also for the benefit of the American automobile manufacturer and other American industries who are highly interested in selling their goods in Cuba, then let us be frank about it and say so, and not cover up such a fact by such a veiled provision as to the one to which I am objecting to in this bill. Let us be frank about it and admit that in substance this bill, and particularly this provision in the bill, would be highly detrimental to the American sugar farmer, would throw out of employment thousands of American citizens in order to help the foreign nation.

I certainly sympathize with Cuba and I feel that it is our duty from a moral and economic point of view to help her but to do so by cutting the sugar duty and ordering the cut of a sugar duty through this bill would be at the expense of the American sugar farmer instead of at the expense of the entire Nation. If we want to help Cuba, we do not have to go to extremes. As a matter of fact, a cut in the sugar duty instead of helping Cuba would actually be against the Cuban interests, besides being against the interests of the American farmer, as a cut in the Cuban sugar duty would automatically cut down also the benefits which Cuba enjoys due to her duty preferential. In other words, the lower the duty, the lower the protection to Cuba by means of such duty preferential. If we really want to help Cuba and at the same time help the American farmer, then instead of cutting the duty we should increase the duty. The more sugar duty is cut the greater is the chance of Cuba losing some more of her sugar business in the United States to other foreign sugar producers. Thank you.

Senator GORE. Mr. Bass, how many acres are planted to sugar in Puerto Rico?

Mr. BASS. Approximately 290,000 acres.

Senator GORE. How much in 1900?

Mr. BASS. In 1900? I couldn't answer that offhand.

Senator GORE. How many owners of sugar-producing lands in Puerto Rico now; do you know?

Mr. BASS. That is also a rather difficult question.

Senator GORE. You say the number of owners increased or decreased in 1900?

Mr. BASS. The owners of sugar land, probably—I mean, the small owners, probably did decrease as the larger corporations increased.

Senator GORE. That is what I am getting at.

Mr. BASS. Correct.

Senator GORE. Now, in 1900, was there much nonresident or absentee ownership of sugar land in Puerto Rico?

Mr. BASS. In 1900, there was considerable absentee ownership, because it was primarily Spanish possession prior to 1900. Subsequent to 1900, however, after we had encouraged American capital to go into Puerto Rico and introduce efficient ways of producing sugar in the island by modern machinery, and putting considerable amount of capital in the island, naturally it became necessary for these corporations to consolidate some of these farms and buy up some of these lands, and in that respect take these lands away from the absentee landlords and put it into American hands.

Senator GORE. Well, has small ownership decreased materially since 1900, for instance?

Mr. BASS. I do not think it has decreased materially since 1900, but it probably has decreased considerably since the time that Puerto Rico was under Spanish rule.

Senator GORE. Well, has the condition of the small owner of land, sugar-producing land in Puerto Rico, improved?

Mr. BASS. I feel it has considerably improved on account of the experiments that we have conducted on the island by eradicating diseases, doing away with insect pests, and showing the small farmers how to cultivate cane more economically than they used to do it.

Senator GORE. We hear a good deal, too, of the large land owners acquiring more and more property and ousting, buying out the small owner, and that those who used to be independent sugar-producing landowners, lost their land and their farms and they are in a more indigent situation now than they were before. Is that true?

Mr. BASS. That might be true, but you must not forget, Senator, that we have 1,600,000 people in Puerto Rico, and if each one of them was entitled to only one half acre of land, there was not enough acres of land in the entire island to give them a half an acre.

Senator GORE. Yes; that is true, but that does not quite go to the point I had in mind, with reference to the number of the small owners at the time the island was acquired, as a matter of fact and not as a matter of mathematical averages or theory.

Mr. BASS. There is a good possibility that when the American capital went into Puerto Rico and was willing to pay considerably higher prices for the land, naturally, that some of them who considered those prices as good and profitable, they have disposed of their land holdings and returned to their lands, and appear today as farmers,

Senator GORE. What was the peak price of lands in the boom days?

Mr. BASS. I can only give it from statistics. I am only a young man as yet. There were prices of lands at that time around $8 to $12 per acre.

Senator GORE. When was this?

Mr. BASS. At the time of the American occupation.

Senator GORE. Then what was the peak price of land that was reached, the speculative prices?

Mr. BASS. The peak prices and present prices are anywhere from $100 to $500 per acre.

Senator GORE. They are high now, and there has been no decline in the prices of the land?

Mr. BASS. No; the acreage prices have remained approximately the same. Of course, there are some forced foreclosures, and under these circumstances, of course, you might be able to pick up land cheaply.

The CHAIRMAN. The committee is adjourned. Thank you very much, Mr. Bass.

(Whereupon, at 5 o'clock, the hearing was adjourned until Saturday, Feb. 24, 1934, at 10 a.m.)

TO INCLUDE SUGAR BEETS AND SUGARCANE AS BASIC AGRICULTURAL COMMODITIES UNDER THE AGRICULTURAL ADJUSTMENT ACT

SATURDAY, FEBRUARY 24, 1934

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

The committee met, pursuant to adjournment, at 10 a.m., in room 312 Senate Office Building, Senator Harrison presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Costigan, Clark, McAdoo, Keyes, and Hastings.

Also present: Senators Vandenberg and Adams.

The CHAIRMAN. The meeting will come to order. Congressman Cummings, of Colorado.

Senator VANDENBERG. Mr. Chairman, before your first witness testifies this morning, may I submit for the record three amendments which I want the committee to consider.

I am submitting them on behalf of the eastern area and also on my own behalf. The first series of amendments proposes to require that the continental quotas shall at least be as large as the existing physical plant capacity of the continental beet production.

The second amendment proposes that the processing tax and the tariff change shall be concurrent both ways.

The third amendment proposes that all authority contained in this act shall expire in 2 years.

I respectfully submit these for the committee's consideration.

The CHAIRMAN. The clerk will incorporate them in the record.

(The amendments submitted by Senator Vandenberg are as follows:)

In section 8a (1) (B), page 4, line 25, change the word "area" to "areas".

In section 8a (1) (B), page 5, line 3, change the word "area" to "areas".

In section 8a (1) (B), on page 5, line 1, strike out all of the paragraph after the word "States" and insert the following:

> In excess of the present physical producing capacities of all existing factories and/or mills for the manufacture or processing of sugar from sugar beets and/or sugarcane grown or produced within the continental United States: *Provided, however,* That the foregoing limitation shall not apply to sugar unmarketed and undelivered at the time this act becomes effective.

In section 8a (2), page 5, line 13, after the word "may" insert the following:

> subject to the limitation above.

Page 1, line 10, after the figure "1930", add the words:

And provided further, That any reduction of the rates of duty on sugar and any increase in percentage of the preferential tariff rates in favor of Cuba, shall continue in effect concurrently with and only during such period as said processing tax on sugar shall be levied in accordance with the provisions of this act, as amended, and only during such period as quotas are allowed to sugar-producing areas in accordance with the provisions of section 8a hereof.

Page 8, line 10, add a new section:

All authority herein contained shall expire 2 years after the adoption of this act.

The CHAIRMAN. Congressman Cummings.

STATEMENT OF HON. FRED CUMMINGS, OF FORT COLLINS, COLO.

Mr. CUMMINGS. Mr. Chairman, I think possibly what I have to say may differ a little from some of the evidence that you have heard. Speaking of the farmer—and I am a farmer, and I have lived in the beet-growing section for 27 years, the largest in the United States—I have grown beets every year that I thought the price justified it.

I am a new Member of Congress, elected last fall, and I think largely due to the efforts I have made for the beet growers in that territory. There is one thing that surprises me immensely, and that is this.

It seems as though the one idea of many of the Members of Congress and the committee—and I am a member of the Agricultural Committee of the House—and it does appear to me that it is not what the people want, or the good of the country, but what seemed to me was that they were concerned with what the administration wants or Secretary Wallace wants.

I am speaking as a farmer and not as a Member of Congress—but just as a farmer. I am much more concerned with what my people want than what the Secretary of Agriculture wants, and I think that if the time has come in this country of ours that the country and the Congress of the United States, has to take its orders from the Secretary of Agriculture—and pardon me if I say so—and the President of the United States, then we have reached a sorry point in this country.

Just what is our duty as legislators——

The CHAIRMAN (interposing). We do not think you ought to come and tell us what our duties are. Some of us have been here for a great number of years.

Mr. CUMMINGS. Pardon me, but I think I should tell you what I think my duties are.

The CHAIRMAN. If you want to discuss the bill, all right. The Senators feel they know what their duties are as well as a Congressman who has been here a few months.

Mr. CUMMINGS. Pardon me, I think I know my duties.

The CHAIRMAN. Discuss the bill, but don't tell us what our duties are.

Mr. CUMMINGS. This bill as now written makes Secretary Wallace the actual czar of the sugar business of the United States—not only of the United States but our continental possessions. It will make him, within his power, able to do as he sees fit with the quota; he can make or break the domestic producers or he can break the people who import sugar from many of those islands. He has that absolute authority.

Do we want to grant it to him? Do the people of this country wish him to have it? Just what effect would this bill have on the producers of beets in this country?

The contracts for beets are made in the spring; in California, in the fall. The complete sale of the sugar is not made for 20 months from the time the contract is made. If the quota that the beet-growing people had on the 1st of February or March was changed under 20 months, it would upset the entire scheme.

Another thing, the beet processors buy gross tons of beets and not tons of sugar, and it would be absolutely and physically impossible for them to tell within 25 or possibly 30 percent of the amount of sugar they will have, basing it on the acreage of beets.

I have heard figures here——

The CHAIRMAN (interposing). Have you copies of those contracts that you mention, so that we may put them in the record?

Mr. CUMMINGS. You mean, showing the difference between the yield of sugar in different years?

The CHAIRMAN. I understood you to say they contracted some months ahead.

Mr. CUMMINGS. No; they do not contract at all. It is entirely different. The beets, I said, were contracted ahead, and they were bought by the acre. And this bill provides that anyone that exceeds their quota shall be fined three times the amount which they exceed.

I want to call your attention to this. In 1924 the beet yield was 9.35 tons, and the sugar content was 3,118 pounds, while in the next year, 1925, it was 6.45 tons of beets per acre, and the yield of sugar was 2,316 pounds of sugar.

This statement that I have here covers California, Colorado, Idaho, Nebraska, and Utah, and it shows a variation in the sugar produced of 50 percent. For instance, in Utah, in 1925, they grew 15.43 tons of beets per acre, and 4,030 pounds of sugar. In 1926 the beet yield was 7.98 and 2,208 pounds of sugar.

Comparative statement showing number of tons, beets and sugar produced per acre

[Submitted by Congressman Cummings]

State	Year	Tons beets per acre	Lbs. sugar per acre	State	Year	Tons beets per acre	Lbs. sugar per acre
California	1924	9.35	3,118	Idaho	1926	6.57	1,809
Do	1925	6.45	2,316	Nebraska	1925	15.83	3,729
Colorado	1922	9.91	2,173	Do	1926	11.61	2,504
Do	1926	13.76	3,523	Utah	1925	15.43	4,030
Idaho	1925	12.78	3,789	Do	1926	7.98	2,208

The point that I am trying to bring out is this, that any company that bought their beets under those contracts—they did not know the amount of sugar that they will have until the beets are finally sliced, which is 2 months, generally, after the completion of the delivery.

There is only one thing they could do. If they had their ordinary acreage contracted for and produced their crop as they have this year, a large percentage of that sugar would have to be carried over. It would necessarily apply on the quota of the following year. That would give the sugar companies a leverage to put down the price of beets, because they could say this:

> We have on hand now 30 or 40 percent of the sugar we produced last year. We can only purchase 30 or 40 percent of your acreage.

That would mean more closed factories. It would mean, as one of the men said yesterday, that it does not mean a reduction of the days of operating the factory, but it means the complete abandonment of the factory in the district, and each farmer in a beet-growing territory in housing for his help and for machinery that can be used for no other purpose, has at least an investment of $1,000.

Just a moment in regard to the Cuban situation. They want to increase their quota to 2,000,000 tons at the expense of the American farmer, on the theory that you will make the island of Cuba prosperous. If you give them this 3,000,000 tons a year, and you give them this tariff advantage that you propose to give them of 50 cents a bag, you have given them $20,000,000. They have a population of 3,700,000, and you have given them about $3 per capita. If you give them this 300,000 tons export, you give them a profit of $2 a bag, and you have given them another $6,000,000, a little less than $2 per capita.

Does any man with reasonable horse sense, and I know we all think we have it, and we have—just how much will a country purchase from us that can be made prosperous with an investment of $3 to $5 per capita? If you increase the income of a nation per capita $5, will it make them prosperous? We have contributed many times $5 per capita in the United States, not with the exact object of making us prosperous, but with the hopes that we would keep from starving to death, and I submit to you now that the purchasing power of any nation that can be made prosperous with an increase of their income of $5 or $6 per capita for their purchasing power is not worth bothering about.

And furthermore, there is no question about it, I say to you that my first concern is for the people of continental United States. I heard a gentleman say the other day that the people of Puerto Rico had just as much right to this sugar market as the people of Colorado, that they were a Territory of this country. I admit that this statement is absolutely correct, and I say that they have the same right to this market when they produce their product under the same conditions as we do. If they would put the N.R.A. into effect in their factories, if they would develop the same living conditions for the people who grow sugar and bring the standard of their people who do the work up to the standard of the people who produce it in the United States, they do have it, but when you allow them to employ peon labor with average earnings of $30 a year—and when you say to the people of this country that have bought those farms and this machinery, and try to educate and rear their families here that "you must curtail your market so that those people with those wages can have that market" there is something fundamentally wrong with the laws of this country.

I do not want to take your time. I am sorry that I have aroused the ire of the chairman——

The CHAIRMAN (interposing). You did not arouse my ire. But Senators do not like to be told what to do.

Mr. CUMMINGS. I did not mean to tell you what to do.

The CHAIRMAN. We are all trying to get the same facts. What we want are the facts.

Mr. CUMMINGS. That is what I was trying to give.

The CHAIRMAN. We are very thankful for your having given us your viewpoint on us, and you have done it very lucidly, and I am sure very sincerely, and there are few people that understand this thing better than you, and none of them have it more at heart than you.

Mr. CUMMINGS. I want to say just one word now with regard to Dr. Weaver, and then I have finished.

The CHAIRMAN. That's right. Talk about Dr. Weaver. We heard about him yesterday.

Mr. CUMMINGS. I have all respect for Dr. Weaver that any man connected with the Agricultural Department has. I have known Dr. Weaver for 3 months since he first came to this city. He told me quite frankly that he did not know anything about the sugar business, but that he hoped to learn it, and he has learned at the feet of Secretary Wallace, if you please, and Assistant Secretary Tugwell, and I want to say to you that it is my opinion, and I know it is right, that when he gave his ideas of what the administration policy was, regarding the sugar business last Monday, he spoke what was their ideas up to that time, and the agitation and excitement that was aroused on the Hill, and that was raised in the papers, has caused him to change it, and back water; and I had the pleasure of telling someone that is higher up in the Agriculture Department than Dr. Weaver that I supposed that probably they would make him the goat for doing one thing—telling the truth.

I say when we contemplate this entire sugar business and what was said by Dr. Weavers' superior, who told us yesterday what was wrong with Dr. Weaver, that what was wrong was that he had ridden in in an airplane the night before, and that was what caused him to say what he did——

The CHAIRMAN (interposing). In reference to that, you have a right to go on record for Dr. Weaver, and no doubt he is a very extraordinary fellow——

Mr. CUMMINGS. I did not say that. I said he was honest. That may be extraordinary [laughter].

The CHAIRMAN. There are some of us, including Senator Costigan, who have been in a good many conferences with reference to this proposition, and the idea expressed by Dr. Weaver, that this was the beginning of the destroying of the sugar industry in continental United States was the first that any of us ever heard of it. On the contrary, the whole idea expressed by everybody connected with the administration was to help the actual sugar-beet and sugar-cane farmers. I think that is true, isn't it?

Senator COSTIGAN. That is true.

Mr. CUMMINGS. You read Secretary Wallace's statement.

The CHAIRMAN. I heard it; yes.

Mr. CUMMINGS. You think that was his idea?

The CHAIRMAN. Yes.

Senator VANDENBERG. You asked the Congressman for a copy of one of these contracts. May I offer a typical contract for the record?

The CHAIRMAN. Yes. I think those contracts ought to be in the record.

Senator COSTIGAN. Is that the Michigan contract?

Senator VANDENBERG. That is the typical Michigan 50–50 contract, and it has the fixed dates in it to span from November 1934 to September 1935, showing the spread of the arrangement.

Senator COSTIGAN. It is my understanding that the Michigan contract results in larger returns to the growers than some other contracts.

Senator VANDENBERG. That is correct.

Senator COSTIGAN. It is a more favorable contract for the growers than any in use in Colorado, for instance.

The CHAIRMAN. I think, Senator Costigan, we ought to have in the record a contract covering the Colorado, the Great Western, Idaho, and so forth.

Senator VANDENBERG. The fact that this is one of the most favorable contracts is the reason why we hesitate to hold the bag for this new arrangement.

(The contract submitted by Senator Vandenberg is as follows:)

MICHIGAN SUGAR COMPANY

——— PLANT

Sugar-beet contract concerning raising and delivery of sugar beets for campaign of 1934.

Witnesseth that for and in consideration of the mutual covenants and payments hereinafter set forth, the respective parties hereto mutually undertake and agree as follows:

1. The grower agrees to prepare land for, plant, block, thin, cultivate, harvest, and deliver during the season of 1934, ——— acres of sugar beets, to be grown on land situated in section ———, township of ———, county of ———, and State of Michigan.

2. Seed will be furnished by the company and charged to this contract at the rate of 15 cents per pound. The grower agrees to use no seed other than that furnished by the company; to plant at least 15 pounds to the acre; and to plant no seed on land that contained a crop of beets during the previous year. The title to the seed and to the crop of beets, from the time when same begins to grow, shall be and remain in the company. The company will not give credit for any seeds delivered to and not used by the grower.

3. The grower agrees that he will harvest and deliver to the company all sugar beets grown by him under this contract, when and as directed, at the company's factory or in cars at designated receiving stations of the company. The grower further agrees that all beets grown by him shall be properly topped, that is to say, by cutting off the tops squarely at the base of the lowest leaf scar where a leaf has grown; that the beets will be fully protected from sun and frost after being pulled and topped; that the beets will be delivered free from foreign substances liable to interfere with factory operations; that no loose dirt will be removed from delivery vehicle until it has been weighed back, and that all beets shall be subject to deductions for dirt and improper topping.

4. The grower also agrees that the entire cost of transportation to the company's factory on the gross weight of all beets, whether shipped directly to the factory by him or delivered by him to receiving stations outside the factory yard, shall be paid by him, or if advanced by the company, shall be charged under this contract and deducted from the first moneys due under the terms of this contract.

5. The company has the privilege at any time during the growing and harvesting season to enter upon the land set forth for the purpose of determining the condition of the land and the quality and condition of the beets grown under this contract. At its option, the company may refuse to pay for any diseased, frozen, damaged, or improperly topped beets; beets that contain less than 12 percent sugar; beets of less than 80 percent purity, or beets that the company for any other reason may deem not suitable for the manufacture of sugar. In no event shall the company be liable to the grower for failure or partial failure of the crop, or for beets not harvested, or for beets not delivered to and accepted by the company.

6. The company agrees that all beets delivered and accepted under the terms of this contract shall be processed or converted into sugar, pulp, and molasses, and that such products shall be sold from time to time as the company in its discretion may determine; but the company shall not be liable in any way for any mistakes or errors of judgment in the manufacture or sale of sugar, pulp, or molasses or other act in connection with this contract, nor for delays, nonperformance, or losses caused by strikes, fires, breakdown of plant, accidents, or other causes not commercially and practicably controllable by it.

7. In case the grower does not give the beets proper care, or fails to harvest and deliver the crop, then the company shall have the right to enter upon the land described, and care for, cultivate, harvest, deliver, and retain the crop, and charge the expense thereof to this contract.

8. On account of all beets delivered and accepted in accordance with the terms of this contract, the company will pay per net ton of beets delivered, an amount equal to 50 percent of the "net proceeds" realized from the sale of sugar, pulp, and molasses produced by the company at said plant, divided by the total number of net tons of beets delivered to and accepted by it at its said plant from the 1934 crop.

9. The "net proceeds" from the sale of said sugar, pulp, and molasses, shall be the amount received by the company from products, after deducting outbound freight, brokerage, cash deductions, insurance, credit insurance, storage, declines and allowances, advertising, and any and all other expenses and losses incurred in the marketing of sugar, pulp, and molasses. Deductions shall also be made for all excise and sales taxes, consumption taxes, or any taxes whatsoever imposed on the production or sales of sugar, pulp, and molasses, including any tax which may hereafter be imposed by the United States or any other governmental authority or agency, on or in connection with sugar beets, beet sugar, beet pulp, or beet molasses, or the processing, transportation, handling, ownership, possession, or [illegible] any transaction relating thereto, or the business of be[illegible]

10. The net weight of [illegible] der this contract, shall be determined by [illegible] of the company from the grower's final [illegible] sugar-[illegible]

11. An initial paym[illegible] der shall be [illegible] e by [illegible] y December 15, 1934, on accoun[illegible] delivered [illegible] and in[illegible] vember 30, 1934, at the highes[illegible] at the [illegible] y may de[illegible] ustifiable, taking into consi[illegible] and ret[illegible] the sale of said products. [illegible] 934, the company shall lik[illegible] ke a[illegible] ompany at its option m[illegible] any [illegible] ces [illegible] time to time in such a[illegible] s it ma[illegible] to [illegible] lement. Final settlemen[illegible] made w[illegible] ys afte[illegible], pulp, and molasses [illegible] the com[illegible] crop sha[illegible] n sold and paid for, bu[illegible] sold be[illegible] mber 1, 1925, final settle[illegible] 5, as if the products un[illegible] ge "net proceeds" realiz[illegible] e o[illegible] to and including August [illegible]

12. The grower [illegible] thorizes an[illegible] cts the co[illegible] educt from any moneys coming [illegible] ount o[illegible] delivered [illegible] contract a sum not to exceed th[illegible] per [illegible] n to be [illegible] Farmers and Manufacturers Beet Su[illegible] shall [illegible] in accordance with and under the direc[illegible] board of directors of the said association, in de[illegible] share of the expenses of the local and Farmers and M[illegible] Association's activities in the grower's behalf.

13. A firm of certified public accountants, licensed to practice in the State of Michigan, shall be employed by the company to examine its books, records, and accounts, and determine the "net proceeds" and the amount per ton payable to the grower under the terms of this contract.

14. Any advances made on this contract in the way of seed, fertilizer, cash, labor, transportation costs or otherwise, with interest on cash advances, shall be a first charge against the proceeds of this contract.

15. The grower represents that he is qualified to execute and perform this contract, and that no person other than a signer thereof has any right or interest in, or claim, or lien upon the proceeds of this contract.

16. The grower has no interest in or title to the crop that can be sold or mortgaged. No sale, assignment, mortgage, nor pledge of this contract or its proceeds shall be valid unless the company consents thereto in writing and endorses its consent on this contract. Any sale, assignment, mortgage, or pledge of this contract or its proceeds to which the company gives its consent shall be subject and subordinate to the right and title of the company.

17. No agent has any authority to change or alter the terms and conditions of this contract, and it shall not be valid unless signed by an officer of the company or its plant field manager.

Dated ——— 1934.

——— ———,
(Signature of grower)

——— ———,
(Post-office address)

The CHAIRMAN. The Resident Commissioner of Puerto Rico, Mr. Iglesias, wants 3 minutes.

Senator COSTIGAN. Will it not be well to ask the representatives of these different sections to file copies of the contracts at this time?

The CHAIRMAN. Yes; I believe they should obtain those copies and they can have somebody who represents those interests file them in the record. The old contracts have been in the record, I am sure, but I would like them to go into this record.

STATEMENT OF HON. SANTIAGO IGLESIAS, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. IGLESIAS. I want to take only 2 or 3 minutes. On account of the impressions and misapprehensions and fears that have occurred in the islands since the message of the President has been sent to Congress, and these two bills have been introduced, the bills that have been introduced in the Senate and the House have caused a tremendous impression on the people of the island, especially in the sugar business particularly.

As you know, that is the principal industry of the islands where more workers and more labor is employed than anything else.

They believe they are going to be treated like a foreign country, and they are going to receive a tremendous reduction in industry, and do a tremendous harm to the life of the islands, especially to the masses of the people there.

Consequently the cables that I have here, one from the Senate of Puerto Rico, and another from the Legislature of Puerto Rico, that just states the apprehensions and the fears, and I would like to have the permission to incorporate these into the record.

The CHAIRMAN. They will be received.

Mr. IGLESIAS. Of course I hope and I am sure that when the Senate of the United States, certainly your committee, is going to study the situation of the islands, and you will do the best for it that you can, in order that these people and the islands in general will not suffer in any way. That is what I want to say to you.

The CHAIRMAN. Thank you very much, Mr. Commissioner.

(The following cables were filed by the Resident Commissioner of Puerto Rico:)

SAN JUAN, P.R., *February 15, 1934*.

Hon. SANTIAGO IGLESIAS,
Resident Commissioner of Puerto Rico,
House Office Building, Washington, D.C.:

Senate of Puerto Rico wants you to appear at Senate Finance Committee hearing next Friday, February 16, on sugar control bill which discriminates against sugar producers of Puerto Rico as foreign sugar producers instead of including them jointly with American sugar producers. Senate of Puerto Rico earnestly protests against such discrimination and requests Puerto Rican sugar producers be included on equal basis as continental United States sugar producers. So far Puerto Rico has suffered all encumbrances caused by the A.A.A., which have considerably raised living costs. Consequently we consider Puerto Rico is entitled to share benefits to be derived from any legislation affecting its principal production equal basis as continental United States sugar producers in conformity with policy of Agricultural Adjustment Act, which properly includes Puerto Rico sugar producers with American producers. Such discrimination would tend to increase unemployment.

R. MARTINEZ NADAL,
Presidente Senate of Puerto Rico.

POSTAL TELEGRAPH,
SAN JUAN, P.R., *February 16, 1934*.

Hon. SANTIAGO IGLESIAS,
Resident Commissioner of Puerto Rico, Washington, D.C.:

House of Representatives of Puerto Rico requests that Puerto Rican cane growers and sugar producers be included among domestic sugar producers and that in any sugar control bill, introduced in that honorable body, be considered as continentals with all benefits derived from these laws. Puerto Rico has accepted all the obligations imposed by the N.R.A. and A.A.A. laws, which have greatly increased its cost of living. We therefore ask that in legislating on sugar, our principal product, there be given to the growers of sugar cane, and producers of sugar, in Puerto Rico, same treatment as is given to continental growers of beets and sugar. We demand this within the spirit of the Agricultural Adjustment Act, which properly classifies the producers of Puerto Rico among American producers. The proposed discrimination between foreign continental producers would aggravate unemployment in this island.

MIGUEL A. GARCIA MENDEZ,
Speaker.

SAN JUAN, P.R., *February 14, 1934*.

Hon. SANTIAGO IGLESIAS,
Puerto Rico Resident Commissioner,
House Office Building, Washington, D.C.:

Bill introduced in Congress to control sugar production would force our sugar cane farmers and cane sugar producers out of business. Section 3A of bill includes Puerto Rico and other possessions with foreign countries and this would bring disaster to general islands' interests. Economic life and government public services in Puerto Rico chiefly depend on sugar industry and any discrimination against sugarcane farmers and cane sugar producers would be seriously reflected upon all private and public enterprises and labor more especially. Puerto Rico should appear in section 3B of Jones bill in accordance with Agricultural Adjustment Act that places Puerto Rico on equal level with continental domestic producers. The prosperity and happiness of 1,600,000 loyal American citizens depend upon the consideration given to the Islands sugar industry. Puerto Rico is cooperating in the relief of continental farmers, manufacturers, and laborers thorough the high increase in the cost of living brought by the operation of N.R.A. and A.A.A. We are paying for continental relief and have been expecting national aid in line with whatever is done in behalf of our fellow domestic producers. Puerto Rico requests your valuable cooperation so as to bring our cane farmers and sugar producers out of depression.

RAMON ABOY BENITEZ,
President Puerto Rico Sugar Producers Association.

The CHAIRMAN. Now, is there anyone in the audience that wants to be heard for 2 minutes, and to put into the record a statement? The clerk tells me there are, and if so, that can be done now.

STATEMENT OF A. N. MATHERS, OF GERING, NEBR., REPRESENTING THE IRRIGATION INTERESTS AND RECLAMATION INTERESTS OF THE WEST AND THE NEBRASKA BEET GROWERS' ASSOCIATION

Mr. MATHERS. May I say, Mr. Chairman, that I requested that if given this privilege, I would not exceed over two minutes.

The CHAIRMAN. I had that in mind when I made the statement, because I understood you were the last one on this sugar beet proposition.

Mr. MATHERS. This brief that I am filing speaks for itself, and I know that your record will be very large. I have been told that there are, in the language of the street some " hot spots " in this brief.

I want to say in behalf of Mr. Costigan and others that have had to do with the preparation of this brief, that I personally imply nothing but the best of faith of the Department, the administration, and all those that have had anything to do with this legislation.

Perhaps, though, it is necessary to speak plainly, and speak the facts. Perhaps you know, or do not know, that the reclamation investments and irrigation investments of the West constitute more than $800,000,000 of capital investment. That is in more than 16 States. And if you can comprehend it there are more than 20,000,000 of acres of irrigated land so when there are any schools of thought that would seem to indicate that we will just wipe out sugar beets, eventually, even in a hundred years, you are absolutely attacking and upsetting the balance of all irrigation interests, and they are some interests, and you may recognize that.

That $800,000,000 invested in irrigation interests in the West——

Senator KING. A large part of that is private?

Mr. MATHERS. About one quarter is Government reclamation. Nearly $200,000,000 Government reclamation, and the balance, of course, is private interests, covering developments of many years.

Senator KING. I want to add for the record that what has been advanced by the Government is to be repaid.

Mr. MATHERS. Yes, it will be repaid, unless, as Dr. Meade, of the Reclamation Service says, unless the sugar business is disturbed.

Senator KING. Most of those loans have already been repaid, some of them paid entirely.

Mr. MATHERS. In reclamation?

Senator KING. In reclamation.

Mr. MATHERS. Comparatively few, if any.

Senator VANDENBERG. I understand that Dr. Meade said that beets were the backbone of the reclamation projects.

Mr. MATHERS. This brief of mine covers the statement that Dr. Meade made last summer.

Senator VANDENBERG. You agree with that?

Mr. MATHERS. Absolutely. Now, there is another important fact fully set out in the brief, that the sugar capital investments of sugar mills, processors, and all of the farm equipment, and just those things incidental to sugar production, constitute a capital investment on irrigation western projects of more than $500,000,000.

So this is not a minor industry that can just be forgotten without upsetting entirely the balance of all irrigation.

And now just one more joint. It has been definitely brought to your attention that the sugar business is a legitimate and logical part of the American agricultural industry. Any reference to being a high or "expensive industry", I think there are facts to disprove that. You men, as a practical proposition, I think, can now quite agree that it is not a fanciful, hot-house industry. It compares, in actual cost of a bag of sugar, very favorably with tropical production, and it would be much more favorable if they were on the same labor basis as we are in this country.

Another point—the consumption of industrial goods—as a result of the sugar production in the United States, the consumption of industrial goods is far greater in those districts than in Cuba than in any other insular possession could possibly purchase from us.

And now my last thought is this: Every legislation has a purpose. There are motives. I think the facts will disclose that with the purposes of this bill, with the genuine disposition on the part of those behind this legislation to help the American farmer, that still behind that is a hope and a very determined effort to bring back to life value to more than $700,000,000 capital of American investments in Cuba. I close stressing that point.

That does not imply bad faith on anybody's part. If we had millions invested in Cuba, that possibly would mean a great loss, would we not be justified? But we are entitled to know, and I would that you Senators and the people at large knew. I wish we could lay the list on the table this morning of who owns, what interests own, what corporations own, what individuals own, and what position those individuals occupy today, that own these $700,000,000 of Cuban securities.

Now, Senators, there are theories, but it seems to me we are faced with this practical proposition. Here are theorists, well-meaning, here are economists, well-meaning; but on the other side is a practical proposition, common sense. It is said that as to our 72,000 acres of beets in our county, we will have to think up something, the Department said, to take the place of beets.

Think it up. I would like to ask you—those people that have lived out there for 25 years and are raising beets under these low prices, what can we raise? What can we substitute? We would be doing it if we could.

Senator VANDENBERG. Suppose we were to amend this bill to require that the quotas shall at least recognize existing plant facilities in the United States—how would you feel about it?

Mr. MATHERS. Of course, that has to be answered this way, Senator. The farmers of America cannot accept the principle of reducing their production or being denied the privilege of increasing their production of an American crop when there is no surplus. We cannot accept that theory as sound, and would not want to subscribe to that theory.

Senator COSTIGAN. Did the farmers you represent subscribe to the 1,750,000-ton limitation in the quota agreement discussed last fall?

Mr. MATHERS. Yes, sir; they did, Senator.

Senator COSTIGAN. For 3 years?

Mr. MATHERS. I understand, at the end of a long controversy, and under the pressure of no possible agreement or stabilization of any kind, that they did, refusing to accept the theory, but in the spirit of stabilization, said, "Well, our maximum production is 1,750,000 tons."

Senator COSTIGAN. It was a little more than that.

Mr. MATHERS. It was about 6,000 tons more than that.

Senator CLARK. That is more than ever had been produced in the United States, except in 1 year, wasn't it?

Mr. MATHERS. I understand that that production did actually exist in the previous year.

Senator CLARK. Of about 300,000 tons?

Mr. MATHERS. Whatever the record shows.

Senator CLARK. That is, as I recall, what the Secretary of Agriculture stated.

Mr. MATHERS. There was a very good reason for that. With wheat prices, and with potato prices at 15 cents a bushel in our country last year, naturally there is a drift to the beet production, because of the very low prices of the other crops.

Senator CLARK. What I was trying to get at was this: According to the figures put in the record yesterday by the Secretary of Agriculture, this proposed quota which is given the continental United States is about 100,000 tons more than had ever been produced in the United States except in 1 year, which would seem to be an abnormal year.

Mr. MATHERS. We have just stated that last year the production was larger than in previous years. That is true.

Senator COSTIGAN. Before you proceed, may I ask you whether when you say that the farmers are opposed to the principle of limited production, is your attitude and theirs the same with respect to this bill that it was with respect to the quota agreement of last fall? I mean, are you disposed to accept what you regard as a reasonable limitation in a bill, as you did in the quota agreement?

Mr. MATHERS. Well, so far as our group is concerned, I think I could fairly say that we could not accept, in the sense of accepting the principle of it, Senator Costigan.

Senator COSTIGAN. I am confused as to what you mean by not accepting the principle, when in fact you did accept a specific limitation.

Mr. MATHERS. We submitted. There is a distinction, Senator, between accepting and submitting.

Senator COSTIGAN. I wish that could be clear for the record.

Mr. MATHERS. We are all submitting to a great deal that we would not really accept.

Senator COSTIGAN. Of course, the point that disturbs me about your suggestion of submission, Mr. Mathers, is that last fall, as I understood it, the so-called "quota agreement" was a voluntary agreement, in which it was not necessary to submit.

It is true that you can be required to submit to some particular legislation, but it does impress me at the moment—and if I am not correct about it I would like to be corrected—that last fall there was a voluntary acceptance of a limited quota by the beet growers. If they are opposed to any limitation at all, I think that fact should be stated now, because it may very definitely affect the attitude of the members of this committee, including myself, toward the proposed legislation.

Mr. MATHERS. Well, Senator, as a practical matter, I am sure that the action of the beet growers last summer and fall—as a practical matter it was a submission. I would prefer to have, of course, Mr. Kearney, who speabs for all of the American beet producers, to enlarge upon that, as I thought he made it very clear yesterday in his brief.

I would not think it would be courteous for me to speak for Mr. Kearney on a proposition as large as the entire sugar-beet territory.

Senator VANDENBERG. If the tariff is to be reduced on sugar, are you not better off with a quota allocation, provided that allocation recognizes your existing plant facilities?

Mr. MATHERS. There could be no question, Senator, if there is to be no legislation, if there is to be no relief to the American beet farmer, unless by this method of restriction or curtailment, it seems there is not any choice. We have to submit to it.

Senator KING. Having the gun pointed at you.

Mr. MATHERS. What does a fellow do in the alley when he is held up at night? He turns over his money and watch, regardless of principle.

Senator COSTIGAN. I am sure that no member of this committee is pointing a gun at the beet growers of this country, as we are exceedingly anxious to help the beet growers, and if the beet growers do not desire this help, I think that it ought to be stated in this record that that is their position.

Mr. MATHERS. I think, Senator, it has been fairly well stated that the beet growers do not accept the principle of reducing the production of a nonsurplus American crop, and turning that reduction of acreage over to Cuban interests.

Senator COSTIGAN. I will ask you again, are you unalterably opposed, on behalf of the beet growers, whom you represent, to any definite quota in the pending bill?

Mr. MATHERS. Unalterably opposed? We could not accept a restriction of this nonsurplus crop production, but it does not of course imply that if, in the wisdom of this Congress and the administration, restrictions were placed upon us we would certainly have to and would submit.

Senator KING. Isn't this, in brief, the situation, that you might accept, not perhaps willingly, but as good citizens, a temporary limitation upon production because of the depression, and to carry out some policies that are felt might contribute materially to relieving agriculture as well as the American people, but that you do not accept voluntarily the philosophy that so long as we produce such a small part of our consumptive needs that we are to establish an irrevocable line beyond which we may not go in the matter of production of beets; in other words, accept the philosophy that the Department of Agriculture may limit us, limit production, and limit acreage, as a national policy, regardless of the depression or our present economic and industrial conditions?

Mr. MATHERS. I think that fairly restates the position.

Senator COSTIGAN. It was my understanding that the witness dismissed philosophy and wanted to deal realistically with the situation before us.

Senator KING. Don't you think Senator, if you will pardon me, that there may be philosophy in realism and realism in philosophy?

Senator COSTIGAN. The question that seems to me to remain unanswered in the record is whether as a realist, whether as a representative of the beet growers, Mr. Mathers speaks in unalterable opposition to this bill. In other words, it is not my understanding that he is trying to fight it on the basis of philosophy. He criticized the philosophical expressions of some witnesses who preceded him, and I am sure that every member of this committee would like to know as a matter of concrete reality whether the beet growers desire this type of legislation or are opposed to it.

Senator KING. Well, Senator, do you mean by that as a temporary expedient or for all time?

Senator COSTIGAN. Either as a temporary expedient or permanent legislation.

Senator GEORGE. Would you rather be let alone and maintain the present status than to have this legislation?

Mr. MATHERS. I have tried to make it very clear as I believe that it is the honest intent of this bill to accomplish relief for the beet farmer. We think by our amendments, Senator Costigan, that that can be done, and soundly and wisely done, if those three amendments that were presented are adopted. These amendments do away with this theory of curtailing American production, and that is where we stand. We do not subscribe to the theory that the American farmer should be restricted in growing an American farm crop when there is no surplus. We cannot subscribe to that theory.

There is a great emergency which exists, and the Senator said, "Well, would you rather have nothing?" Well, there can be only one answer. We must have something, when an emergency exists, but we must not, and I do not think there is a Senator in the group that wants to establish the theory that we can logically, as an American policy, restrict the growing of an American crop on a nonsurplus American crop in favor of insular possessions or Cuba. I do not think any of us want that, but you stress this, that during this emergency—well, that responsibility is on Congress and the administration. We will certainly submit, but we could not, Senator Costigan, accept the theory as a permanent, sound American doctrine, and it is so striking that even the quota that you mention, 1,750,000 tons—now it is proposed by this bill to take off or reduce our present production of about 300,000 tons and turn over to Cuba almost exactly the 300,000 tons. That makes the thing so striking, and it must follow, and it is a fact that has not been refuted, that behind this bill—not implying that anybody that has had anything to do with the preparation of it—but behind it as a whole, that by cutting down this American sugar production we add to Cuba's production, and we rehabilitate or attempt the beginning of the rehabilitation of these $700,000,000 of investments in Cuba.

So we are up against this. Shall we stand by the American farmer or shall we in this emergency penalize him with the hope of saving investments in Cuba?

Senator HASTINGS. May I ask this? I would like to see if it is not possible to get a definite answer. I would like to know if you would rather have nothing or have this bill as written?

Senator COSTIGAN. Or with amendments?

Senator HASTINGS. Let us find out first, as it is written.

Mr. MATHERS. With amendments—fine.

Senator HASTINGS. As originally written, would you rather have nothing or this bill?

Mr. MATHERS. This bill, certainly.

The CHAIRMAN. Thank you very much.

(The following is the statement of A. N. Mathers, of Gering, Nebr., representing the National Beet Growers Association, ordered filed in the record.)

This testimony and brief filed before the Committee on Agriculture of the Senate of the United States, February 24, 1933:

Mr. Chairman and members of the committee, I have been invited by the National Beet Growers Association and Nebraska Beet Growers Association, and by the irrigation and reclamation interests of the West, to make this appearance in their behalf.

For more clear understanding, I should like to classify this evidence as follows:

1. Western irrigation and reclamation, its scope and importance, and the relation of sugar-beet production to these irrigation and reclamation developments.
2. The soundness of that national policy, "The American market for the American farmer", and the imperative necessity of strict adherence to that policy.
3. The power and influence of hundreds of millions of American capital invested in Cuban sugar.
4. Will the administration and the Congress, in aid of the invested millions of American capital in Cuba, violate the rights of the American farmer and destroy domestic sugar production?

WESTERN IRRIGATION AND RECLAMATION

In pressing this evidence, upon a question of such great importance to the irrigated districts, we must pause for the moment to determine the magnitude of the reclaimed and irrigated sections of the West.

There are 14 Western States containing more than 20 million irrigated acres upon which live more than 1½ million people.

Out in the great arid West there are countless valleys. These valleys are west of the rain-belt sections, near the foothills of the Rocky Mountains. Perpetual streams flow down out of the mountains through fertile valleys. These streams are checked by great irrigation works and the water made to flow through thousands of miles of irrigation ditches and laterals, and out over the land. By this proper and dependable application of watering these barren and nonproductive valleys are transformed into veritable farms and gardens.

The total cost of western irrigation construction is estimated at more than $800,000,000. Most of this development has been during recent years, and the lands and projects are heavily bonded to cover the initial construction costs. Many of these new irrigated valleys are as much as 25 miles in width by more than 100 miles in length. During barely more than a quarter of a century, throughout these 14 Western States, hundreds of these valleys and irrigation projects have been, and are being, developed.

Upon these millions of acres of western irrigated land there was consumed in 1932 more than 32,000 carloads of merchandise.

It is upon these western irrigated projects that 85 percent of the American sugar beets is produced. Upon these irrigated projects 85 sugar factories have been built. Seventy of these sugar factories operated this year, while 15 factories were idle. These 15 factories are complete in condition, but temporarily put out of business because of present sugar conditions.

More than 90,000 beet farmers with 450,000 dependents, along with hundreds of thousands of employees and laborers, constitute the background of the sugar beet business on western irrigated projects.

It is estimated that the capital investment and physical worth of the sugar mills, railroads, farming equipment, and that property incident only to the production of sugar beets, has a total value of more than $500,000,000.

The immediate preservation and future destiny of this vast irrigated West is wholly dependent upon the recovery, the sustaining, and continued normal development of domestic beet-sugar production. Sugar beets, far greater than all other irrigated crops, constitute the foundation of all western irrigation. If sugar-beet production fails or is restricted in that ratio western irrigation will fail. The possibility and the stability of all western irrigation and the status of sugar-beet production are relative and interdependent in every degree.

We of the great irrigated West cannot sit by and permit the pressure and influence of the noncontinental sugar producers to limit and obstruct western sugar production. To do so would intensify the present economic depression and in a large degree bring ruin and abandonment to thousands of western beet farmers, to millions of irrigated acres, and forced bankruptcy and repudiation of millions of obligations.

We now refer to the hearings on sugar-marketing agreement, August 10, 1933—testimony of Dr. Elwood Meade, Commissioner of Reclamation, Department of the Interior.

It is the conviction of all those that have to do with Federal reclamation that there is no crop that has exerted a greater influence for good on irrigated agriculture than the sugar beet.

Any lessening of the production for the area would be a misfortune.

The sugar-beet industry is the backbone of those Federal reclamation projects where that crop is grown.

The sugar beet is one farm commodity that does not come in competition with other farm crops; in fact, the sugar-beet acreage means just that many acres less in grain and other surplus crops.

Sugar-beet farming requires intensive cultivation and a large amount of hand labor. In growing a crop of beets, man-labor constitutes one half of the total cost of production. Sugar beets require 10 times as much hand labor as wheat, 5 times as much as corn, and twice as much as potatoes.

As the United States produces only one fourth of the sugar consumed, the sugar-beet industry could be expanded without fear of a surplus.

The following telegram from Leslie A. Miller, Governor of Wyoming, dated August 6, 1933, to Dr. Elwood Meade, and by Dr. Meade given as evidence in the hearings:

Dr. Elwood Meade,
Director of Reclamation, Washington, D.C.:

People of Wyoming are vigorously protecting curtailment of production of beet sugar in the United States in any way that would restrict beet growers in Wyoming, as it is now being carried on, or interfere with further expansion of the industry. The irrigated areas of Wyoming are especially adapted to the production of sugar beets, which is very essential to proper development of our State. We now have five sugar factories in Wyoming and could furnish sufficient beets for five more if suitable markets were established for our sugar. Industry furnishes employment for many times more labor per acre of land involved than any other crop that has so far been grown in Wyoming. The incidental benefit realized by the coal miner, gas fields, rock quarries, railroads, and others would be hard to calculate. Will appreciate anything that can be done to save the industry for Wyoming.

LESLIE A. MILLER,
Governor of Wyoming.

AMERICAN MARKETS FOR THE AMERICAN FARMER

We have respect and consideration for the committee and all those in charge of these negotiations. We wish no implications of bad faith upon any governmental functionary. We do not question the zeal and integrity of these able representatives, attorneys, and sugar experts in whose charge are the millions and millions of American capital invested outside of continental United States.

Great city banks, trust companies, and investors have seen fit to invest scores of millions outside of the United States. And now these millions, for further safety and greater returns, would demand restriction and place limitations upon the American farmer. As bold as it is un-American.

The sugar farmers of America, both beet and cane, are producing less than 25 percent of sufficient sugar to supply the American consumption. This is strictly a nonsurplus crop. To propose the restriction of the growing by the American farmer of a nonsurplus crop has never been advocated by any political party. No President of the United States, no Congress has yet had the temerity to propose restrictions on the American farmer when he is producing a strictly nonsurplus crop. Such a policy would be absurd, and if it were not for the millions of American capital invested outside of continental United States urging such an unsound and absurd theory, it would be receiving not the slightest serious consideration at this moment.

By common decency and sound economics, every effort, governmental and otherwise, should be exerted at this moment to encourage greater American domestic sugar production, thus transplanting thousands and thousands of grain, cotton, and surplus-crop lands into sugar-producing lands.

Who says no to this suggestion? What voice is raised in protest to this sound American policy? None other than the voice of those millions of dollars, producing sugar outside of the continental United States and bringing it in to enjoy the American market.

We now have this spectacle of the power and influence of millions of dollars of American capital, invested outside continental United States, here and now demanding, how and upon what basis the American farmer may be permitted to grow a nonsurplus crop. A domestic crop producing less than one fourth the amount consumed in the United States. And behind it all a carefully designed plan to, by this Costigan bill, by an act of Congress, establish the justification for such an absurdity.

The truth is, because of the great necessity for sugar stabilization, and cleverly under the cloak of this great necessity, millions of capital invested outside of continental United States is now attempting to at last defeat the American farmer, restrict and obstruct his American market, now on sugar, eventually on all farm crops, and as boldly expressed in writing by one foreign producer, make the American market "of equal benefit and opportunity to both domestic and foreign producers."

Has $700,000,000 and more, invested abroad, more influence, more power, in shaping and changing American principles than the rights and traditions of American agriculture?

These raids upon the American farmer are not new. Such exploitation was had at the beginning and during the World War. And since the World War there has been deliberate discrimination against agriculture. America today is paying the terrific price, the penalty, for having placed money, the power of wealth, above human rights, the constitutional rights of American citizens.

I have traveled in Cuba. Been there and observed the standards of living, throughout its sugar producing districts. We deeply sympathize with Cuba and her people, and especially at this time in the tragic hour of her national existence.

And likewise the Philippines. We know their problems are many and are difficult ones. Possibly much in help and cooperation, the United States should extend to these countries. But get this fact straight, the American farmer will not permit these national obligations to be loaded upon the backs of the American farmer.

This Costigan bill should be so amended as to aid and protect the American farmer, not to steal from him his right to the American market.

Are we attempting to pass this bill and to distort a meritorious adjustment act? And by this distortion settle international questions or adjust international questions or pay international obligations. And to do this thing at the expense of the American beet and cane farmer?

There does possibly exist, on the part of the United States, varying degrees of obligations to Cuba and the Philippines and other insular territories. These obligations should be met and met frankly and completely, but not by this bill such as has been proposed, that will restrict and curtail and deny the American market to the American farmer upon sugar, a strictly nonsurplus agricultural crop.

In an hour like this, when a great and sacred American principle is attacked, how fortunate, how patriotic, it would be if not only the American people but those entrusted with constitutional authority, shouldered with governmental responsibility would become the advocates in helping to safeguard and to preserve to the American people all sacred and inherent American principles.

We beet farmers and others, are not here today pleading the cause of the millions of American capital invested outside continental United States. We represent and plead for the thousands of sugar-beet farmers on our western irrigated farms. Americans in America on American farms.

From these irrigated valleys thousands, tens of thousands, of young men marched away to the World War in defense of the United States, their country.

Thousands returned and have since taken up preferential homesteads throughout the irrigated West. These ex-service men, to overcome the great obstacles of homesteading, need every cooperation. Their lands are just becoming suitable for sugar-beet raising. Who, to greater protect foreign invested capital, would now restrict and deny these ex-service men their American right to grow an American crop of which there is no domestic surplus?

We admit that Cuba and the Philippines purchase American manufactured products. But they do so in no such proportion per ton of such marketed as is purchased by the American sugar producer.

It is admitted that, during the World War, invested capital in Cuba stimulated the Cuban sugar production. However, at $25 per 100 pounds, it was really no great financial sacrifice for the Cuban sugar producers. We find no record where their thousands and thousands of young men marched away in cooperation with American soldiers during America's months of participation in the World War.

A fair, impartial, and well-directed search for the great, powerful interests demanding that our American sugar-beet farmers stultify American agriculture by sacrificing a great fundamental principle, might disclose them to be the groups that have so tragically flooded our American sugar markets.

Thus, we have covered the relation of domestic sugar production to the safety and stability of western irrigation and reclamation.

We have given consideration to that sound national principle, "the American market for the American farmer."

We have also referred to the power and influence of the hundreds of millions of American capital invested in Cuba.

Now, in conclusion, we offer this evidence to show that this troublesome sugar question is troublesome and complicated, and necessarily made so, as some believe, because of a determined effort to rehabilitate Cuban sugar securities though it be at the expense and destruction of domestic sugar production and the American beet farmer.

Referring to the President's letter to Congress, dated February 8, 1934, he, the President, stated "that there is a school of thought which believes that sugar should be on the free list, that this belief is based on the high cost of sugar to the American consuming public."

Certainly there is such a school of thought, those who would put sugar on the free list and wholly destroy domestic sugar production. This school of thought is supported by out-and-out free traders, but, perhaps, more largely by those of provincial statesmanship, who would amply protect some agricultural crops and destroy others. And, further, advocated by those representing the hundreds of millions of American capital invested in Cuba.

That portion of the statement implying high cost of sugar to the American consuming public is too absurd, in face of the fact, to be refuted. There is today no food reaching the American table so relatively cheap as refined sugar.

If domestic-sugar production is to be destroyed, in order to bring back cash value to the millions of capital invested in Cuba, let it be done openly, courageously, in true racketeering style, and not behind the disguise of some vague and absurd economic theory. A theory a century old, but which no former President has ever so much as dignified, by referring to it.

As emphatically stated by former President Coolidge: "Destroy the domestic-sugar production in the United States and certainly the housewives of America will pay more for their sugar."

Let there be no mistake about this Costigan bill. All reference to protecting the consumers of sugar, is for public appeal. The real purpose of this bill is to give the administration the legal authority to establish quotas. To lower the production of the American beet farmer. To take from him approximately 300,000 tons of his American sugar market and give that additional amount to the Cuban producer. And thus bring back cash value to the millions of American money invested in Cuba. That is the purpose of this bill, as disguised as it may appear.

It would be very interesting to know just who and what interests, in America, are the present owners of these millions of Cuban sugar securities, or, perchance, who may have owned them during the past 10 years.

Referring to a statement of the National City Bank of New York, dated October 1933, we quote:

"A part of the American capital which went to Cuba, took the form of loans to Cuban borrowers, but much more of it was employed in fixed investments under corporate ownership, in which, in many instances, Cubans participated to some extent, by accepting securities for old properties, in whole or in part. In other cases, old enterprises were bought out for cash, and usually at prices that now seem very high. At the present time a very large amount of American capital appears to be hopelessly sunk in Cuba. Unfortunately, these banks have been obliged to take over from debtors certain plantations and other properties in Cuba."

We refer again to the memorandum for the Washington Sugar Conference by Thomas L. Chadbourne, Washington, D.C., July 9, 1933:

"Seventy percent of the sugar production of the island of Cuba is owned by Americans in the form of investments in Cuban and American companies (bonds, debentures, and stocks), largely scattered among small holders throughout the length and breadth of the United States. This American investment, when made, exceeded $600,000,000 in amount. The present market value of these securities, representing this huge sum, does not now, in the aggregate, exceed $50,000,000.

This Costigan bill, as written, and the letter to Congress by the President previously referred to, establishing quotas, would be a great victory for Cuban sugar investment interests; and in exactly the same degree, it will destroy American beet production on American farms. From the President's letter to Congress, he apparently has assumed the responsibility in suggesting the reduced quota for American beet farmers, and the increased quota for Cuban producers. If American agriculture differs with the President and his sugar policy, we do so with sincere personal respect.

The American beet farmer urges that the "new deal" must, in common honesty, be a "square deal."

Any effort by this bill, or otherwise, to bring back cash value to the hundreds of millions of American capital invested in Cuban sugar, by forcing down American domestic sugar production, a nonsurplus crop, compelling tens of thousands of American beet farmers on thousands of American farms, throughout 18 States, to reduce their present production of domestic sugar by approximately 300,000 tons, by so doing, increase Cuban import quotas almost this exact amount, would frankly be double crossing American agriculture and the American beet farmer.

This would be selling out the American farmer in favor of Wall Street and other capital interests, invested in a foreign country. The taking of the American market away from the American farmer, contrary and wholly inconsistent with the present general agricultural program, wrecking not only American sugar domestic production, but likewise adverse to the general welfare of the Nation, and finally, disastrous to the millions of American sugar consumers.

In this critical moment, will the Congress and the administration yield to the influence and the power of these millions of dollars invested in Cuba? Will protection be given those foreign invested millions, by so doing reversing the present agricultural policy, and violating that sound American principle, "The American market for the American farmer"?

Will the "new deal" become a "questionable deal"? We believe not.

The American domestic sugar industry, its hundreds of thousands of American employees, its millions of invested capital, its American beet farmers, and the Nation as a whole will fully cooperate with the "new deal" so long as the "new deal" is a "square deal."

On this day, and on this sugar issue, national history is being made. We imply no bad faith, rather we have an impelling conviction that honesty, sincerity of purpose, and adherence to sound American principles will determine this sugar issue. That the rights of the American farmer will not be violated. This may not bring back cash value to millions of American dollars invested in Cuban sugar, but it will be conclusive proof of an administration dedicated to honest, constructive statesmanship.

And this administration, with zeal and courage, exercising unquestionable fidelity to that sacred American principle, "The American market for the American farmer."

The CHAIRMAN. Mr. Campbell; I understand that Mr. Campbell wants to put into the record something that will take about 2 minutes. Is that right, Mr. Campbell?

Mr. DOUGLAS CAMPBELL. Yes, sir.

The CHAIRMAN. Mr. Campbell represents W. R. Grace & Co. They are importers?

Mr. CAMPBELL. They are importers of sugar, and also producers of sugar in South America. They are an American corporation.

STATEMENT OF DOUGLAS CAMPBELL, REPRESENTING W. R. GRACE & CO.

Mr. CAMPBELL. This statement which I wish to file contains data showing the quantities of full-duty sugars which have been able to come into this market over the tariff law in the last 12 years, and it shows that during 10 of those years, when the average annual price of raw sugar, c. and s., New York, before paying duty, ranged from 1 to 3 cents a pound, an average of only about 27,000 short tons was able to get into the United States, about one half of 1 percent of the consumption of the country. In two other years, 1923 and 1924, larger quantities came in, something like 120,000 tons, but at that time the average price was between 4 and 5 cents a pound.

We do not want to be considered as opposing the general principles of this bill, but we beg to submit for your consideration certain views with regard to the status of the full-duty sugars which we believe to be well-grounded.

We are quite in accord with the principle that producing areas which are granted full or partial tariff protection must be limited as to the quantity of such protected production in order to prevent the recurrence of artificial and uneconomic overproduction in such areas. With regard to full-duty sugars, however, we submit that the proposed quota limitation is unnecessary to the success of the program. And by "limitation" I refer to the clause which says that sugar from foreign countries should be limited to the average importation for a certain 3-year period.

I shall not read all of this.

The CHAIRMAN. You may put it in the record.

Mr. CAMPBELL. The point that I particularly wanted to make was that the existence of a tariff, and particularly of a Cuban preferential, has in itself been an effective means restricting the importation of full-duty sugars, and even such as enters, in moderately large quantities, at a time of high prices, worked no hardship on domestics, insular and Cuban producers who were already selling at a very profitable basis. At the same time, the entering of such sugars at such times is very important from the point of view of the foreign trade, and also because it serves as an influence on prices after such high price level has been reached.

The CHAIRMAN. Thank you very much.

(The following is the statement of Douglas Campbell, of W. R. Grace & Co., directed to be filed in the record.)

W. R. GRACE & CO.,
New York City, February 15, 1934.

CHAIRMAN OF THE FINANCE COMMITTEE,
United States Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We have studied with great interest the bill (S. 2732), which was introduced in the Senate on February 12, to provide legislation for the proposed sugar program, and note that Section 3 of this bill specifies that the quantity of sugar to be imported from foreign countries into the United States shall be limited to the average importations of any three years during the period 1925 to 1933, inclusive. While we do not desire to be considered as opposing the general principles of the sugar program, we beg to submit for your consideration our views with regard to the status of full-duty sugars, which we believe to be well grounded.

The following table shows the quantities of full-duty sugar consumed in this country since 1922, together with the total consumption and average prices year by year during that period.

Year	Consumption of United States	Foreign sugar consumed (full duty)	Average C & F price of raws	Average selling price of refined
	Long tons	*Long tons*	*Cents per pound*	*Cents per pound*
1922	5,092,758	37,366	2.977	5.904
1923	4,780,684	124,438	5.240	8.441
1924	4,854,459	86,839	4.186	7.471
1925	5,510,060	33,810	2.562	5.483
1926	5,671,335	39,782	2.568	5.473
1927	5,297,050	5,506	2.959	5.828
1928	5,542,636	29,424	2.459	5.540
1929	5,810,980	14,687	2.001	5.025
1930	5,599,377	25,471	1.499	4.634
1931	5,475,204	33,445	1.329	4.425
1932	5,213,961	22,109	0.925	3.992
1933	5,270,366	6,860	1.220	4.316

We are quite in accord with the principle that producing areas which are granted full or partial tariff protection must be limited as to the quantity of such protected production in order to prevent the recurrence of artificial and uneconomic overproduction in such areas. With regard to full-duty sugars, however, we submit that the proposed quota limitation is unnecessary to the success of the program and places such sugars at a disadvantage in that it deprives them of the potential opportunity to enter this market in periods of high prices.

It will be noted that during periods of low or medium prices the quantities of full-duty sugar which were able to enter this market over the high tariff wall were insignificant in comparison with the total consumption of the United States, and that only in 1923 and 1924, when the average price of raw sugar

c. and f. New York was more than 4 cents per pound, were they able to enter in somewhat larger quantities.

During the first 9 years of this period the full duty on raw sugar was 2 to 2.206 cents per pound.

It is evident that the existence of a tariff, and particularly of a preferential tariff on Cuban sugar, has in itself been an effective means of restricting importations of full-duty sugars. Even the larger quantities which were able to enter this market under very high price conditions worked no hardship on domestic, insular, and Cuban producers, who were then selling their sugar on a very profitable basis. At the same time the possibility of entry of such sugars served as a safety valve to check the price paid by the consumer and to prevent skyrocketing of prices after this relatively high price level had been reached.

At the present world raw-sugar price of approximately 1.25 cents per pound c. and f. New York, the existing full sugar tariff of 2.50 cents per pound is equivalent to a rate of 200 percent ad valorem; at a world price of 2 cents per pound, it would be 125 percent; and even at the 1923 average price, the highest in the last 12 years, it would still represent an ad valorem rate of 47 percent. The sugar tariff is one of the highest schedules in our present tariff system, and we submit that the moderate quantities of full-duty sugars which can get in over this high tariff wall should not be denied entry by quota restrictions similar in character to those which have been strongly protested by our Government when applied to American goods by other countries.

It should be borne in mind that even the moderate quantities of full-duty sugars which have been able to come in over the tariff wall have been important to the respective producing countries, whose production is small; furthermore that such importations are important to the trade of this country with Latin America. A survey of our trade with those countries in recent years reveals the fact that a large proportion of our exports consists of farm products or of manufactures which use farm products as raw material (flour, lard, cotton, textiles, biscuits, tobaccos, etc.). Any arbitrary restrictions on our importations from Latin America, such as the proposed restriction on full-duty sugars, would not only hinder the program of better trade relations and increased trade with those countries but would tend to decrease the dollar-buying power of those countries, and to restrict further the direct or indirect export market of the American farmer.

We assume that drakback sugars (that is, sugars imported to be refined or used in manufacture, and then reexported) will not be considered as a part of the respective quotas, which we understand to be based on consumption only. This was definitely provided in the rejected stabilization agreement, and we beg to suggest that this point be clearly established in the proposed new sugar program.

We respectfully request that this communication be made a part of the record of the hearings to be held by your committee on the above-mentioned bill, and place ourselves at your service in case the committee should desire to call upon us for any clarification of the above subject.

Respectfully,

W. R. Grace & Co.,
By Douglas Campbell.

The Chairman. Is Judge Crisp in the audience?

Judge Crisp. Yes, sir.

The Chairman. Who represents the domestic refiners?

Judge Crisp. Mr. Ellsworth Bunker.

The Chairman. Very well, we will hear from Mr. Bunker. How much time do you want?

STATEMENT OF ELLSWORTH BUNKER, REPRESENTING DOMESTIC CANE SUGAR REFINERS

Mr. Bunker. I should like, perhaps, 15 minutes.

The Chairman. Very well. You have 15 minutes.

Mr. Bunkers. I represent all of the domestic cane sugar refiners in continental United States.

The CHAIRMAN. You appeared before the House committee?

Mr. BUNKER. Yes.

The CHAIRMAN. And your statement is there in full?

Mr. BUNKER. Yes, sir. Mr. Chairman, before I begin, I would like to give to the members of the committee two charts which I think they would be interested in seeing, which graphically represent the importations of off-shore refined sugars in total and those from Cuba.

Senator KING. Have you copies for each member of the committee?

Mr. BUNKER. Yes, sir; there are copies for everyone. The refiners, at the present time, are threatened with extinction. The President has suggested a program which we believe a constructive program, for a solution of the sugar problem. The President has asked for a quota system. The refiners ask for the same thing—that that quota system be applied to their problem.

I believe the Secretary of Agriculture yesterday in his testimony indicated that he approved of that in principle. We desire to propose an amendment which we believe places reasonable quotas on the off-shore refined sugars, and our proposal, in brief, is to maintain the status quo as far as insular possessions are concerned, and that the Cuban importation should be 15 percent of their total quotas.

The refining industry has existed in this country on this continent for about 200 years. In normal times we employed 20,000 men, whom we paid about $27,000,000 annually in wages and salaries, and paid out $100,000,000 annually for materials, services, and supplies, largely to other industries, all in continental United States.

In recent years, particularly from 1925, when importations of these off-shore sugars began in quantities, the refiners have lost in volume about 700,000 short tons to the insular areas and Cuba. In addition to that we have lost practically all of our export business because of the tariff barriers throughout the world, lost about 320,000 tons in export, representing about 90 percent of our business, and we have suffered the entire loss due to shrinkage in consumption.

All of this has displaced sugar refined in this country without any corresponding benefit to the consumer. The refined sugar imported from Cuba and the islands, due to their cheap-labor costs and transportation costs, undersells our product from 10 to 20 points in this market.

The CHAIRMAN. Do you represent all of the domestic refiners?

Mr. BUNKER. Yes, sir.

The CHAIRMAN. That includes the American and the National and the Savannah and the C. & H.?

Mr. BUNKER. Yes, sir.

The CHAIRMAN. All of them.

Senator COSTIGAN. Not including beet sugar.

Mr. BUNKER. No; cane-sugar refiners.

Senator MCADOO. On the Pacific coast as well?

Mr. BUNKER. Yes, sir; California and Hawaii, and the western.

The CHAIRMAN. I would like, if you have them, financial statements of each of these refiners, so that we can put it in the record, and see just what their financial status is, and how they have been affected within the last few years, whether or not they have made any money.

Mr. BUNKER. Yes, sir.

The CHAIRMAN. Whether or not they have paid off any bonds, and whether or not they have declared any dividends, and if it is a prostrate industry.

Mr. BUNKER. I have not the individual statements, Senator.

The CHAIRMAN. Can you get those and put them in the record?

Mr. BUNKER. But I can tell you what the average has been, depending on the capital employed in the industry.

The CHAIRMAN. You could not get it for each individual company?

Mr. BUNKER. Not all of the companies make reports. I can get it for all of the companies which make reports.

The CHAIRMAN. Those which make reports, will you get them for us, and have them put in the record?

Mr. BUNKER. Yes, sir.

Senator MCADOO. I think you can get reports from all of the refiners. I am sure that they make reports, do they not?

Mr. BUNKER. I will endeavor to get them. They do not all publish reports.

Senator HASTINGS. Mr. Chairman, in that connection, might it not be well to ask that they include an estimate of the additional cost due to the N.R.A.? I was informed by some member, some corporation representative who called on me on this subject, that the N.R.A. cost is, to the corporation, about a thousand dollars a day, and it occurred to me that might not enter into financial statements, because the N.R.A. did not begin until late last year.

The CHAIRMAN. Will you furnish that information also?

Mr. BUNKER. I can give you that. I think I have the combined statement here.

The CHAIRMAN. We don't care about it right now, but we would like for the record to show it, and also, Mr. Bunker, if you will, give to us, in behalf of these domestic refiners, a conservative cost on differential. We have heard a lot about the differential not being enough to protect the American refiner.

Mr. BUNKER. That is correct. That is correct.

The CHAIRMAN. Now, we want to get an estimate of that. The trouble I have had with it is that none of you agree on that cost.

Mr. BUNKER. We have submitted figures to the Tariff Commission, Mr. Chairman.

The CHAIRMAN. Well, if you will, give them to us for the record; and I hope they will be as conservative as possible, so that they will bear scrutiny and analysis.

Mr. BUNKER. Yes, sir. We have done that twice before the Tariff Commission, but I will be very glad to do it again.

Senator WALSH. Mr. Chairman, I don't suppose you contemplate enacting legislation on that subject in connection with this bill?

The CHAIRMAN. Well, I do not think so, but I think it would be very well for the committee to look into this differential proposition, because it bobs up every time.

Senator WALSH. Don't you think that the important question to us, from the refiner's standpoint, is to determine upon the quota, restricting the importations of refined sugar?

The CHAIRMAN. Yes. Well, that is what he is going to get into now, as I understand it.

Senator HASTINGS. The chairman has asked for a financial statement.

Senator McADOO. Mr. Bunker, will you bring out in your statement the fact as to the extent that the quota limitation will satisfy the refining situation?

Mr. BUNKER. Yes, sir; I will. I will endeavor to.

Before I proceed, Mr. Chairman, I would just like to say, in reply to your first question, that while I haven't the statements here of all the companies, I have the average net return on the capital employed in refining, from 1925 to 1931, made up by public accountants, and the return is 3.57 percent.

The CHAIRMAN. If you will, just put all that in the record, by companies. We will get it in the record on that.

Mr. BUNKER. The refiner's profits have declined every year from 1928. I will also submit the figures in regard to the N.R.A. costs, which have increased our costs materially.

Senator COSTIGAN. Have you increased the number of your employees?

Mr. BUNKER. Yes. We have increased about 20 percent, Senator.

Senator CLARK. How much?

Mr. BUNKER. About 20 percent.

Senator COSTIGAN. In employees?

Mr. BUNKER. Yes: in number of employees. Just as an example of the N.R.A. costs, we pay the processing tax on cotton bags. The Cuban refiners do not pay the processing tax on bags, and the bags are not taxed when they are returned, filled with sugar. Our business is primarily a volume business, and as our volume decreases, our costs, of course, increase.

There is one other statement which apparently has gained some currency in the Department of Agriculture, which I would like to refer to, and that is the question that the refiners' process is obsolete, because the refiners use boneblack instead of vegetable carbon. That is not the case. The refiners have investigated and spent a good many hundreds of thousands of dollars investigating all vegetable carbon processes, and have come to the conclusion that for their own purposes the boneblack is the cheaper of the processes. As far as efficiency goes, we believe that these refineries are not excelled and are not equalled anywhere else in the world. We are continually being visited by experts from other countries, who desire the advantages of the best there is in the way of a refining process.

Senator WALSH. Is there a sanitary problem in connection with refining?

Mr. BUNKER. Yes; Senator. We are all subject to the sanitary regulations, of course.

Senator WALSH. Is sugar that comes in, that is refined in Cuba, subject to those regulations?

Mr. BUNKER. I believe not. I don't believe that it is subject to our sanitary factory regulations.

Senator COSTIGAN. Is it regarded as a less desirable table product than your own?

Mr. BUNKER. It sells at retail at the same price as ours, Senator Costigan. It sell at a lower price to the dealer.

Senator WALSH. May I ask one other question? I understand that the cotton bags used by the sugar refiners are made in Japan, and our American cotton bags are not used.

Mr. BUNKER. Well, I had information yesterday, Senator, that cotton bags were being offered and sold in Cuba at a price of 5.6 cents per bag. The price here, including the processing tax, is 16 cents per bag.

Senator WALSH. For the American cotton bag?

Mr. BUNKER. For the American cotton bag. Now, in regard to the insular areas, gentlemen, Hawaii, Puerto Rico, Philippines, and the Virgin Islands, their problem is primarily a production problem. The production of raw sugar is of course their principal business, employs most of their men. They have had a large measure of protection for their raw sugar, and will continue to have a large measure of protection, under the President's program. We propose that these insular areas be limited in their refined sugar imports to the United States, to their 1933 figure, which was their maximum to date. That would be, for Hawaii, about 23,000 short tons; Puerto Rico, about 109,000 short tons; and for the Philippines, about 62,000 short tons; which is about 10 percent above the limitation in the Hawes-Cutting Independence Act.

Senator KING. And the residue of sugar imported below those figures would be raw?

Mr. BUNKER. Would be raw sugar to be refined in this country.

Senator KING. Do any of the companies that you represent have refineries in either of our insular possessions?

Mr. BUNKER. No, sir.

Senator WALSH. There are American companies there, of course?

Senator KING. Yes; I understand.

Senator WALSH. There are American companies there, are there?

Mr. BUNKER. Yes. In regard to Cuba, when the reciprocity convention was adopted, there was no refining in Cuba for the American market. No Cuban imports came into this country until 1925, and then only about 1,500 tons. In 1926 it increased to 50,000 tons, and by 1933 it was approximately 500,000 short tons. The increase there has been very much more rapid than in the islands, due primarily I think to a decreasing market for Cuban raw sugar, and to pressure of the tariff, both of which factors the President proposes to remove in this program.

Senator WALSH. Will you give us the figures for each of those 6 years, later?

Mr. BUNKER. Yes, sir.

The CHAIRMAN. I think it is in this chart, too, Senator.

Mr. BUNKER. Yes, sir.

Senator KING. Might I ask one question? I think it is germane.

Mr. BUNKER. Yes, sir.

Senator KING. Are the refineries that are established in the insular possessions formed by those who own the lands and produce the cane, or are they independent companies? By that, I mean, independent capital, not connected in any way with the production of the sugar?

Mr. BUNKER. Well, I think some, Senator, have been built by independent capital, and most of them, however, have been established by raw-sugar plantations, who have their raw-sugar plantations and their raw-sugar factories. That is particularly true of the more recent installations.

Senator COSTIGAN. Mr. Bunker, have you stated specifically in the record what your objection is to the language of the Tariff Act of 1930, or the Tariff Act of 1922?

Mr. BUNKER. Well, I haven't stated it yet, Senator; no.

Senator COSTIGAN. Do you intend to?

Mr. BUNKER. I will if you would like to have me do that.

Senator COSTIGAN. I should like to have your objections specifically placed before us.

Mr. BUNKER. Well, the Tariff Act of 1930 provides no protection for the American refiner. In fact, it gives a small subsidy amounting to 2 cents per hundred pounds, to the Cuban refiner, because of the fact that the 107 pounds required to produce 100 pounds of raw sugar, required to produce a hundred pounds of refined sugar, pays 2.14, whereas the 100 pounds of refined pays 2.12. So that actually there is a subsidy to the foreign refiner, and no protection whatever to the American refiner.

I might say in that connection that I believe that at the hearings before the Finance Committee on the Hawley-Smoot Act, a representative of the Cuban refiners said that protection was not necessary for the American refiners, because refining in Cuba could not possibly increase. At that time I think the importations were about 280,000 short tons, and since then they have nearly doubled. We feel that the quota which we proposed for the Cuban refiners is fair, because it gives to those refiners who own raw-sugar mills, who benefit very materially from an increase in the preferential, and from a larger share in the American market——

The CHAIRMAN. What was the limitation?

Mr. BUNKER. Fifteen percent of the total quota. That amounts to 291,600 tons.

The CHAIRMAN. All of this did not come in from American-owned industries in Cuba, this last year, this 500,000 and some odd tons?

Mr. BUNKER. Came from both Americans- and Cuban-owned industries; yes, sir.

Senator WALSH. I offered an amendment, Mr. Chairman, which is being printed, and I have asked the clerk to get a copy to each member of the committee, along the lines suggested by the witness.

Senator KING. As I understand you, you want to limit the refined sugar imported from Cuba to 439,319 tons?

Mr. BUNKER. Two hundred and ninety-one thousand six hundred tons. Fifteen percent of their quota on the 1,944,000 tons.

Senator KING. That would mean the closing down, then, of course, of the number of refiners in Cuba?

Mr. BUNKER. It would mean their operating at about the same rate of capacity at which the American refiners operate, except it gives to the raw-sugar producers which have refineries, the refining of their entire raw-sugar quota.

Senator KING. Have you stated for the record the number of tons of raw sugar produced in Cuba which are refined in Cuba?

Mr. BUNKER. Yes, sir. I said approximately 500,000 tons, and I will have the tables in the record.

Senator HASTINGS. Mr. Bunker, let me see if I understand your last statement. If I understand it, it will give to the raw-sugar refiners, the persons or corporations producing raw sugar and refining their own raw sugar, an opportunity to refine all they produced?

Mr. BUNKER. That is correct.

Senator HASTINGS. The independent refiners—your proposal is that they will have just about the same as your amendment will give the American refiner?

Mr. BUNKER. Yes, sir. That is correct.

Senator VANDENBERG. Suppose the total of Cuban quota were reduced, would you still use the same 15-percent figure?

Mr. BUNKER. Well, I think that we would be agreeable to that total figure, 291,000 tons.

Senator VANDENBERG. Regardless of the grand total?

Mr. BUNKER. Yes; if the other quotas are approximately the same; if there are any material changes in the quotas, we might have to ask for a further reduction, rather than to stick to the 15 percent.

Senator WALSH. Has the increase in the production of refined sugar in Cuba been brought about by American capital setting up refineries, as a result of the tariff differences, in part?

Mr. BUNKER. Some of it has, Senator; yes. Gentlemen, I would like to introduce and read this amendment, if I may, which we are offering. In the text of the Senate bill 2732 it would come on line 20, on page 4 of the printed text, after the words "or allotments", and it reads:

> *Provided, however*, That in such quotas there may be included, in the case of the Territory of Hawaii, Virgin Islands, Puerto Rico, Philippine Islands, the Canal Zone, American Samoa, and the Island of Guam, direct-consumption sugar up to an amount not exceeding the respective importations of direct-consumption sugar therefrom into continental United States for consumption, or which was actually consumed, therein, during the year 1933, and, in the case of foreign countries, including Cuba, respectively, direct-consumption sugar up to an amount not exceeding 15 percent of their respective quotas.

Senator McADOO. Well, if that amendment were adopted, Mr. Bunker, you think that no further protection would be required for the American sugar refiners?

Mr. BUNKER. Well, I think, Senator, that the American refiners ought to be put on a competitive basis, it would seem to me, with the foreign refiners.

Senator McADOO. Yes; but I mean as it stands today?

Mr. BUNKER. Not in this bill.

Senator McADOO. As it stands today, you say that the American sugar refiner is being destroyed, or he is being deprived of the opportunity to make a profit?

Mr. BUNKER. Yes, sir.

Senator McADOO. Now, with this amendment in the bill, and the quotas established as proposed, would that put the American sugar refiner on a parity where he will have an opportunity to make a profit?

Mr. BUNKER. Yes; I think so.

Senator McADOO. Then no further tariff protection, for instance, will be required?

Mr. BUNKER. Well, of course, this bill is a temporary matter.

Senator McAdoo. I understand. I am only talking about the emergency.

Mr. Bunker. The emergency; yes.

Senator McAdoo. That would be adequate, for the moment?

Mr. Bunker. For the moment, I should think.

Senator McAdoo. Yes.

Mr. Bunker. But we feel that it should be corrected.

Senator McAdoo. Eventually?

Mr. Bunker. Yes.

Senator McAdoo. Yes. We are talking about the emergency now.

Senator Hastings. The independent refiner in Cuba would continue to have the advantage over the American refiner, in that the wages would be less. That is true, isn't it?

Mr. Bunker. Yes. Oh, yes.

Senator Hastings. And that is the only difference? That would be the only difference between the two, under your proposed amendment?

Mr. Bunker. Well, he has certain transportation advantages also.

Senator Walsh. I think you have given us the figures as to what would be the reduction in the importation of refined sugar from Cuba, if this 15-percent quota was fixed, compared with the importation of last year. Have you those figures with respect to the other islands, Puerto Rico, Hawaii, and the Virgin Islands?

Mr. Bunker. Well, there would be no reduction, Senator, in respect to the other islands.

Senator Walsh. Well, shouldn't your amendment be drafted so as not to permit an increase from these other possessions and limit or make the decrease from Cuba alone?

Mr. Bunker. That is what we have endeavored to do; yes, sir.

Senator Walsh. As a matter of fact, it would be possible to increase the importation of refined sugar from Puerto Rico, Hawaii, and the Philippines?

Mr. Bunker. Yes, sir. We propose the status quo for them. In other words, their 1933 importations.

Senator McAdoo. That would be their quota?

Mr. Bunker. That would be their quota, which was their maximum, to date.

Senator Walsh. And the reduction of 15 percent would only apply to Cuba?

Mr. Bunker. Would apply to Cuba, because there the increase has been very much more rapid.

Senator Walsh. Yes; I can see that.

Senator McAdoo. And the proposed reduction on Cuban refined would be about 50 percent? I mean the importations of Cuban refined would be reduced about 50 percent of what it was in the last year?

Mr. Bunker. Yes; a little more. Well, the reduction would be not quite 50 percent. It would be about 40 percent.

Senator McAdoo. About 40 percent?

Mr. Bunker. Forty percent.

Senator King. Is that all, Mr. Bunker?

Mr. Bunker. I have some minor amendments which I would like just to read one page of, if I may, in regard to the same.

Senator WALSH. For the record, if this 15 percent quota was applied, the importations would be about the same as they were before the tariff bill was passed?

Mr. BUNKER. I would like to call the committee's attention, briefly, to what appears to be a joker in the bill, in that under the definition of "sugar", sirups would be exempted from the processing tax. Nobody would object to such exemptions as to "sirup of cane juice", which is a product made by farmers in the Gulf States; but I see no reason why Cuban and other imported sirups, which, in fact, compete directly with sugar, should not be subject to a processing tax just the same as sugar. This discriminatory defect in the bill can be cured by a very simple amendment to the definition of "sugar", so as to include sirups, except sirup of cane juice; and I would like to file a brief memorandum in the record on this point, in which the exact wording of such amendment appears. Now, Mr. Chairman and Senators, I really want you to read the memorandum, because the joker didn't get into the bill by accident. Those things don't just happen. It was put in to favor somebody.

Amendment to subject sirups to the processing tax.

I invite the attention of the committee, first to the definition of processing on page 2 of the bill, line 5:

(A) The term "processing" means the processing of sugar beets or sugar cane into refined sugar or into any sugar which is not to be further refined.

Next, in line 13 of the same page, I call attention to the definition of "sugar":

(C) The term "sugar" means sugar in any form whatsoever, derived from sugar beets or sugar cane, including also molasses, raw sugar, direct-consumption sugar, and any mixture containing sugar (except blackstrap molasses, beet molasses, and sirups), and for the purpose of section 8a of this title, sirups.

The section 8a referred to relates only to quotas.

In other words, the bill defines sirups as a sugar for the purposes of the allotment of quotas, but expressly excludes sirups from the definition of sugar for the purposes of the processing tax. The question, what is the reason for this preferred treatment of sirups, properly suggests itself. It looks much like a joker in favor of some special interest. One explanation which has been offered is that it was intended to relieve from payment of the tax, small cane growers of the South engaged in growing cane not for the production of sugar but for the production of a form of sirup. Such explanation is not satisfactory, because to accomplish such limited purpose (to which no one would object) it is unnecessary to employ the broad generic term "sirups", because the only sirup these cane growers produce is accurately known as "sirup of cane juice." Accordingly, I suggest that the bill be amended so as to exempt this one kind of sirup from the tax rather than all sirups. The generic term sirup would exempt from processing tax other sirups as to which no justification exists for receiving this special privilege and favored treatment. I refer to "refined sirups" which at present are imported in large quantities and marketed in direct competition with refined sugar.

In this connection, I believe that this committee will be interested in the testimony of an official of a sirup company at a hearing before the Tariff Commission, April 13, 1932. The impression this witness seemed to endeavor to convey to the Commission was that his company was resourceful and had effected economies and could get along pretty well without changes in the tariff schedule. With reference to his company he stated:

They developed a process for making sugar sirup that is the equivalent in purity, and so forth, to melted granulated sugar direct from raw sugar without going through the crystalization stage. The large majority or, rather, the large number of manufacturing consumers of sugar, take sugar into their plants in bags or barrels—that is, the granulated sugar; they melt it into a sirup and use it in their finished product in sirup form. With this sirup of ours we are able to put in a small, simple tank and pipe-line installation, ship them their sugar requirements in sirup form instead of in bag form, and eliminate all of the handling of the sugar, the dumping of sugar, and so forth.

On cross-examination, after the chairman had overruled objections on his part as to the propriety of questions asked him, he testified that their sugar sirup paid an average import duty of from 0.7 to 0.8 of a cent per pound on the sucrose content. This is to be compared with a rate of 2.12 on the sucrose content of refined sugar and a rate of 2.14 on the recoverable sucrose from 96 degrees raw sugar. In other words, his product, which he describes as to the equivalent of refined sugar, was being imported by his company at a rate of duty approximately one third of the rate imposed on raw sugar—the raw material of the sugar refiner.

It is thus established by this witness' own testimony that refined sirup enjoys an unwarranted competitive advantage over refined sugar of more than 1.25 cents per pound by reason of inequalities in the sugar schedule. In view of this, it certainly could not have been intended to exempt refined sirup from the processing tax.

Before the House Committee on Agriculture, in hearings on the identical bill introduced there, a representative of the sirup company suggested that, as the President's program contemplates a reduction of the tariff on sugar in an amount equivalent to the processing tax, and, he said, a reduction of the tariff on sirups was not contemplated, therefore sirups should not bear any processing tax. I do not know where he got his information as to proposed action or nonaction regarding the tariff on sirups, but, even if it be the fact, it is also true that the President contemplates increasing the Cuban preferential substantially, and that this will in all probability have the effect of reducing pro tanto, the cost of such Cuban sirups, but not the cost of Cuban sugar. It is fundamental to the President's program that in order to help Cuba she must take the benefit of practically the full preferential on her sugar, but it by no means follows she will do so as to sirups. Furthermore, the consideration advanced by the sirup company have no application to sirup from free-duty sources, such as Puerto Rico. Unless sirups are brought under the processing tax, the result of the enactment of the bill may easily be that Cuban sugar or Puerto Rican sugar will be imported in the form of sirup in increasing quantities, not paying any processing tax; and the interests which handle it will thus be able to compete on a discriminatory and favored basis with refined beet and cane sugar.

This defect in the bill should be eliminated by amending the definition of "sugar", page 2, lines 13 to 18 of the bill, so as to read as follows:

(C) The term "sugar" means sugar in any form whatsoever, derived from sugar beets or sugarcane, including also molasses, sirups, raw sugar, direct-consumption sugar, and any mixture containing sugar (except blackstrap molasses, beet molasses, and sirup of cane juice), and, for the purposes of section 8a (1) of this act, in addition to the foregoing, sirup of cane sugar.

I am also including in the same memorandum three technical amendments to the bill, so as to clarify the status of drawback sugars as outside the quotas, and so as to provide for refund of processing tax upon export of articles such as canned goods, which include sugar, and finally so as to provide for reimposition of the processing tax with respect to cotton bags exported from the United States, when and if such bags reenter the United States as containers of sugar. I do not wish to take up the committee's time by making any detailed statement of the reasons for these amendments, as they are entirely obvious, and are consistent either with the spirit of the bill itself or with the principles followed in our tariff legislation in such matters. I will just file them.

II. AMENDMENT TO CLARIFY QUOTA STATUS OF DRAWBACK SUGARS, IN ACCORDANCE WITH PRINCIPLES OF OUR CUSTOMS LAWS

For the purpose of providing refined sugar for export from the United States, either in the form of refined sugar or as a component part of other articles (e.g. canned goods, etc.), it is customary to import into the United States an equivalent amount of dutiable raw sugar, because a considerable saving can thereby be effected through the provisions of the tariff act which permit of a "drawback" of the duty on such imported raw sugar. Without such privilege of drawback, it would be impossible to export from the United States refined sugar, or goods in which refined sugar forms a substantial part, because the cost would be so great that such articles could not compete in the world markets.

Apparently the sugar quota bill as submitted to Congress intended that sugar imported from our insular areas or foreign countries, and subsequently exported from the United States, would not be subject to the quota restrictions proposed. The quotas are for sugar which is to be consumed or is consumed in continental United States. This is sound, and in the interest of all concerned, as of course nothing unnecessary should be done to hamper American manufacturers in export trade.

There is real doubt, however, whether the language of S. 2732 is sufficiently clear to permit such export business to be carried on, on the sound lines permitted by the tariff act, and it is submitted that the bill should state that any sugar which receives a drawback should not be charged against a quota; as obviously that is the soundest proof of nonconsumption in the United States.

It is therefore suggested that the sugar bill be clarified by a specific amendment to that end, as follows:

By adding after the word "allotments" in line 20 on page 4 of S 2732, the following:

Provided, however, That any imported sugar with respect to which a drawback of duty is allowed under the provisions of subsection A or B of section 313 of the Tarff Act of 1930, shall not be charged against the quota allotted by the Secretary of Agriculture hereunder to the country from which such sugar was imported.

III. AMENDMENT TO PROVIDE FOR REFUND OF PROCESSING TAX ON EXPORT OF ARTICLES CONTAINING SUGAR

Section 17 (a) of the Agricultural Adjustment Act provides for refund of processing and compensating taxes upon exportation of "any product processed wholly or in chief value from a commodity with respect to which a tax has been paid under this title." The Bureau of Internal Revenue contends that upon the export of sugar there can be no refund under this language of the processing or compensating tax on cotton and burlap bags containing the sugar, because those taxes are only on the bag, whereas the article exported consists wholly or in chief value of sugar. Therefore the American exporter of refined sugar is unnecessarily placed at a disadvantage in foreign commerce because he is required to pay the processing tax on cotton and burlap bags and cannot obtain a refund of the same when those bags are used as containers for exported sugar. This is inconsistent with sound national policy, which should facilitate export trade rather than burden it by internal taxes.

It is to be noted that under section 313 of the tariff act refunds of import duties are repaid in the form of drawback, regardless of whether or not the exported article is manufactured wholly or in chief value from an imported duty-paid article; and under that act drawback is regularly allowed upon burlap bags used as coverings for exported commodities, as well as on imported sugar used in the manufacture of such exported commodities, even though such sugar may not constitute their chief value. In order to eliminate the unnecessary and unsound export disadvantage caused by the narrow phraseology of section 17 (a) of the Agricultural Adjustment Act, such section should be amended by striking out in subsection (a) thereof, the words "chief value" and inserting in lieu thereof the word "part."

When a processing tax is imposed on sugar, this will become a matter of great importance to canners and other food manufacturers who export canned fruit, canned milk, and other articles manufactured in part from sugar. If "chief value" remains as a prerequisite to tax refund, a canning industry may find itself subjected to a burden it cannot absorb in competing for world markets. Such an unfortunate result would prejudice the market for all farm products going into such canned goods. Therefore this is another important reason why the requirement of section 17 (a), that the exported article must be wholly or in chief value made up of the taxed commodity, should be changed. There seems no reason why the principles and practices under the tariff act in this respect should not apply equally to processing and compensating taxes.

IV. AMENDMENT TO REIMPOSE PROCESSING TAX ON REIMPORTED BAGS

Purchasers of cotton and burlap bags in the United States are paying an increased price representing the amount of the cotton processing tax on cotton bags, and the compensating tax on burlap bags. These additional charges represent amounts varying from 2.7 cents per 100 pounds of sugar to 4.3 cents per 100 pounds of sugar, depending upon the size of the containers. Under the present operation of the Agricultural Adjustment Act, a foreign purchaser of cotton bags and burlap bags made in the United States is relieved from this charge, for under section 17 (a) of that act the exporter of the bags is entitled at time of exportation to a refund of the amount of the tax. Thus the Cuban and Philippine sugar refiners purchase their cotton and burlap bags from the United States tax exempt. They then export their sugar in such bags to the United States. Upon such reimportation of the bags, however, they are not required to pay the processing and/or compensating taxes which their American competitors have been required to pay upon the same articles. This is obviously unfair and unreasonable. As above indicated, it gives the Cuban and Philippine refiner an advantage of from about 2¾ cents to 4¼ cents per 100 pounds, which is a very serious and substantial advantage in the refined-sugar trade, where the margin of operation is very small.

Section 314 of the Tariff Act of 1930 provides generally that where there is an internal tax on an American-made article, which tax is refunded on exportation of such article, the reimportation of the same article should be subjected to a duty equal to the original tax. This is the merest common sense and elemental fairness; and there is no reason whatever why the same policy, requiring repayment of the processing or compensating taxes in case of re-importation, should not apply under the Agricultural Adjustment Act.

The following amendment to the Agricultural Adjustment Act should be made to effectuate this purpose:

Section 17 of the Agricultural Adjustment Act, as amended, should be amended by inserting, as a new subsection after subsection (a), the following:

Upon the reimportation as containers, coverings or otherwise of articles once exported, of the growth, product or manufacture of the United States, upon which any tax under this title is refunded (or for the refund of which claim is filed), there shall be levied, collected, and paid upon such reimportation of such articles, a tax equal to the tax so refunded or to be refunded.

Senator KING. Is that all, Mr. Bunker?

Mr. BUNKER. Yes.

STATEMENT ON BEHALF OF THE UNITED STATES CANE SUGAR REFINING INDUSTRY

The sugar refining industry of the United States is today threatened with extinction. The facts speak for themselves. The industry is appearing here to ask for fair treatment and nothing more, wholly in accord with the spirit of the President's sugar program. The members of the industry desire to cooperate with the President, but ask that the principles of his program be applied to their problem. Their problem is an integral part of, and cannot be separated from, the problem of the whole sugar industry. If it is to be dealt with fairly and adequately, it must be dealt with at one and the same time.

The President asks for a quota system. The refiners ask the same; and that their problem be included, that there be put into the bill reasonable quotas for importations of direct-consumption sugar. The Secretary of Agriculture has testified before this committee that in principle this would be acceptable to the administration.

Reasonable limitations on importations of direct-consumption sugar are absolutely vital to the continued existence of the domestic refining industry. They are also of great importance to the beet farmers, because there importations are extending rapidly into their territories, and crowding out their sugar. The refiners therefore ask an amendment to the bill providing that importations of direct-consumption sugar from the American tropical islands be limited to the 1933 amounts, and that importations from foreign countries, including Cuba, be limited to 15 percent of their respective quotas of all sugar.

The fairness of this request is amply demonstrated by the following facts:

THE REFINERS' SITUATION

1. The cane sugar refining industry has existed in continental United States for over 200 years. In normal times it employs some 20,000 persons, to whom it pays in wages and salaries $27,000,000 annually. For materials, services, and supplies (exclusive of raw sugar) the industry pays out to other industries in the United States approximately $100,000,000 annually.

2. From 1925 to 1933, through increase of refined sugar from Cuba, Puerto Rico, Philippine Islands, and Hawaii, the refining industry of the United States has lost 700,000 short tons or 15 percent of its production. During the same period, due to protective tariffs of foreign countries, it has also lost 320,000 short tons, or 90 percent of its export business. It has also borne the entire loss in consumption due to the depression. The total shrinkage amounts to 1,600,000 short tons, or over one third of its production. These losses have closed three refineries. They are threatening to close several more. They have thrown thousands of men out of employment.

3. Refined sugar from Cuba and the other islands has increased with great rapidity. In 1925 these importations were less than 20,000 short tons; in 1933 they were 700,000 short tons, of which 500,000 short tons were from Cuba alone. These importations have displaced an equal amount of American refinding. They have displaced American labor and reduced American pay rolls and purchasing power. This is due to the fact that Cuban and insular refiners undersell American refiners because of cheaper labor in the tropics and lower freight costs to centers of distribution accessible by water in foreign ships (including inland cities on our waterways as far west as Chicago and Milwaukee). In Cuba the mills have been paying about as much per day to labor as American refiners pay per hour. Yet, while our refining industry has suffered great damage, the American public has not benefited by a lower retail price for the tropical sugar. The public pays the same for it as for our product. The dealer buys it cheaper, but absorbs the profit.

4. Participation by their American refiners in N.R.A. has materially increased refining cost. They are thus at a further substantial disadvantage as compared with tropical refiners.

5. While other branches of the sugar industry have high protection against Cuban competition, American refiners not only have no protection against Cuban refined sugar but actually are penalized by a gross injustice in the 1930 tariff, which in effect gives a 2-cent per 100 pounds subsidy to the Cuban refiner.

6. Sugar refining is a volume business. As volume is reduced, unit increase, and the competitive disadvantage of the American refiner is multiplied. If importations from the tropics continue to increase (and they will increase rapidly unless checked), the American refining industry will be destroyed. While tropical refineries are working to capacity, and increasing capacity, American refineries are closed or working less than 50 percent of capacity.

7. The charge has been made, and given currency in published articles, by persons who have no technical knowledge of sugar refining, that American refining methods are obsolete due to the use of boneblack instead of vegetable carbon. One of these articles was written by Dr. Mordecai Ezekiel, of the Department of Agriculture. Dr. Ezekiel, however, in his examination before the House committee on this bill, pleaded time and again, in answer to questions asked him, that he was not an expert on sugar. The statement, however, seems to have gained credence with the Secretary of Agriculture. But no statement could be more unfounded in fact. It is due entirely to propaganda put out by sellers of patented vegetable carbon processes, who have derived a profit from selling refining equipment and vegetable carbon to the Philippines

and to Cuba. They will appear here as representatives of the refineries in these islands. Their real interest, however, is in increasing their sales. American refiners have spent hundreds of thousands of dollars in recent years in experimenting with these vegetable carbons, and have sent their engineers to different parts of the world to observe their use. Without exception, they have rejected vegetable carbon as inferior to and more expensive than boneblack. On the other hand, during the past 15 years, vast sums have been spent upon improvement to American refineries. Today they rank with the most efficient in the world. They are continually visited by engineers from all parts of the world to copy their efficiency. They are excelled nowhere in the world. In passing, it might be remarked that the two largest refineries in Cuba use boneblack and one of these, the Hershey refinery, is the largest and most modern in Cuba.

THE INSULAR AREAS (HAWAII, PUERTO RICO, PHILIPPINE ISLANDS, VIRGIN ISLANDS)

The facts as to our own tropical islands are as follows:

1. These islands are primarily raw sugar producing areas. Until the last few years their refined sugar production was negligible. Further development of their refined sugar production means a duplication of refining facilities existing in continental United States: facilities which, having been enlarged to take care of the United States and its allies during the World War, are more than adequate to take care of the needs of the United States for the some time to come. To permit this duplication, merely to take advantage of cheaper labor in the islands, is economically wasteful and unsound. It displaces labor and destroys capital investments in continental United States. To prevent this will not prejudice the islands. They enjoy, and under the President's plan will continue to enjoy, a very profitable return for their raw sugar. Further development of refining is not necessary to their economic well-being. Furthermore, the great majority of raw sugar producers in these islands do not wish to enter the refining business.

2. Other nations of the world, as England, Canada, France Japan, and Holland, recognize the importance of a domestic sugar refining industry and protect their refiners not only against foreign refined sugar, but also against refined sugar from their colonies. This is sound national policy. We should not be dependent for our refined sugar on far-distant or foreign islands, but we should maintain a strong continental refining industry in position to draw supplies of raw sugar from any part of the world.

3 The 1933 importations of refined sugar from these areas represent their maximum to date and are approximately as follows:

	Short tons
Hawaii	23,000
Puerto Rico	109,000
Philippines	62,000
Total	194,000

It is but fair and reasonable to ask them, in exchange for the benefits they will receive from the President's plan, at least to check their refining at their 1933 figures. The amount for the Philippines is about 10 percent larger than their quota for refined sugar fixed by Congress in the Hawes-Cutting Act.

CUBA

The facts as to Cuba are as follows:

1. Importation of refined sugar from Cuba to the United States was nil at the time of the Reciprocity Convention of 1903. As late as 1925 it was negligible, aggregating less than 1,500 short tons. In 1926 importations jumped to over 50,000 tons. They have since increased to 500,000 tons.

In 1929, when such importations were 285,000 short tons, it was argued at tariff hearings by Cuban refiners that the American industry had nothing to fear, that no other operations were in contemplation, that the Cuban refineries had about reached capacity; that those in existence would never be important competitors, and that when their competition became of consequence it would then be time to meet the problem. The time to meet this problem has long since arrived. In 1933 the importations of Cuban refined sugar into the United

States were about double the importations of 1929, or approximately 500,000 short tons.

2. This development of Cuban sugar refining has been entirely at the expense of the American refiners. Every pound of imported Cuban refined sugar displaces a pound of American refined sugar.

3. The Cuban sugar problem is a raw-sugar problem, not a refining problem. Economic rehabilitation of Cuba can be accomplished by giving Cuba a larger preferential on raw sugar, and a reasonable quota for raw sugar. Refining in Cuba is not essential to Cuban prosperity. Cuba's great investment in the Cuban refineries is probably not more than 1 percent of the investment in raw-sugar properties. It is hardly 3 percent of the investment in the American sugar refining industry.

4. Like the insular refining industry, the Cuban refining industry is a duplication of refining facilities already existing in continental United States, and is therefore wasteful and unsound. It displaces American labor and destroys American capital. While its product displaces American refined sugar in the domestic market, it is without any corresponding benefit to the public. The lower price is not passed on to the public who buy the Cuban sugar.

5. As stated above under the existing tariff of 1930, not only are the American refiners without any protection at all against refining in Cuba but they are actually at a disadvantage of 2 cents per 100 pounds, which is a virtual American subsidy to the Cuban refiners.

6. A quota of 291,600 tons for direct-consumption sugar from Cuba would be more than fair. Such a quota would be large enough (added to the 150,000 tons local consumption in Cuba), to permit the raw-sugar mills which have refining machinery installed, to refine substantially all of the raw sugar produced to permit the one Cuban refiner who is not a raw-sugar producer to operate at a percentage of capacity greater than that of American refiners at the present time. The only thing that is asked of these Cuban refiner-raw sugar producers is, in effect, that they confine their refining operations to the raw sugar they produce, and permit the raw sugar they have been buying for refining to come to the United States to be refined as heretofore. This is certainly eminently fair when it is considered that they will benefit more by an increase of the Cuban preferential on raw sugar to 40 percent than they would through a continuation of their refining operations on their present scale, without change in the Cuban preferential.

As to refined sugar within such quota, there should be also tariff protection so that the American refiners will be in an equitable competitive position. As such tariff protection is not provided in this bill, it should be given at the appropriate time by other means.

Compared with other countries, the price of refined sugar to the American public is low. I doubt whether any food-processing industry charges so little, compared with the cost of its raw material, as do the sugar refiners. The limitations proposed by the refiners will not cause higher prices to the public. What we seek is our old volume, not higher prices.

Interests hostile to the American refiners have made the statement, in public print or at hearings, that the industry earns large profits. The fact is otherwise. The profits per dollar of investment are small, and since 1928 they have declined each year through 1932. While figures are not available for 1933, there is no question but that profits are less than for 1932. Since 1931 three refineries have closed, and two companies have gone into receivership. For the period from 1925 through 1931, the average annual rate of return on the capital investment actually devoted to refining was found by public accountants to be only 3.57 percent.

The limitation of importations of direct-consumption sugar along the lines proposed is vital to the continued existence of the United States cane sugar refining industry. Unless they are destroyed, not only will American labor be unemployed but the American people will be left dependent for their refined sugar, a vital food, upon refineries in far-distant islands or in foreign lands, beyond the protection of our forces, and out of reach of our laws.

Senator KING. Mr. Roberson, representing the Philippine sugar refiners and foreign refiners. Is Mr. Roberson present?

Mr. ROBERSON. Yes.

STATEMENT OF FRANK ROBERSON, REPRESENTING PHILIPPINE SUGAR REFINERS AND FOREIGN REFINERS

Mr. ROBERSON. Mr. Chairman——

Senator KING. Mr. Roberson, how much time do you want?

Mr. ROBERSON. Mr. Chairman, I haven't had any opportunity to appear before the House committee at all, nor did I have the privilege of appearing before Dr. Coulter's committee, when this stabilization agreement was being considered. This is the first time I have ever had an opportunity to appear.

Senator KING. So you think you ought to have additional time?

Mr. ROBERSON. I should say 25 minutes at the outside, I think, and that is less than my adversary just consumed, notwithstanding the fact that he appeared before the House committee.

Senator KING. Well, I think much of his time, however, was consumed by answering questions propounded by Senators. Proceed, though, as rapidly as you can.

Mr. ROBERSON. Very well.

Senator HASTINGS. That is likely to happen here, too.

Senator KING. Of course, any statement that you have prepared——

Mr. ROBERSON. I have no statement, because I have had a little legislative experience of my own, Senator, and I think it best to leave some things unsaid than to put a lot of things in a statement.

Mr. Chairman, I represent the Insular Sugar Refining Corporation, which built a refinery in the Philippine Islands in 1929, which has a capacity of about 60,000 short tons.

Senator KING. Is that the only refinery in the Philippines?

Mr. ROBERSON. There are two other refineries in the Philippines.

Senator KING. Do you represent them?

Mr. ROBERSON. Well, the other two refineries are comparatively small, as related to ours, and one of the other two we are now operating, beginning last fall, under lease. It had been closed for a year or two, due to various difficulties. For the purposes of the record I might say that the refining capacity of these three refiners in the Philippines is 103,000 short tons. Our refinery and the other operating refinery—I mean the other refinery which operated during the year 1933—sent into the United States about 60,000 short tons of refined sugar. I also represent Refined Syrups, Inc., which is a corporation that has a sirup plant in Brooklyn.

Senator McADOO. Before you pass the Philippines——

Mr. ROBERSON. I am coming back to that, Senator.

Senator McADOO. All right. I want to ask a question, when you get through.

Senator KING. Proceed.

Mr. ROBERSON. It has been done, I think, in the Senate, on frequent occasions, but it is rarely complied with—if I may be allowed to get my general outline in first, then I will be very glad to yield to any question, and will really welcome questions. I have found that that is rather dificult to get, however much you might desire it.

Senator McADOO. It is difficult to restrain us. I will give you notice in advance.

Mr. ROBERSON. Well, may I say to the Senator from California, that I hope that I may have the sympathetic cooperation from him, because his first law partner was from my little village in a Southern State, and I think that gives me some right to ask for sympathetic consideration from him.

Senator McAdoo. I will give you sympathetic, sentimental consideration, but where the public interest is concerned I cannot allow anything to stand in the way.

Senator Hastings. Or the State of California.

Mr. Roberson. Why certainly; I understand that. I further represent the Suchar Process Corporation, which process uses a vegetable carbon in the refining of sugar, and which is the cause of a good deal of the trouble in sugar matters in Washington, for the last 2 years. This process has been installed in refineries in South Africa, England, Mexico, Brazil, Argentine, Puerto Rico, Haiti, Hawaii, Santo Domingo, the Philippines, Cuba, and Louisiana; so it is not an experiment, Mr. Chairman.

I proposed to devote myself, within a few minutes, largely to a discussion of the amendment offered by Senator Walsh. I think that when the proposition comes up to make sugar a basic commodity, to amend the agricultural act to make sugar a basic commodity, that it is somewhat novel to have sugar broken down and subdivided into raw sugar and refined sugar. I don't find in the agricultural act that you broke wheat down into wheat flour. I don't find that you broke hogs down into shoulders and hams and sausage and bacon, so I think at least it is something new, so far as the philosophy of this act is concerned. Something was said by Mr. Bunker in his statement before the House. It has been said many times in recent publications of national magazines by the refiners, about the duplication of mainland facilities. Now, Mr. Chairman, I haven't any complaint with that, provided it is put in its proper background, and that is that the mainland facility is equally as efficient as to the other facility. I don't believe that it could be well said that the cotton mills should not be moved to the Carolinas and Georgia, because it would be duplicating the cotton-mill facilities of New England.

I now propose, Mr. Chairman, to take up the question which I think is vital to this situation, and that is a comparison, and I am going to do it very hurriedly, of the advantages of what is called the "bone char" method of making sugar in the United States by the cane refiners, and the vegetable carbon; bone char, of course, is derived, or the carbon is made from animal bone. The vegetable carbon is made from a by-product of wood pulp. Now, Mr. Bunker said at the House committee that the facts had been misrepresented in some quarters, to quote his exact language, as to the advantages of vegetable carbon, in the making of sugar, over that of bone char. Now, Mr. Chairman, if I may, I would like to offer to the committee two charts.

Senator King. Are you offering these? I confess I am not quite clear as to the purpose of it. Is it merely for the purpose of showing that you are more efficient in the refining of sugar in the Philippines, than the refiners in Cuba and in the United States?

Mr. Roberson. Exactly. That is correct.

Senator King. Well, that is controverted, is it?

Mr. ROBERSON. Yes, sir; and I propose to prove it. I propose to substantiate my position by refiners' witnesses before the Tariff Commission.

Senator KING. Assuming that you are more efficient, what relation would that have to the measure before us, or what application would it have to it?

Mr. ROBERSON. Well, it ought to have some bearing.

Senator KING. You see, this is not a tariff bill.

Mr. ROBERSON. But you propose to say to Cuba and these other countries, that you cannot bring in any more of this white sugar, which can be made cheaper there than can be made here, and deprive the American consumer of the benefit of an efficient method of processing sugar. I had no idea of saying anything about the bill, as originally drafted, but it is the amendment offered by the Senator from Massachusetts that I propose to discuss.

Senator GEORGE. Suppose they put in exactly the same machinery in the United States; they could still manufacture that cheaper in Cuba, couldn't they? You could still refine it cheaper in Cuba, couldn't you, if you duplicated the machinery absolutely?

Senator WALSH. On account of the low labor cost?

Senator GEORGE. On account of the labor cost, and longer hours?

Mr. ROBERSON. Mr. Chairman, there never was a bigger misunderstanding on the part of the average layman than the relation of labor cost to refining sugar. You would be surprised, I am sure, and I intended to——

Senator GEORGE. Well, your argument would come on, then, to this—you don't need any tariff at all?

Mr. ROBERSON. It is all right with me. I am a sort of a free-trading Democrat, Senator. I recognize you have got to have a little revenue, of course, but may I say, a little bit out of line of the way I intended to take this up, that the Tariff Commission on June 11, 1932, in its report, a memorandum decision which it published on the question of sugar, stated:

> The refining process is such that relatively little labor is required. The total number of wage earners in all of the domestic cane-sugar refineries in 1929, when the production was about 5,100,000 tons, was less than 14,000.

Senator WALSH. How many are employed in the Philippines now?

Mr. ROBERSON. Well, I could not say, Senator. I will put it in the record.

Senator WALSH. A few hundred?

Mr. ROBERSON. Yes. We have the largest refinery, and when you have 700 or 800 men, it is a very large refinery.

Senator WALSH. How many men have you in your refinery?

Mr. ROBERSON. In the Philippine Islands, 40.

Senator WALSH. Forty?

Mr. ROBERSON. The Tariff Commission said:

> Even if all the refined sugar now imported from Cuba, which has not exceeded 352,000 tons in any year, were refined in the United States, the additional demand for labor would be relatively small, since refineries now operating have more than sufficient capacity to refine the entire consumption requirements of the country.

So, the labor question, on the refining of sugar is inconsequential, because it is a mechanical process.

Mr. Chairman, I would like to put into the record this memorandum decision of the Tariff Commission on July 11.

The CHAIRMAN. Very well, put it in the record.

(The memorandum is as follows:)

EXHIBIT C

The Tariff Commission memorandum of July 11, 1932:

The Tariff Commission announces that the preliminary tabulation of the cost data obtained from domestic and Cuban sugar refineries shows that the difference between domestic and foreign costs of refining is not such as to justify the Commission in specifying either an increase or a decrease in the rate of duty on refined sugar, at least until after the Commission has finished the complete sugar investigation. which includes beet sugar, sugarcane, and raw sugar costs. The domestic costs of refining, because of the loss of raw sugar in the process, are much affected by the duty on raw sugar, and if the investigation should later result in either an increase or decrease of the duty on raw sugar it would be necessary again to adjust the duty on refined sugar accordingly. For this reason an immediate change in the duty on refined sugar would not be justified unless the difference in costs were found to be substantially greater or less than the present duty, which is not the case.

There is not now anything to indicate that there will be any important change in the position of the domestic or the Cuban sugar refining industry (such as expansion of refining in Cuba) during the few months which will elapse before the final report on the entire sugar investigation is completed. Refined sugar imported from Cuba is now about 5 percent of the total consumption of all refined sugar and about 7 percent of the consumption of refined cane sugar in continental United States.

Any change in the rate of duty which might result from the present refined-sugar investigation would not be sufficient either to increase or to decrease materially the imports of refined sugar from Cuba, or the amount of labor employed in the domestic refineries. The refining process is such that relatively little labor is required. The total number of wage earners in all of the domestic cane-sugar refineries in 1929, when the production was about 5,100,000 tons, was less than 14,000. Even if all the refined sugar now imported from Cuba, which has not exceeded 352,000 tons in any year, were refined in the United States, the additional demand for labor would be relatively small, since refineries now operating have more than sufficient capacity to refine the entire consumption requirements of the country.

The investigation has shown that practically all of the refined sugar produced in Cuba for shipment to the United States is refined by the same methods and processes as are used in domestic refineries. The few Cuban plants which are experimenting with or actually using other methods have as yet not operated during a complete year, possess small capacities, and produce chiefly for the Cuban market. There is no evidence that this situation is likely to change radically, at least in the immediate future.

Most of the sugar consumed in the United States is refined in this country. Out of a total consumption of refined sugar in the United States in 1931, amounting to about 6,130,000 short tons, approximately 1,250,000 short tons were domestic beet sugar, and the remainder, amounting to about 4,880,000 tons, was refined cane sugar from various sources. Of this amount about 4,400,000 tons were refined in continental United States by domestic refiners, from both domestic and foreign raw sugar. The remaining amount of refined sugar consumed, amounting to less than 500,000 tons, came from the following free and dutiable sources in the refined form: Puerto Rico, 85,000 tons; Hawaii, 10,000 tons; Philippines, 30,000 tons; Cuba, 352,000 tons; (dutiable at preferential rate) and countries paying full duty on the refined product, 921 tons.

The commission to date has secured the costs of production for all the domestic and Cuban refineries, and has practically completed its work with respect to farm and factory costs of producing beet sugar. Field work will be undertaken at an early date on the farm and factory costs of producing raw cane sugar in Louisiana, Hawaii, and Cuba. Although sugar produced in Puerto Rico and the Philippines does not enter into the cost comparison for purposes of section 336, supplementary data regarding the production of sugar in these Islands will be obtained because of its important relation to the industry in continental United States.

Senator WALSH. That is not the question I was asking, Mr. Roberson at all. I asked you, if you had exactly the same machinery here that you had in Cuba, refining machinery, if there wouldn't be a difference in the cost of refining sugar in Cuba and in the United States, under the present conditions?

Mr. ROBERSON. You mean under our two processes?

Senator WALSH. Yes.

Mr. ROBERSON. You mean, between our two plants, using the same process?

Senator WALSH. Yes, sir.

Mr. ROBERSON. Yes, sir; there would be some difference because you lose some of the advantages of having your refinery in Cuba tied in as a part of your raw sugar mill. If you can imagine a cotton mill tied into a cotton gin, you get just exactly the picture of such a process of refining sugar in the tropics. The cane, during the grinding season, goes in at one end of the plant, and within a certain number of hours, comes out as a bag of sugar, at the other end.

The CHAIRMAN. Well, Mr. Roberson, all the plants in Cuba do not use that one process, do they?

Mr. ROBERSON. That is quite true, Senator.

The CHAIRMAN. There are just some of the plants in Cuba that have the more modern process of refining, going right on through into the production of the sugar?

Mr. ROBERSON. This is the most modern plant, according to the magazine Fortune, that has been constructed in a great many years, which was built in 1930 by ex-President Calles, I believe is his name, of Mexico. It has this process and it is supposed to be one of the finest sugar refineries in the world.

The CHAIRMAN. How many of those sugar-refining plants are there in Cuba?

Mr. ROBERSON. One, using our process. There are several other plants, using other vegetable-carbon processes.

Senator WALSH. Yours is the modern one?

Mr. ROBERSON. Well, it is the leading exponent, I should say, Senator. That is probably not immodest, under the circumstances, to say that.

Senator HASTINGS. May I inquire whether this process which you speak of can only be employed in places where they gather the cane?

Mr. ROBERSON. Oh, no.

Senator HASTINGS. Could it be done in America?

Mr. ROBERSON. Yes, sir.

Senator HASTINGS. Could it be done in New York?

Mr. ROBERSON. Yes, sir; yes, sir.

Senator MCADOO. What difference in the cost of refined sugar would the substitution of that process in the New York refineries make?

Mr. ROBERSON. Well, that is a question that I intended to refer to, and I might as well just answer it here. We claim that if it were not for the—and that is where we think the interests of the imported white sugars coincide with that of the consumer—that the exports of this granulated sugar in the United States serve as a stabilizer of price. If the American refiners had a monopoly of the white sugar in this country, I do not know where the price would be.

Senator McAdoo. That is not the question I asked.

Mr. Roberson. Well, the present price of sugar, of course, when you go into a grocery store, one sugar is just like another, and sells at the same price.

Senator McAdoo. I am not talking about the price at which it sells. I am talking about the cost of production. What difference in the cost of production would the substitution of your process have, in an American sugar refinery? What do you claim per pound?

Mr. Roberson. Well, that is getting somewhat into a trade secret because, on both exhibits that has been regarded by the Tariff Commission, Senator, as confidential information. They have that information.

Senator McAdoo. Well, just an estimate.

Mr. Roberson. Well, I can say, I will go this far, that the differences in the cost of production in one of those refineries in Cuba, and in the United States is, well, from a fourth to a third of a cent a pound.

Senator McAdoo. Well, I am speaking of the substitution now, in an American plant of your process.

Mr. Roberson. Well, you understand, of course, that would be an estimate, I am speaking now, of actual experience.

Senator McAdoo. I want the estimate. That is what I am asking for.

Mr. Roberson. Well, I will furnish it for the record. I will be frank and say I cannot answer that question, but I will answer it, and put it in the record.

Senator McAdoo. Well, is there anyone here who can answer it?

Mr. Roberson. Mr. Naugle.

Mr. Naugle. It would depend on the location of the plant. I would say between 20 and 30 cents a hundred.

Senator McAdoo. Suppose it was on the water front in New York?

Mr. Naugle. Under the best conditions?

Senator McAdoo. Yes.

Mr. Naugle. About 30 cents.

Senator McAdoo. About 30 cents?

Mr. Naugle. Thirty cents a hundred; yes.

Senator McAdoo. What would cause that difference?

Mr. Naugle. Lower initial investment, lower water cost, less labor.

Senator Hastings. I would like to know what all that has got to do with this committee. I cannot see what that has to do with this amendment myself.

Mr. Roberson. Well, it has this, Senator—the amendment here proposes to say that you cannot bring in this product which we make, and we think it is of interest to the consumer.

Senator Walsh. The bill itself says you cannot import an indefinite amount of raw sugar. If there isn't some such amendment offered, we are in the position, are we not, of permitting nothing but refined sugar, or all refined sugar to come in, at this quota?

Mr. Roberson. I think that would be carrying out an extreme.

Senator WALSH. How are you going to meet it otherwise?

Mr. ROBERSON. I mean, technically that is true, but as a practical proposition——

Senator WALSH. As it stands now, nothing but refined sugar could come in, or it all can be refined sugar?

Mr. ROBERSON. Yes, sir.

Senator WALSH. And thus destroy this industry?

Mr. ROBERSON. Yes; but, of course, Congress meets every year, Senator.

Senator WALSH. We should wait until destruction takes place?

The CHAIRMAN. If there were a limitation placed, Mr. Roberson, on refined sugar coming to the United States, what would be a fair limitation, so that we would not do injury to American interests, that are already built up, and so forth, with modern plants?

Mr. ROBERSON. Well, Senator, if you were engaged in the manufacture of cotton gins, and Congress told you you could not sell any more cotton gins, and could not build any more plants, it would put you out of business as a manufacturer of cotton gins.

Senator WALSH. In some other country? In some other country?

Mr. ROBERSON. Yes.

Senator WALSH. Well, you failed to include that in your statement. Congress is not attempting to stop all cotton gin mills from being established in America, or any sugar from being produced in America. It is only putting a limitation on what should come in from other countries.

Mr. ROBERSON. I understand.

Senator WALSH. Don't you think we have a right to do that?

Mr. ROBERSON. But you want to make the consumer get the sugar that is produced at a higher cost, irrespective of the labor, due to the fact that the process is out of date and obsolete, and not that it doesn't make just as good sugar as anybody's.

Senator VANDENBERG. Does sugar sell cheaper anywhere in the world than it does in the United States, to the consumer?

Mr. ROBERSON. Not so far as I know.

Senator MCADOO. What percentage of the allowable quota for Cuba, of refined sugar, do you think would be reasonable?

Mr. ROBERSON. Well, Senator, we have taken the position before the Tariff Commission—there is a case pending before the Tariff Commission at the moment on application of the refiners to increase the tariff on white sugar. This argument has been made there.

Senator MCADOO. That is not the question.

Mr. ROBERSON. We think it is fundamentally unsound to limit it at all, to tell the Cuban or the Puerto Rican or the Hawaiian or the Filipino that he cannot refine his sugar, whatever the quota would give him, and bring it in, as an abstract proposition.

Senator MCADOO. Yes: but that is not the question. We are endeavoring, in this bill, to establish a quota for the general benefit of the sugar industry.

Mr. ROBERSON. Well, does that include the beet industry?

Senator MCADOO. Not only the producer of the raw sugar, but also the refiner.

Mr. ROBERSON. And the beet grower?

Senator MCADOO. Certainly. It covers everybody.

Mr. ROBERSON. All right, sir.

Senator McADOO. Now, here you have got these suggested quotas. Cuba has a quota suggested for sugar. Now, what percentage of that, in your judgment, would be fair to be required in raw sugar, and what percentage in refined sugar, from Cuba?

Mr. ROBERSON. If you do that, it doesn't benefit anybody but the American cane refiner, of which two companies own 49 percent of the refining capacity.

Senator McADOO. That is not my question. I am asking what would be a fair division of the quota?

Mr. ROBERSON. I do not think it would be fair.

Senator McADOO. What would be fair between the raw and refined sugar?

Mr. ROBERSON. I don't think it would be fair, any division.

Senator McADOO. You don't think any division would be fair?

Mr. ROBERSON. Sugar is sugar, and always has been, up to this time. Now, the beet farmer——

Senator McADOO. When you are considering this industry, you have got to consider the two phases of it.

Mr. ROBERSON. I understand.

Senator McADOO. The raw sugar as well as the refined sugar.

Mr. ROBERSON. I understand, Senator, but it is apparently in your mind——

Senator McADOO. Now, what you are asking for is the right, as I understand it, to have the Cuban quota supplied with refined sugar wholly, if you want to.

Mr. ROBERSON. Theoretically, that would be true. Practically, of course, not.

Senator McADOO. Now, this bill, in the interests of the economic situation of the sugar industry, and of all these industries, foreign as well as domestic, and in the continental United States, is to establish certain quotas for the benefit of the industry.

Mr. ROBERSON. Yes, sir.

Senator McADOO. Now, you have got to consider the refined as well as the raw sugar produced. If you are allowed to bring in all refined sugar from Cuba, supposing it were possible, it would have a very serious effect upon the refining industry in the United States. Now, you have got to submit to a quota, if the bill passes. What percentage of it should be in refined and what percentage in raw sugar? I mean, what would be fair?

Mr. ROBERSON. Well, I don't know how to answer your question. When I think a thing is abstractly and fundamentally unfair, to say what proportion of that would be fair, I think it is an impossible answer. You assume, Senator—and I, of course, don't intend to get into an argument—you assume, when you say we must accept a quota for the benefit of the industry, I propose to show, if I may, that whether every ton of sugar that comes in from Cuba is refined does not make any difference to the beet grower. He is not primarily concerned in whether it comes in refined or raw. He is concerned in how much sugar comes in from Cuba.

Senator McADOO. I am not talking about the beet grower alone.

Mr. ROBERSON. That is the largest part of the continental industry in the United States.

Senator McAdoo. I am talking about the entire industry, the manufacturing end as well as the producer of the raw sugar, and we have got to consider the whole problem from that standpoint.

Mr. Roberson. Answering your question as genuinely as I know how, I think that is a question that ought to be taken care of by the tariff, and after a hearing, where you have had a chance to present both sides. and not in this sort of a more or less ex parte presentation of the witnesses.

Senator McAdoo. Well, if you come down to that, this whole thing might be considered as a tariff. It has that incidental effect, but we are not dealing with that. We are dealing here with a very realistic and practical question of establishing these quotas. Now, it seems to me, if you consider the quota question at all, it is reasonable to consider what percentage of refined and of raw should be supplied from the country which participates in the quota.

Mr. Roberson. I don't think it ought to be divided as between refined and raw at all. The quota ought to be established on raw sugar.

The Chairman. Is it your idea that the differential protects the refinery in this country?

Mr. Roberson. Yes, sir. There is a tariff application that has been before the Tariff Commission, has been tried and argued, and I suppose a decision will be rendered, in time, covering the tariff differential.

The Chairman. You mean as to the differential?

Mr. Roberson. As to the differential; yes.

Senator Walsh. A long time making that decision, argued a year ago.

Mr. Roberson. Well, Senator, may I just say that up until that time the Tariff Commission did not think that the relation was justified. What decision they will make in their final report I do not know.

Senator Walsh. As a matter of fact, you represent the Filipino sugar-refining industry, don't you?

Mr. Roberson. Correct.

Senator Walsh. Now 15 percent quota will not affect the business of refining sugar at the present time; it will prevent an expansion of the refining business; isn't that true?

Mr. Roberson. If you are going to put on a quota——

Senator Walsh. Isn't that true?

Mr. Roberson. If you are going to put on a quota, I will take 15 percent from the Philippine Islands.

Senator Walsh. Yes.

Mr. Roberson. But you haven't given me that. You have taken it at the figure that is the smallest, whatever is most beneficial to the American refiner is what has been taken. You take 15 percent on Cuba, and take the present production of the Philippines——

Senator Walsh. How many tons of refined sugar would you lose, based upon the importation of last year, by this amendment? Don't you know that?

Mr. Roberson. Probably 20,000 tons. I wanted, Mr. Chairman, to call attention and correct what I had started out to show was not a misrepresentation of fact as to the advantages of the two processes, and calling attention to the statement of the counsel for the refiners, before the Tariff Commission, on April 12, 1932, where counsel said to the Tariff Commission:

I believe this investigation and its result should be governed by other factors than those directly related to difference of cost of production. Therefore, lest the trend of this investigation be too closely along the lines of comparisons of costs of the principal refining units in Cuba with the refineries of the United States, we will expect to show to the Commission that the competition which is destroying the American industry is the competition of the newer units of the refining operation in Cuba rather than the older.

They put on an expert witness, the refiners did, in that case, and proved, according to that witness, that the American refiner could not compete with the vegetable processes in these other countries, because of the various economies in operation, due to the character of the processes. Now, they have begun to change their mind about that, since that time, because they have found that the question of the efficiency of the operation has something to do with quotas and tariffs, and I would like to say this to the Senator from California, that as far as the Philippine sugar comes in it is a direct benefit to the city of Los Angeles. Philippine refined sugar comes into the city of Los Angeles and other places along the Pacific coast directly from the Philippines, coming into the beautiful port that you have constructed there. Before we went there and brought the sugar in from the Philippines, the sugar that went to Los Angeles was made in refineries up in San Francisco territories, plus the freight rate down to Los Angeles. When we began to bring our sugar in, then they cut the price, to meet our price; so I say that we serve a good purpose up there.

Senator McAdoo. You think that is the reason we have such good climate and such good health, then, in southern California?

Mr. Roberson. Well, that helps. Mr. Chairman, I would like at this point, for the purposes of the record, to have handed to the Senators an exhibit, a copy of an exhibit which the beet refiners put in before the Tariff Commission, so as to show that the importations of refined sugar—this is their own exhibit—which will show that no refined sugar, in 1932, not a single ton, went into a beet State, which was represented by Mr. Kearney, who testified here yesterday, but to prove the point——

Senator McAdoo. California is the second beet State in the United States.

Mr. Roberson. Well, it will show there that not a single ton of Cuban sugar went into southern California in 1932.

Senator McAdoo. Speaking of Philippine sugar?

Mr. Roberson. No; I was speaking about Cuban importations. The eastern refiners are not concerned with Philippine sugar.

The Chairman. This shows the amount of Cuban sugar that goes into each State?

Mr. Roberson. Yes.

The Chairman. None of the Cuban sugar has as yet gone to California?

Mr. Roberson. No. None gets into the beet territory. The slight amount that gets into Michigan is only 24,000 tons, and the State of Michigan, of course, does not produce enough beet sugar to supply the residents of the State of Michigan, which is a very populous State.

Senator COSTIGAN. When did you start selling Cuban refined in the State of Colorado, if you recall?

Mr. ROBERSON. I think Mr. Hershey probably could answer that question. I don't know that they ever sold there, Senator.

The CHAIRMAN. All right. Go ahead, Mr. Roberson.

Mr. ROBERSON. Our position, Mr. Chairman, is that the subdivision of the sugar into raws and refineds would hurt the consumer, because it would remove the stabilizing and would freeze the stabilizing effect of the imports of white sugar, and it would help only the cane refiners of the United States and no one else.

Mr. Chairman, I have here a partial answer to the question which you asked Mr. Bunker, which I put in before the Tariff Commission; the earnings of the American Sugar Refining Co., the National Sugar Refining Co., the Savannah Sugar Refining Co., and the California & Hawaiian Sugar Refining Co., for the years from 1927 through 1932. I do not think the published figures are available for 1933.

The CHAIRMAN. Does that show they made a profit?

Mr. ROBERSON. Yes, sir. 1932—we will take 1932, which is apparently the worst year, the American Sugar Refining Co. made $2.62, earned $2.62; the National made $2.35 per share; the Savannah made—and the Senator from Georgia is to be congratulated—$6.91 a share. The Senator from California is to be even more congratulated. The California & Hawaiian Co. made $11.41 per share. In addition to that, the American Refining Co. retired, called before maturity, in 1933, $4,000,000 of bonds due in 1937. On January 1, 1934, they called at above par, a million and a half dollars worth of bonds; and these companies, who are the only ones I could get statistics on, are the "blue bloods" of the American industry, so far as we know, have been able to get on very well during the depression.

The CHAIRMAN. Well, put that in the record.

(The statement referred to is as follows:)

	American Sugar Refining Co. earned per share common after provision for int. dep. etc. and provision for pfd. dividend [1]	National Sugar Refining Corp. of New York earned per share after prov. int. depreciation	Savannah Sugar Refining Corp. earned per share common after prov. int. depr. and provision for preferred dividends	California & Hawaiian Sugar Ref. Corp. earned per share cap. stock after prov. int. dep., etc.
	450,000 shares common outstanding	600,000 shares no par	28,272 shares no par outstanding	100,000 shares outstanding
1927	$1.71	$0.48	$7.70	....
1928	.60	5.62	11.92	$10.78
1929	7.77	4.92	11.40	11.42
1930	5.58	4.01	8.12	11.57
1931	2.23	3.52	8.20	11.93
1932	2.62	2.35	6.91	11.41
Source of figures	Annual report	Annual report	Annual report	Stan. statistics

[1] In 1933 American Sugar Refining Co. redeemed $4,000,000 of bonds due in 1937.

NOTE.—In 1934 American Sugar Refining Co. redeemed $1,500,000 of bonds due in 1937.

Mr. ROBERSON. I am sorry, Mr. Chairman, that I have lingered along, but I am not quite as able to get back, after interruptions, as you would be. Something was said about lower transportation costs from Cuba, because yesterday, or before the House committee, and I wasn't quite sure whether Mr. Bunker repeated it here, due to cheaper transportation into inland waterway ports. Well, I don't think that is a criticism. If the Government is going to build a waterway, spending hundreds of millions of dollars to build a waterway, so that the American consumer will have a cheaper freight rate. I do not think you want to turn around, after spending that money, and take the benefit away from the American consumer by raising the tariff on the stuff that comes by the waterway. Now, may I call the attention of the committee particularly to this. The limitation imposed, called for in Senator Walsh's amendment, refers to direct-consumption sugar. Well, direct-consumption sugar is a different thing entirely from refined sugar. Direct-consumption sugar is used by tobacco people and ice-cream people and packers and candy manufacturers, and things of that sort, so when you put this limitation, as it stands in the bill, on direct-consumption sugar, you are talking about some other things in addition to refined sugar. The Senator from Georgia has one of the very largest consumers of refined sugar in the United States in his State. Coca-Cola Co., I have understood, purchase about 100,000 tons a year or more of refined sugar. We think that an amendment of this sort certainly is not helpful to them, because it limits the market as to whether they can buy their sugar, and that could be illustrated in many different ways.

Senator McADOO. Will you give us the definition of "direct-consumption sugar"? We all know what "refined" is.

Mr. ROBERSON. Well, "direct-consumption sugar" is sugar that goes into the consumption of food and food products, whether it may be in a sirup form or——

Senator McADOO. Unrefined?

Mr. ROBERSON. Well, it is what you would call "unrefined." It is something between raws and refined sugar. That may be a very laymanistic way of expressing it, but anyway it is raw sugar that had some——

Senator McADOO. Processing?

Mr. ROBERSON (continuing). Some sort of processing, very fine. Of course, there are differences in the way raw factories work; some get up to 98 percent or more, and they wash some of it, that never has any refining at all, and that gets into industry, and in this quota here, which is suggested by the Senator's amendment. That includes direct-consumption sugar, which would further cut down the quotas of the refined sugar, and I do not think that ought to be.

Senator McADOO. What percentage of direct-consumption sugar would you say is imported into the United States? I mean what percentage of the entire amount of sugar imported, refined and raw, from Cuba, represents direct-consumption sugar?

Mr. ROBERSON. I suspect that one of these sugar men here should answer that. Mr. Bunker? Mr. Fisher, could you tell him that?

Mr. FISHER. About 50,000 tons, Turbinados sugar, came in last year. I do not know what the raw sugar was.

Mr. ROBERSON. That is more confusing, when you talk about Turbinados. Direct-consumption sugar.

Senator McADOO. That is all right. In California we speak Spanish.

Mr. ROBERSON. That is not the direct-consumption sugar. That is not all direct-consumption sugar, Senator, is the point I want to make. I will get that for the record, unless some of you fellows could tell us.

Senator McADOO. Could you tell us, Mr. Bunker?

Mr. BUNKER. From the island of Cuba, I think about 30,000 tons of raw sugar went into direct consumption—that is, curing tobacco and things of that kind. The direct-consumption sugars which I think Mr. Robertson refers to includes Turbinados and refined sugars, pulverized, and above 98 sugar degrees—between 98 and 100.

Senator McADOO. How many tons do you say, of all of those varieties, came in?

Mr. BUNKER. About 50,000 tons of Turbinados sugar last year.

Mr. ROBERSON. Mr. Chairman, may I conclude by asking to put in, as a part of the record, the statement which I have prepared, taken verbatim from the refiners' brief before the Tariff Commission? It can be reduced in size.

The CHAIRMAN. It may be put in the record.

(The brief referred to is as follows:)

WHAT THE DOMESTIC REFINERS THINK OF TROPICAL REFINING

The following statements are taken from the brief recently submitted to the United States Tariff Commission by the domestic sugar refiners and should carry more weight than anything we can say about the sugar process.

Some of the advantages of refining in the tropics:

1. Smaller capital expenditures by reason of—
   (a) Less expensive land, and
   (b) Less substantial buildings.
2. Lower operating costs by reason of—
   (a) Lower wages,
   (b) Less taxes, and
   (c) Savings in raw sugar bags.

Additional advantages when the refinery is operated in conjunction with the raw-sugar mill.

3. Further reduction in capital expense by reason of equipment made unnecessary by consolidation of operations.
4. Further reduction in operating costs by reason of—
   (a) Absence of additional supervision, technical, administrative, and office personnel other than that of the raw-sugar mill.
   (b) Lesser number of workmen,
   (c) Saving in fuel, and
   (d) Other operating savings.

If refining is carried on in the dead season, the following additional advantages appear:

5. Savings through utilization of plant and equipment which would otherwise be idle during the dead season.
6. Utilization of personnel which is customarily paid but not fully occupied during the dead season.

The following steps normally at the end of the raw-sugar manufacture are entirely eliminated: The purchase, handling, storage, and marking of raw-sugar bags; the filling of the bags with raw sugar; the sewing of the bags and the warehousing of the raw sugar. The following steps normally at the beginning of the refining operation are entirely eliminated: The unloading and warehousing of the raw sugar; and, if the sugar arrives in bags, the opening and emptying of bags and the brushing and washing of the bags for abstraction of sugar adhering thereto; the drying and possibly the repairing of the empty bags; the handling of the raw sugar into the sugar breakers and its conveyance to bins and thence to the mingler.

SUGAR PROCESS CORPORATION,
72 Wall Street, New York.

Mr. ROBERSON. And also a statement which was made by one of my witnesses in the House with reference to sirup, calling attention to the fact that our sirup is not the same thing that they are talking about.

(The statement referred to is as follows:)

STATEMENT OF DONALD K. LUKE, REPRESENTING REFINED SYRUPS, INC., NEW YORK, N.Y., ON H.R. 7907

The CHAIRMAN. We will be glad to hear you at this time, Mr. Luke.

Mr. LUKE. Mr. Chairman, yesterday when Mr. Camp was on the stand he brought up the question of sugar sirup and discussed the processing tax. The point that he raised was that under the bill there is no processing tax on sugar sirup.

Now, the reason for that is that if you take the President's message and the bill itself, the processing tax is based on the reduction in duty on sugar, which is dutiable under paragraph 501, whereas sirups are covered under paragraph 502.

Consequently any reduction in sugar will be offset by the processing tax. For that reason, if a processing tax was levied on sirup, with no reduction, corresponding reduction in the duties on sirup, it would disturb the present relationship between the two products. And it is for that reason that no processing tax should be proposed on sirup.

Now, further along in Mr. Camp's statement, he spoke of the types of sugar sirups. Granulated sugar contains sucrose only and a sirup made from granulated sugar or high-test raw sugar is a sucrose sirup.

The sirup which we manufacture is an invert sirup which is comprised of sucrose, dextrose, and levulose; and in varying quantities, depending on the requirements of the consumer. Our sirup goes to ice-cream manufacturers, sirup manufacturers such as fruit sirups, chocolate and maple sirup, and to the manufacturers of jams, jellies, and various food products.

Owing to the inherent qualities of invert sirup, its cleanliness, and the economies of handling sirup in the factory, we believe that food manufacturers using our sirup have been able to improve the quality of their products and to decrease the cost of manufacture and as a result increase the use of their products.

The CHAIRMAN. Mr. Luke, if you care to you may file a statement for the record outlining your position and further suggestions.

Mr. LUKE. I believe that is about all I had intended to say.

The CHAIRMAN. Very well.

Mr. FLANNAGAN. Who did you represent?

Mr. LUKE. Refined Sirups, Inc.

The CHAIRMAN. You may file a statement with the reporter, if you have something further for the record.

The CHAIRMAN. Thank you very much.

STATEMENT OF A. L. LITEL, REPRESENTING THE MOUNTAIN STATES BEET GROWERS OF COLORADO

Mr. LITEL. I represent the Mountain State Beet Growers of Colorado which includes 13 sugar-beet factories in the northern part of the State. I am, also, vice president of the National Beet Growers Association, representing the beet growers of the western half of the United States. My State, Colorado, has 17 beet-sugar factories and produces more beet sugar than any State in the Union. I appear to protest against certain provisions of the bill, H.R. 7907, as now presented. The part to which we object most strenuously is the restriction of acreage of the beet farmers of the United States, making no provision for expansion.

The whole system of our agriculture in our irrigated sections is founded upon the production of the sugar beet. Through encouragement from the Government, expensive irrigation projects were engineered and constructed and in many cases, financed by Government assistance. Our distance from markets of the world has made it necessary that we produce some crop in concentrated form, on which freight charges would not be prohibitive. The byproducts of the sugar beet enter well into the feeding of cattle and sheep, and we find it possible to ship the finished animals to foreign markets or to be processed within our own packing plants to be shipped out as the finished product.

The production of sugar beets, moreover, requires a large amount of hand labor and the necessary people are situated within our States ready to take up the work in the season. Any curtailment of our acreage would throw a large number of unemployed upon the labor markets of our State.

Wheat and feeds of all kinds, if produced upon the lands now in beets, would cause a surplus which would be disastrous to the farmers of our State, for the excess grains would have to be shipped in bulk, and a major part of returns would be consumed in long freight hauls. We cannot produce corn, wheat, and barley on our expensively irrigated lands in competition with rain-belt farmers of Iowa and Nebraska and other corn-producing States.

Again, we question the right of foreign countries or our own insular possessions, who pay much lower wages and do not assist in maintaining our Government, having the first right to our markets.

In the President's message to Congress he mentions the approximate value of beet and cane growers' sugar crop at $60,000,000. I am sure this takes into consideration only the amount paid directly to the farmers. It takes no account of the millions paid to railroads for transportation of beets, sugar, coal, limerock, and other byproducts of the sugar beet; neither is the shipment of the limerock nor labor hired in the processing of the sugar considered in these figures, which I would say would be more than double the amount. The President quotes those who believe in the free importation of sugar to the effect that the tariff of 2 cents per pound costs the consuming public more than $200,000,000 for this protection. The facts seem to modify this statement. I was here in 1930, when the tariff was increased 1.76 to 2 cents per pound against Cuba. At that hearing we asked for a restriction on production in the Philippines to keep that production in line with consumption in the United States. We argued that without such restriction, the increase of production in the islands would nullify all benefits of increase from the tariff. This has proved to be true, for sugar has sold since that time lower than refined sugar had ever sold in the United States before. Surely the consuming public has not been hurt by the prices paid for refined sugar since that time, it being the cheapest food value of any food commodity upon the market today.

I also wish to call attention that, the restriction was not placed upon the Philippines and they have been allowed to almost double their production and importations into the United States. Their purchases of commodities from the United States in the year 1929, just prior to the increase of tariff against Cuba, were $85,000,000. Since that time the volume of their exportation of sugar to our country has almost doubled; but their purchases of commodities from the United States in 1932 were less than $45,000,000, or about one half of the former purchases. The quota allowed continental beets is a reduction of about 17 percent under our production of 1933. I do not find any of the other producing areas taking that much of a reduction. On the contrary, Cuba has a material increase. To me this seems an injustice to our cane and beet growers, who are helping to maintain and support our Government. I recall that in the year 1917, when the Federal Food Administration knew that production of sugar had fallen below consumption and the stocks of sugar in this country were at low ebb, the Food Administrator appealed to the patriotism of the beet-sugar producer to forego large profits which could have been secured by charging the high price the sugar markets warranted. The domestic beet-sugar producers met this appeal to patriotic spirit and agreed not to charge to exceed 7¼ cents a pound, seaboard basis. Not only this voluntary action of beet-sugar producers meant a saving to the public of millions of dollars, but it had effect of stabilizing the cane market, which became active in the latter part of the year, when their sugar became available. And now again, the beet-sugar farmer is asked to restrict his acreage so that people from foreign countries and insular possessions may have the right to the major portion of our sugar market. I ask you, do you call this justice to American agriculture?

Never before have I heard of any country asking its farmers to curtail production of nonexportable, nonsurplus crops that foreign countries might enjoy the benefits of its market, and, it seems to me, it would be a black day upon American history if this were put into effect.

In addition, any reduction in the number of factories or a lack of demand for factory and fields labor would force hundreds of our workmen to leave the towns where they have established their homes and are raising their families. This shift in population would necessarily be reflected in the business life of the community, and I have no doubt that it would be followed by the closing of any number of commercial enterprises.

In any discussion dealing with the price of sugar, it should be remembered that problem is larger than merely the cost to the housewife. In 1932, for instance, when the average price of raw sugar in New York was less than a cent a pound, Cuba purchased not more than $28,000,000 of our goods. In 1927, on the other hand, when the raw price was 2.959 cents, her purchases were $151,126,000.

I believe that any working man could afford to pay this difference for the benefits he would receive from the goods manufactured and exported. Finally, I wish to point out, that for the year 1932, that about 29 percent of all duties collected were on sugar imports, which assisted very materially in maintaining the expense of our Government.

STATEMENT OF J. W. GILLMAN, REPRESENTING THE BEET GROWERS OF UTAH

Mr. GILLMAN. President Roosevelt proposed, and the Congress enacted, the emergency bill—the Agricultural Adjustment Act—expressly to reestablish prices to farmers at a level that will give agricultural commodities a purchasing power, with respect to the articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. Every nation in the world recognizes that its own farmers have first claim to the home market. In the United States that point has been embodied in all tariff acts, the rights of labor have been protected through our immigration laws. Now, for the first time, it proposes to revise these policies. The American farmer is to be penalized so that more sugar can be brought into continental United States from foreign countries. If sugar from tropical areas is to be freely admitted to the United States, to the detriment of the American farmer, then we might just as well let down our immigration restrictions and permit the people who produce this overseas sugar to enter the United States.

Sugar beets compete with none of the continental crops. In Utah we have from ten to twelve thousand farmers growing sugar beets, for this fits into their crop rotation plan and tends to maintain the fertility of the soil. It is a cash crop and has given the farmers of Utah more money than any other crop grown on the farms over a period of 30 years. It furnishes more employment than any other industry in the State. All the coal and lime used in processing the beets is produced in our State; $40 per acre is paid for freight, which helps the railroads, as well as furnishing employment for many of our idle men. The majority of the money received by our farmers for beets goes to pay debts, such as interest on mortgages, water assessments, and taxes which go to maintain our schools, roads, and so forth. Had it not been for the sugar-beet crop in Utah in 1932 and 1933, so far as the farmer is concerned, there would not have been 50 percent of the taxes paid in the State. We are under irrigation entirely, with high taxes, and use white American labor almost exclusively; therefore, it is out of the question for us to produce sugar and compete with foreign labor, and it is unfair to ask us to do so. The President's N.R.A. program contemplates the increased employment of American labor.

We have ample sugar factories all built to process all the beets we can produce, millions of dollars invested, and the same can be used for no other purpose. The farmers have their money invested in their machinery and equipment for the handling of beets which ordinarily cannot be used for any other purpose. The irrigation canals and laterals have been constructed to these farms at a cost of millions of dollars and under the Government proposal for sugar beets part of the same would have to be abandoned. The sugar-beet industry was commenced in Utah in 1891 and has now reached proportions where it affects beneficially every individual in the State, 75,000 acres being produced in 1933, harvesting from these acres nearly 1,000,000 tons, and the farmers received for the initial payment nearly $5,000,000.

STATEMENT OF C. C. CAPDEVIELLE, OF NEW YORK CITY

Mr. CAPDEVIELLE. The total sugar contents of molasses, if considered as "sugar", is incorrect. Molasses is made up of 50 percent to 70 percent blackstrap or nonextractable sucrose and glucose and also extractable sucrose (sugar).

I have the honor to request that the above paragraph C, section 2, be made to read as follows:

(C) The term "sugar" means sugar in any form whatsoever, derived from sugar beets or sugarcane, including also molasses, raw sugar, direct-consumption sugar, and any mixture containing sugar (except blackstrap molasses, beet molasses, and sirups), and for the purposes of section 8a (1) of this act, sirups. Such molasses, raw sugar, direct-consumption sugar, sugar mixtures, and sirups, included within the word "sugar", as herein defined, shall be considered to constitute sugar to the extent of their total sugar contents.

You will note that the paragraph is the same except that I have added the following "molasses, in which case the blackstrap content (nonextractable sucrose and glucose sugars) shall be deducted from the total sugar content."

Reasons: If the blackstrap content of molasses is not deducted from the total sugar content, this will give an unfair and incorrect amount of sugar to be charged against the country from which it is derived by approximately 87 percent. As I have been importing this molasses from Cuba, where sugar exported to the United States has been under a quota system for the past several years, the blackstrap content of the molasses is never considered as sugar, only the extractable sugar content is credited as sugar quota. To confirm that "total sugar" content of molasses, if considered as sugar, is incorrect and unfair by approximately 87 percent, I'll offer the following analysis of molasses:

	Percent
Solids	82.0
Polorization	50.8
Purity	62.0
Clerget sucrose	53.0
Invert (glucose)	10.0
Total sugars	63.0

S. 2732: 100 pounds molasses times 65 percent total sugars equal 63 pounds total sugars.

Correct method: 100 pounds of some molasses as above, according to Spencer's Handbook for Sugar Manufacturers and Chemists, seventh edition, p. 382–383, will yield 33.71# 96′ sugar .... 33.71# 96′ sugars

And 60.78# blackstrap molasses of 38 purity and 50 percent total sugars, nonextractable sugars (blackstrap) ... ———

29.71# total sugars

Unfairness or incorrect equal $\frac{63-33.71}{33.71}$ equal 87 percent approximately.

I invite you to have the above work checked by the best experienced sugar chemist employed in the United States Government.

If this paragraph C can be amended as I have asked in this letter and which I have only requested from a standpoint of fairness and correctness. I can assure you several million "man-hours" work under the N.R.A. wages, otherwise this work will be done at the mills in Cuba with Cuban labor.

I trust that you will see the unfairness of paragraph C as written and that I am not asking for anything other than a square deal both for my business and for the country from which the product is derived, and that you will amend this paragraph accordingly.

The CHAIRMAN. Is Mr. Snyder in the room?

Mr. SNYDER. Yes; sir.

The CHAIRMAN. Mr. Snyder, how long did you want?

Mr. SNYDER. I would greatly require a fair amount of time. It is now 12 o'clock.

The CHAIRMAN. Yes. We are going to adjourn at 1 o'clock, and we are going to meet again Monday morning, but we are going to finish these hearings Monday.

Mr. SNYDER. Yes, sir. Well, that is agreeable to me.

The CHAIRMAN. But we wanted you to be just as concise as possible.

Senator WALSH. Whom do you represent, Mr. Snyder?

The CHAIRMAN. We understand that Mr. Snyder represents the Hershey people, who are largely interested in Cuba, as I understand it. Isn't that right?

Mr. SNYDER. Yes.

The CHAIRMAN. Proceed.

STATEMENT OF JOHN E. SNYDER ON BEHALF OF THE HERSHEY CORPORATION

Mr. SNYDER. These are only records, not to be read to the committee.

I will first dispose of two matters which were the subject of interrogation of Mr. Roberson. Many of these questions have arisen out of the Tariff Act of 1930, as you heard by Mr. Bunker's statements. Mr. Roberson also referred to it, and on this subject of the refined sugar, and the differentials, and so forth, it was presented to the Tariff Commission in a complaint which they filed in 1931.

Senator McADOO. Mr. Snyder, I did not hear what interest you represent.

Mr. SNYDER. I represent the Hershey interests in Cuba.

Senator McADOO. Hershey?

Mr. SNYDER. Yes, sir. And I also will speak generally for other Cuban refiners.

Senator WALSH. What is the official name—Hershey Corporation?

Mr. SNYDER. Hershey Corporation.

Senator WALSH. That is what I thought.

Mr. SNYDER. Yes, sir. Since the Tariff Act of 1930, we have had 4 investigations, 2 by the Tariff Commission, 1 by the Treasury Department, through its Customs Service, and last summer we spent before the Agricultural Adjustment Administration. There is little new to be said in reference to this subject that was not said before them, but on the subject of refined sugar from Cuba, I have here the report of the Tariff Commission, which was referred to by Mr. Roberson, and which I desire to place a copy with each member of the committee.

Senator COSTIGAN. What report is that, Mr. Snyder?

Mr. SNYDER. It is a report of the United States Tariff Commission, on the subject of refined sugar and the differences in the costs of production.

Senator COSTIGAN. Issued when?

Mr. SNYDER. July 11, 1932. It is the latest thing on the subject. Since that time the Tariff Commission has completed its full report. That report is now in the hands of the proper governmental authority, but has not been made public.

Senator COSTIGAN. Does the present unpublished report of the Tariff Commission include also a report on refined sugar?

Mr. SNYDER. Yes, sir; and makes no change in it.

Senator COSTIGAN. That is your information?

Mr. SNYDER. Yes, sir.

Senator COSTIGAN. Have you seen it?

Mr. SNYDER. I have not seen it.

Senator WALSH. How do you know when we do not know? How did you get that information, when none of us have been able to get it?

Mr. SNYDER. Senator, that is my complaint. Everyone seems to know what is in it, but those particularly interested in the trade have not seen it. It is my purpose, while we are in Washington——

Senator WALSH. You apparently got some information from some source, according to your statement.

Mr. SNYDER. Oh, it has been talked about and spoken about. It is generally known in the trade, that the report recommends a reduction in the duty on sugar, of a half a cent a pound, and restates its position on refined sugar.

Senator WALSH. Evidently the Hershey Corporation has some means of contacting the United States Tariff Commission, that we haven't.

Mr. SNYDER. No; we haven't. We feel—at least I do—that having been so generally and broadly interested in these discussions on sugar, which have taken place in Washington, since the fall of 1928, and continued annually since, over long periods of time, the Tariff Commission hearings, the Treasury Department investigations, Agricultural Adjustment, we spend most all of our time in Washington. I feel too, that I should be privileged to read that report.

Senator WALSH. I think we ought to have an investigation of the Tariff Commission, to find out how it is that you can get information that we cannot get.

Mr. SNYDER. If you will call in people before you, and will read the papers—if you will read the New York Journal of Commerce, if you will read the New York Times, if you will read the synopsis of other papers, which contain a synopsis of this report, you will find the figures accurate.

Senator WALSH. I do not want to prolong this discussion, but you wouldn't make that statement before this committee if you didn't have pretty solid, inside information.

Mr. SNYDER. I have no inside information.

Senator WALSH. You are too honorable to make that statement before this committee without having definite information from the Tariff Commission, which we haven't got, and you are a private concern, operating both in this country and in Cuba.

Mr. SNYDER. I have no private information, but I see in the papers that the reduction in Cuban duty is going to be a half a cent a pound.

Senator WALSH. Then you should have prefaced your statement by saying that you were making it on hearsay, and not with authenticity, when you said the report favored a reduction in the rate.

Mr. SNYDER. Senator, call up anyone interested in sugar, who is in this audience, a number of them, and they will tell you that they have the same information.

Senator WALSH. Well, I don't care to prolong this discussion.

The CHAIRMAN. Mr. Snyder, there is one thing I want to hear. You have been before the committee many, many times on this tariff on sugar.

Mr. SNYDER. Yes, sir.

The CHAIRMAN. My recollection is that one of the witnesses called attention to the fact that back in 1925, I believe it was, there was no importation of refined sugar from Cuba. A chart has been furnished us, showing that last year, I believe, there were 500,000 and some odd tons. Your statement before the committee, in 1930, when we were considering the tariff bill, was that there would be no great enlargement of the production of refined sugar, that it had then reached 250,000 tons, and that your people had invested at that time in this new plant, because you thought it would give better sugar to you, and bring it up here for your own industry, and so on.

Now, explain to the committee why this very large increase in the refined importation.

Mr. SNYDER. At the present time—there was then and there is now—few refiners of sugar in Cuba, who are refining their sugar under the same process that is used by the American refiners, bone char. We use it. Our processes of refining are in all respects identical with those of the American refiners.

Senator COSTIGAN. How does your product compare?

Mr. SNYDER. It is identically the same.

Senator COSTIGAN. From a sanitary viewpoint, also?

Mr. SNYDER. Absolutely. We will place our refinery, match it against any refinery in the United States, as to cleanliness and sanitary conditions.

Senator MCADOO. You find the bone-char method just as economias this suchar process that has been described here?

Mr. SNYDER. The suchar process, as it is now in operation in various localities, with a vegetable carbon, has come into vogue since our bone-char refinery was established. We had tried, from 1916 on, various methods of making a white sugar, because, understand, gentlemen, we are not producers of raw sugar.

The raw sugar that you know in commerce we do not make. From the time the cane leaves the field until the sugar leaves the mill, there is only one object in view, and that is the production of white sugar, refined sugar. There is one refinery in Cuba, and, understand, there are only five that amount to anything.

The Arechebala plant at Cardenes has been in operation since 1870 refining sugar. They refine sugar for domestic consumption, and have done export business, and have done export business to the United States. They operate identically the same as ours. The Cuban-American Sugar Co., which is a United States concern, owns its own sugar mills in Cuba, has a refinery at New Orleans, has a refinery at Cardenes. We two are the American refiners of sugar in

Cuba. The one plant that I spoke of, established in 1870, is purely a Cuban operation.

Now, we were the refiners of sugar in Cuba. Since that time, and with the introduction of the process which Mr. Roberson has referred to, it has been introduced at a mill in Cuba known as the Maybay. No; I don't think they use suchar. They use another vegetable carbon, but it is the same method. The suchar process is introduced at the Espana mill and another mill. I can refer to it in my notes. I don't think you are particular about the name. I think that it is the San Augustine, or something of that kind, who also use a vegetable carbon.

Now, we five are the American refiners of sugar in Cuba. We ship into the United States.

Senator WALSH. Then, are there any others besides you five refining sugar?

Mr. SNYDER. None that are material.

Senator WALSH. None?

Mr. SNYDER. None that are material.

Senator WALSH. Entirely American industry in Cuba?

Mr. SNYDER. No; the Cuban-American, and they operate only intermittently. The Espana mill is probably owned by American capital. All of the others are purely Cuban.

Now, because—and I am emphatic about this statement—the question was asked by one of the committee this morning of one of the witnesses, whether this 2 cents a hundred pounds which exists in the Tariff Act of 1930 was the cause of refining sugar in Cuba, I will state to you it was not. If you will just reduce the figures to fractions, 2 cents per 100 pounds is one fiftieth of a cent a pound—no one is going to establish a refining industry on a favor of one fiftieth of a cent a pound. But what has caused this tendency to the increase of refining sugar in Cuba, and a number of smaller mills, to undertake at the mill to convert their sugar into a white sugar or a direct-consumption sugar, not a refined sugar, if you please, is the increase in the tariff per pound of sugar, made by the Tariff Act of 1930.

To save their necks, if you please, they could not continue the manufacture of raw sugar, not only because their market for it was decreasing, but their return was less. Now, you know and I know that the differential in the refining of sugar between the raw product as it reaches the markets of the United States, the refining centers of the United States, and the price of that same sugar as delivered to the public, the consumer, varies approximately from $1 to $1.25 per 100 pounds.

Now, these Cuban manufacturers of raw sugar, not being able to produce and sell raw sugar at a profit—and, what is more likely, at a loss—sought some way whereby they could put on the American market a direct-consumption sugar made by one of these vegetable char processes, which could be attached to the mill and made a continuous operation, whereby they could obtain for themselves a part of that $1 or $1.25 per 100 pounds, which otherwise went to the American refiner; thereby saving themselves a loss, because they haven't made their profit.

Senator WALSH. In other words, the tariff act shifted the manufacture or the making of sugar from raw to more refined?

Mr. SNYDER. Yes, sir; that was it. The 2 cents a hundred had nothing to do with it.

Senator WALSH. May I ask you now or at some time?

Mr. SNYDER. Yes, sir.

Senator WALSH. Just how much does your company import to this country?

Mr. SNYDER. I will tell you accurately.

Senator WALSH. And you only import for your own uses, as I understand?

Mr. SNYDER. No. We do more than that.

Senator WALSH. You sell out in the open?

Mr. SNYDER. Yes, sir.

Senator WALSH. In competition with the other refiners?

Mr. SNYDER. Yes, sir; with the other refiners, and on the same basis.

Senator WALSH. Well, perhaps you will come to that later. Never mind.

Mr. SNYDER. No; I will cover this subject generally, because I may be telling you something, things you don't want to know, because I have no prepared statement.

Senator WALSH. Well, how much, then, do you import, of refined sugar?

Mr. SNYDER. It is just as convenient to me, at one time, as another, to answer your inquiries, because I am here for the purpose of communicating information to you gentlemen in the drafting of this bill.

Senator WALSH. We appreciate that.

Mr. SNYDER. That is my sole purpose. Over what period of years would you want it?

Senator WALSH. For the last year, how much?

Mr. SNYDER. Last year? In 1932—oh, you want it in tons? We brought into the United States 196,000 tons of sugar.

Senator WALSH. What percentage was that of the total importation of refined sugar from Cuba to the United States?

Mr. SNYDER. Generally speaking, but not getting into decimals, you can assume we are responsible for one-half of the refined sugar that comes into the United States.

Senator WALSH. About 50 percent of it?

Mr. SNYDER. Yes, sir.

Senator WALSH. Now, go back to the few years prior to 1932, if you please.

Senator MCADOO. Senator, may I interrupt there for a moment? What percentage of your importation was used in your own plant?

Senator WALSH. I was going to ask that later.

Senator MCADOO. Oh.

Senator WALSH. All right.

Mr. SNYDER. At the present time we are using in our own plant in the United States—that is, the Hershey Chocolate Corporation—annually somewhat in excess of 30,000 tons of sugar.

Senator MCADOO. And you imported 196,000 tons?

Mr. SNYDER. I haven't the figures together. Yes, sir; 196,000 tons.

Senator McADOO. And out of that you used 30,000 tons in your own plants? The rest you sold?

Mr. SNYDER. And the rest we sold to the public.

Senator McADOO. The remainder you sold to the public?

Mr. SNYDER. The remainder was sold to the public, in commerce of the United States.

Senator WALSH. Give me your other figures, showing what that increase has been from year to year.

Mr. SNYDER. I will give it to you in round figures, and not give the hundreds.

Senator WALSH. Please.

Mr. SNYDER. In 1931, 175,000.

Senator WALSH. 1930?

Mr. SNYDER. 157,000.

Senator WALSH. 1929?

Mr. SNYDER. 150,000.

Senator WALSH. 1928?

Mr. SNYDER. 135,000.

Senator WALSH. 1927?

Mr. SNYDER. 103,000. 104,000 would be more accurate.

Senator WALSH. Thank you. That is enough.

The CHAIRMAN. It has gradually increased?

Mr. SNYDER. Yes, sir.

Senator WALSH. Almost doubled 1927?

Mr. SNYDER. There was a gradual increase. Yes; there was a gradual increase, because there was a plant—bear in mind this situation. We established this industry in Cuba in 1916, when our mill was built. We had considerable property scattered around, which had not been acquired. We operate three mills at the present time.

We built a plant. The plant represents a large expenditure that, together with the necessary lands and the railroad facilities that go with them, it represents an investment between $50,000,000 and $60,000,000, all in cash. We first tried various methods of making white sugar, because there are many ways of making white sugar, but the so-called direct consumption sugars, we tried the washed sugars, then we tried the Java process of making sugar. Java sugar—if you do not know, I will tell you—is a white sugar. It is not a refined sugar.

Senator WALSH. I don't really think, Mr. Snyder, the committee is much interested in the different processes you have tried.

Mr. SNYDER. Yes.

Senator WALSH. The reason for the growth of the importations, we will take up.

Mr. SNYDER. In 1925 we concluded to put in bone char for all our operations, and it has operated so, from that time until the present.

Senator WALSH. Well, now, the net result of all this that you are saying to us is this, is it not, that American money has gone down to Cuba, has been invested there, and has gone into the refining of sugar and is actually in competition here in America with the

American industry, where American money is invested in America, and where American workmen are employed?

You are actually in competition; isn't that correct?

Mr. SNYDER. That is true to some extent; yes, sir. That is true to some extent. The extent is not as great as you believe, but it is true.

Senator WALSH. It is caused, apparently, by the increases that are constantly being made in the sale of your refined sugar.

Mr. SNYDER. But understand this: We built a plant for an estimated capacity, and everything was balanced; but everything in the sugar business is out of balance and has been out of balance for 13 years.

We have had crop limitations in Cuba. After the United States Food Administration gave up its control of the sugar, then the Cuban Government took hold of it; and, since that time, since 1920, there have been but 2 years when the production of sugar in Cuba was without restriction. It is under restriction now, under the operations of the Chadbourne plan. We have never utilized yet the capacity of our mill production. We have not been permitted to, under the Cuban law. We are under restriction there, and I anticipate we are going to be under restriction here; and I say to you very frankly that I came here for the purpose of supporting this bill. That is my object, and the reason I am in Washington.

Senator WALSH. And the Walsh amendment?

Mr. SNYDER. Pardon me.

Senator WALSH. And the Walsh amendment?

Mr. SNYDER. I will even support the Walsh amendment, if you will change that 15 percent to what it should be.

Senator WALSH. All right. I would like to hear you on that.

Senator HASTINGS. What should it be?

Senator GEORGE. Yes; tell us that.

Mr. SNYDER. Well, you may say it is selfish. Well, I will answer your question direct. When you ask a question, I like to have it answered. It should be 25 percent in place of 15.

Senator HASTINGS. Why?

Mr. SNYDER. Well, now, I will give my reasons.

Senator WALSH. We may be able to trade before we get through here.

Mr. SNYDER. Yes. I will give my reasons for it.

Cuba, last year—well, I will first state this: Last summer, as Senator Hawes said, we spent the entire summer in Washington, holding hearings from June to September, ending up in the stabilization agreement, which, when it was completed, I felt, not only for our interests, the interests of Cuba, but the interests of the whole American people, I felt should be not put into effect, because there were only two things right about that agreement—one was the opening paragraph, which said, "This agreement witnesseth", and the other one was the closing, which said, "In witness whereof we have hereunto set our hands and seals." Everything else in between was wrong, as finally produced, and it was rejected; but there was a delegation here from Cuba at that time. They presented their figures, what allotments they should have, and they set out in pamphlet form and in great detail the commercial relations between the

United States over a period of 30 years. They asked for a minimum quota of sugar of 2,000,000 tons, of which 600,000 tons should be refined sugar.

The CHAIRMAN. From Cuba?

Mr. SNYDER. From Cuba.

The CHAIRMAN. Well, you never have had that much from Cuba?

Mr. SNYDER. No, sir; but I am telling you what they asked for.

The CHAIRMAN. I am sure the committee wants to be fair to every industry.

Senator WALSH. That is right.

The CHAIRMAN. They don't want to destroy the sugar-beet industry or any of your refiners' interests, or any of the interests that are in Cuba.

Now, there is a tremendous increase from 1925 up to 1933, from 1,182 to 439,000 long tons. That is the big increase. There has been a perceptible increase from the Philippines, from 2,647 to 61,000. The others have been immaterial. Of course, from Hawaii we do not count. Outside, from other foreign countries, there has been an increase of only 6,000 tons, I think a total of 626,000. Cuba furnishes 439,000. Now, what would you suggest as a fair basis, on the proposition to keep in status quo, without having before us the proposition that is going to increase, and knock out all the refiners in this country?

Senator WALSH. Or do any injustice to any interest, in Cuba or elsewhere?

The CHAIRMAN. Yes.

Mr. SNYDER. I was asked the same question before the House Committee yesterday morning.

The CHAIRMAN. Yes. Well, give us the answer again.

Mr. SNYDER. I feel that the same provision that applies to the islands, in Senator Walsh's amendment, should be applied to Cuba. That is, the 1933 imports; and that, I think, is fair.

The CHAIRMAN. Well, first, we have got to deal with the Philippines, too, on this, haven't we, Mr. Snyder?

Mr. SNYDER. Yes.

The CHAIRMAN. Well, you say for the 1933 imports. That is 439,000 tons. I understood you to say to Senator Walsh a moment ago 600,000 tons.

Mr. SNYDER. That is what the representatives of the Cuban Government in Washington presented to the Agricultural Adjustment Administration in their communications, a copy of which I have here.

Now, what I am doing, I am making an abatement from that, and I would suggest, I realize the position of the American refiners, and I will very frankly say to the members of this committee that when we started refining sugar in Cuba, and I will stand by the general statement that I made at that time, Senator, and that is this—there cannot be any general refining of sugar in Cuba. That is, no one can go to Cuba and establish a refinery and expect to do a successful business. The reason of it is this: The island is over 600 miles long. It is only 30 to 60 miles wide, and the transportation of sugar through that island by railroad transportation is simply out of the question. It is cheaper to ship it to the United States.

In Cuba you would only have Cuban sugar to refine, whereas the United States market absorbs large quantities of other sugar which are not Cuban.

The CHAIRMAN. You do not ship your sugar to any other country except the United States?

Mr. SNYDER. The proper answer to that question is no. We have at times tried to ship sugar to South America. We have at times shipped sugar to Africa, but as an item of commerce, the quantity is just immaterial. It is not to be considered.

Now, that amount asked for by the Cuban representative, of 600,000 tons, is 40 percent of the quota that is allowed in this bill to Cuba. The present production, the 1933 imports into the United States, would be somewhat over 25 percent. If you feel that you must make some reduction, 15 percent is absolutely too low, but it should be between 20 and 25 percent.

The CHAIRMAN. You would have no objection if the committee felt that the status quo should be maintained?

Mr. SNYDER. None whatever. I stated that to the House committee. This is an emergency measure. The country is operating under emergency conditions, we are familiar with that, and we realize the problem that you have, and we do not want to do anything on our part, and I am sure that Cuba does not want to do anything on its part. I have no objections under ordinary circumstances to going out in the American market, with the United States refinance. We do not undersell them. We must sell our sugar at the best price we can obtain for it, and we sell it at the best price we can obtain for it against their competition.

The CHAIRMAN. Let me ask you——

Mr. SNYDER (continuing). We are not price-cutters.

The CHAIRMAN. You are an expert, because you are the only man I have seen get Senator Smoot on this proposition.

Mr. SNYDER. I feel highly complimented.

The CHAIRMAN. You almost won me over in those controversies—but it looks now as though Senator Smoot was right. [Laughter.]

The CHAIRMAN. Is the differential now in the law sufficient to protect the American refiners?

Mr. SNYDER. In law; yes it is.

The CHAIRMAN. You do not think they need any larger differential? I may say that I have had a good deal of doubt about the proposition, but no one seems to get together on what the true figures are of the actual cost differences.

Mr. SNYDER. Well, we furnished them. We furnished them to the Tariff Commission.

Senator COSTIGAN. You agree with the conclusion of the Tariff Commission?

Mr. SNYDER. Yes, sir; because I advocated that position before the Tariff Commission. It was my duty to be there, because we had been attacked, but if you will pardon me, I would like to say—and I know it is an interesting question—I would like to say something with reference to the 1930 Tariff Act, not on a discussion of the tariff, however.

The 1922 tariff provided this differential, 96-degree sugar was $1.76. The duty on refined sugar was—no; I said 1.76. It is 1.7648, because you are going to subtract something in a moment, and you won't get the right answer. The duty on 96-degree sugar was 1.7648. The duty on refined sugar was 1.912. The difference between the two is .1472. That was the difference in the 1922 Tariff Act between 96-degree sugar and 100-degree sugar.

Under the 1930 Tariff Act, the duty on 96 sugar was increased to 2.00, or 2 cents a pound.

The CHAIRMAN. Sold in Cuba?

Mr. SNYDER. I am speaking only of Cuba, because to speak of the others would confuse it.

Senator COSTIGAN. That is on the 96 degree.

Mr. SNYDER. Yes, sir. On the 100-degree sugar it was 2.12. You see the difference between 96 and 100 in the one case. In the 1922 Tariff Act——

The CHAIRMAN (interrupting). It seemed to me that was a reduction of the differential.

Mr. SNYDER. It was.

The CHAIRMAN. And I went to Senator Smoot and told him that we were perfectly willing to reopen the proposition and to modify the thing, but he was afraid to reopen it, because he had had so many scraps on that variation.

Mr. SNYDER. I understood that was the situation at the time. I tried to keep myself fully informed of it, and notwithstanding what Senator Walsh said, I had no inside information. I could figure out the situation for myself. But you will bear in mind this, that that was Senator Smoot's amendment. It was Senator Smoot, after your amendment had been adopted by the Senate—I mean Senator Harrison's amendment had been adopted by the Senate, it became Senator Smoot's obligation, as he saw it, above others, to substitute something higher, and he drew up his amendment, and this is the amendment that he drew up that produced this result.

The CHAIRMAN. Now, let us take the other end of it. Suppose that this reduction is to be made on the recommendation of the Tariff Commission from 2 cents on Cuban down to 1.57—isn't that correct?

Mr. SNYDER. 1.53, as I understand it.

The CHAIRMAN. Down to 1.53. What results do we get? Will that be an increase in the differential?

Mr. SNYDER. I don't know. That is one thing I would like to know.

The CHAIRMAN. Wouldn't that carry with it a slight increase in the differential.

Mr. SNYDER. I think it would.

The CHAIRMAN. I should think so, but I am not sure.

Mr. SNYDER. I think it would produce that result, and for that reason I am very anxious to see the Tariff Commission's report. I have it by hearsay. Now, when we go before the Tariff Commission—bear in mind this, the refiners make this statement and in that I will corroborate them—to produce 100 pounds of refined sugar in their refineries, they require 107 pounds of raw sugar. On that 107 pounds of raw sugar, they pay a duty of $2.14, whereas we bring in 100 pounds of refined sugar and we pay a duty of $2.12; in other words, there is that favor to us of 2 cents per 100 pounds. I tell you definitely we did not want it, but Senator Smoot under his amendment gave it to us.

The CHAIRMAN. He did not want to give it to you. It was just a case where he was afraid to open it up again, and I do not blame him. But let me ask you now. If we reduce this from the 2 cents to 1.53, the 1.53 would be on the 96-percent sugar.

Mr. SNYDER. I understand so.

The CHAIRMAN. What would that be? Because you can figure those things and I cannot—you are an expert and I am not—what would that be on 100-percent sugar at the basis of $1.53 on 96-degree sugar?

Mr. SNYDER. Is the report going to recommend a reduction in the increment for each degree?

The CHAIRMAN. All I am trying to get at is if that is an increase in the differential. That would show it.

Mr. SNYDER. If the increment for each degree remains the same then it would be against us—yes; then it would be against us. I know you want to be accurate and I do not want to say anything offhand, but what I will do, I will make that calculation, Senator, and submit it to you, because standing on your feet, there is not anyone—and while the Senator has complimented me as being an expert and I was rather familiar with the sugar duties, I will not undertake to answer that by standing on my feet, by mental arithmetic.

Senator COSTIGAN. Mr. Chairman, the current reports are that the Tariff Commission has recommended a reduction of one half cent, and the figure 1.53 is based on the assumption that the possible processing tax may be 47/100 of a cent.

Mr. SNYDER. Then, will you allow me to continue with what I was going to say, because I was asked whether under the law as it stands, the refiners are protected. I say to you that they are, and I will also say to you that they are protected, however, to the extent of 2 cents less than they were before. The reason for that is this——

The CHAIRMAN. Not 2 cents.

Mr. SNYDER. Two cents per 100 pounds. The reason for that is this: While they consume 107 pounds of 96 sugar to produce 100 pounds of refined sugar, in their communications to you, and I have never seen them at any one time explained thoroughly—possibly they thought I would not draw your attention to it, but I feel it my duty to do it—but that 7 pounds is not lost. One pound of it is, because 1 pound is pure moisture and goes off in the air, but they have 6 pounds of by-products for whatever use they choose to make of it, and if they choose to make nothing of it, they have molasses.

The CHAIRMAN. Most of them make something out of it.

Mr. SNYDER. Oh, yes; they all do it. Now, they have those 6 pounds out of which they make something. That 6 pounds, while we do the same thing in Cuba, ours is in Cuba and theirs is in the United States. Their freight and transportation and duty are paid. Ours is down there, and if we want to make any use of it in the

United States, we must pay freight, we must pay duty, and any other expenses incidental to bringing it into the United States. That alone is sufficient to much more than overcome the 2 cents, but then in addition, they get something—it does not sound important, but it is. The man who makes that sugar down in Cuba packs it in a bag, sends it up to the United States. He buys the bag for that purpose. That bag costs the man in Cuba anywhere from 20 to 30 cents. It reaches the United States as it comes in duty free, by the way—although it is made of burlap—it is not subject to processing tax—he has that bag. Of course, it is not a brand new bag, and it 's not worth 20 to 30 cents any longer, but he takes it off and he washes it up, and he disposes of it, and it has a ready sale in the market anywhere from 6 to 10 cents.

So you see between the other things he gets much more than overcomes that 2 cents; so I say to you, as the law is written, he is protected, but I also frankly state to you that he is protected 2 cents ess than he was before.

Senator WALSH. In other words, your judgment is that to protect 'e American refining industry against future growth and imports, ie is better off to have a quota restriction than to fight over the lifferential.

Mr. SNYDER. Yes, sir. He is better off.

The CHAIRMAN. Would you mind putting into the record—we sked these other refining interests to put into the record their earnngs, and so forth. Would you object to doing that as far as you are oncerned?

Mr. SNYDER. Not at all.

The CHAIRMAN. And if you could separate it from your chocolate nd candy industry and the other?

Mr. SNYDER. Senator, the two businesses are entirely distinct. The ne has no connection with the other.

The CHAIRMAN. We are not interested in the candy and chocolate.

Mr. SNYDER. We deal with each other at arm's length.

I have criticized sometimes the business methods of the refiners d certainly do sometimes criticize the methods of the raw beet ople. I have no desire to do any injury to the raw beet sugar ople of the United States. I do not suppose I am going to get e opportunity to discuss that, but they do foolish things. They ve always, and invariably they sell their sugar under the maret. Senator Smoot complained about it at these hearings. The neral price is 20 cents under the market for cane sugar. They m to have a sense of inferiority, and they must sell at less, and ving that sense of inferiority they come in here and ask for otection.

Let me tell you something, and this is not an exaggeration; it is fact. We use sugar. We have used beet sugar, and when I tell u that the Hershey Corporation in Cuba will not sell to the Hershey ocolate Corporation in the United States sugar at the prices at ich the beet sugar people will sell it to us at——

The CHAIRMAN. They cannot reach Philadelphia, for instance, h the sugar—beet sugar—can they? That is too far. There is a certain place to which they can ship their stuff and sell it in competition, and they cannot go beyond that point.

Mr. SNYDER. At the present time, Senator, they are all over the United States. I do not know whether it was stated here—if not it was stated at the House hearings yesterday or the day before—the beet-sugar people are selling sugar in New England, and I will state to you that we—I say now the Hershey Chocolate Corporation—that we have bought beet sugar within 30 days delivered in the eastern territory at the price of Cuban rawls, duty paid, and that is 3.30.

Senator WALSH. The Senators from the beet-sugar States should take notice.

The CHAIRMAN. That draws sympathy from this committee, I should think, to the sugar-beet people, that they are selling 20 percent less.

Mr. SNYDER. They have my sympathy.

Senator COSTIGAN. There is no chemical difference between the two sugars, is there?

Mr. SNYDER. None at all. They are both sucrose. The chemists will tell you that sucrose from beets and sucrose from cane——

The CHAIRMAN (interrupting). Don't you think you have made the high points and can put the rest into the record? We want to hear one more gentleman.

Mr. SNYDER. If you will let me say one more word, I will stop. If I can give the committee the information, I have lots of things I can tell you.

The CHAIRMAN. I know you can give us a lot of information.

Mr. SNYDER. I want to draw attention to the weakness of Senator Walsh's amendment, because I appreciate, Senator, your desire to be fair.

Senator WALSH. I am very glad to have you do it.

Mr. SNYDER. In 1930 at the tariff hearings, when I was having considerable trouble with Senator Smoot's view, you came to my assistance on several occasions, and I have always appreciated that, but I do not appreciate this amendment you have in mind. [Laughter.]

You speak there of direct-consumption sugar. Now, direct-consumption sugar and refined sugar are just two entirely different things. You have seen the statistics and all of the refiners' statistics I have seen, the reports of the American Sugar Refining Co., and Mr. Bunker's tables, etc., apparently are correct, but there is only one gentleman in the United States who I believe can answer that question, and that is Mr. Fischer, and he is sitting back here. He is the sugar statistician for the sugar institute. I want to say to you this—that there was less refined sugar came into the United States in 1933 than did in 1932.

Senator WALSH. You have not those figures officially yet, have you?

Mr. SNYDER. Not officially; no. But I have the correct figures, and unofficially I will put them on record.

Senator WALSH. Please give them for the record.

The CHAIRMAN. Less in 1933 than 1932?

Mr. SNYDER. I am telling you refined sugar.

The CHAIRMAN. Then this chart is all wrong.

Mr. SNYDER. But there was a substantial increase in turbinado sugar. Turbinado sugar is sugar that can be made at any mill. Any mill can make it. It does not require a refinery. And direct-consumption sugars coming into the United States, if you go over the figures of Willette & Gray, year after year, as far back as you want, you will find that sugars for direct consumption, both raw and refined brought into the United States. It is a distinct thing in the trade and commerce and in manufacture and use.

Senator WALSH. What does the word "turbinado" mean?

Mr. SNYDER. A turbine is a thing that rolls around. It means something that is washed.

The CHAIRMAN. Must you have those sugars in certain trades?

Mr. SNYDER. They use them.

The CHAIRMAN. Do those that are refined in this country answer as just as good a substitute?

Mr. SNYDER. No.

The CHAIRMAN. In other words, these are necessary?

Mr. SNYDER. Yes. Take all the great tobacco interests in the South, the tobacco manufacturers, in putting up their various grades and kinds of tobacco, they use the sugar.

The CHAIRMAN. Your estimate of that character of refined sugar—whether you call it refined or raw or semiraw or whatnot—how many tons are there annually imported? If we should put a limitation and should take all that was adequate, what would be the amount that you would suggest on that?

Mr. SNYDER. I can only state to you that in 1933 there came in from Cuba 46,000 tons of this turbinado sugar.

The CHAIRMAN. Did any come in from any other country?

Senator WALSH. Is turbinado sugar produced in this country at all?

Mr. SNYDER. No.

Senator WALSH. To get that kind of sugar, you must get it in Cuba?

Mr. SNYDER. I would not say that some mill in Louisiana does not produce some of it, but what Louisiana makes is really a sugar for other purposes and a somewhat higher grade.

The CHAIRMAN. Is there a likelihood for the production of that character of sugar to increase in production?

Mr. SNYDER. I would think so.

The CHAIRMAN. In other words, if there were a limitation made, you think that should be put into a separate category?

Mr. SNYDER. Yes; I think so.

The CHAIRMAN. But a limitation should be placed on that?

Mr. SNYDER. Yes, sir.

The CHAIRMAN. Whether 45,000 or 50,000 tons, you would not say?

Mr. SNYDER. Whatever would be a proper amount. I would be glad to go over the figure.

Senator WALSH. Will you suggest an amendment to me, with the chairman's permission?

Mr. SNYDER. Yes; I will be very glad to discuss it with you. I know you cannot have all of those figures.

Senator WALSH. Such amendment as you think should be properly inserted in this bill, leaving the percentage for us to determine.

Mr. SNYDER. In 1932, which was only the year preceding, there were only 15,000 tons of these turbinado sugars that came in. It simply indicates that the manufacturing interests in the United States, in which I include tobacco, foodstuffs, canners, packers of fruits, and all those things that use sugar are seeking something to get away from the higher-grade refined sugars, and which answers their purposes perfectly as well, because you can realize, Senator, that a man putting up tobacco, if he is going to use sugar, he does not want a refined or granulated sugar like you have on your breakfast table. He wants a sugar, and the off color of it makes no difference to him, because it is going into that tobacco. It is going to be blacker than it was when he gets it.

The CHAIRMAN. We thank you very much. You are so entrancing there that you take up more time than we wanted to give. Mr. Mead.

Mr. MEAD. Mr. Chairman, it is reaching the time of your adjournment. I know you are all tired. Would it be just as convenient for you if I went ahead on Monday? I certainly cannot finish what I have to say in 10 minutes. I think there are one or two others that have something to say.

The CHAIRMAN. I want to get this time arranged. We are going to close the hearing on Monday, and we are going to have the Secretary of State down here Monday, and consequently we want to get to some definite conclusion on time. How much time do you think you want?

Mr. MEAD. I think I could finish in 25 minutes.

Senator COSTIGAN. Do you represent Hawaii?

Mr. MEAD. I am the only witness for the Hawaii sugar people.

Senator COSTIGAN. I have a radio message asking this committee to extend courtesies to their representative.

The CHAIRMAN. We know that Mr. Mead is an important witness. We only want you to realize our situation and to get in what you have to say in as short a time as possible.

Mr. MEAD. I understand that thoroughly and I will make my remarks just as brief as it is possible to make them. Before the House committee, day before yesterday, I think I had asked for 30 minutes. Possibly I can cut that down.

The CHAIRMAN. Mr. John W. Lowe. Is he in the audience?

Senator WALSH. Mr. Lowe is here.

The CHAIRMAN. Do you want to be heard now, Mr. Lowe?

Mr. LOWE. No. I represent an interest fully as large as that represented by Hershey. I cannot present it properly in the brief time allotted, and I feel that I should have fully as much time as has been extended to Mr. Snyder.

The CHAIRMAN. Whom do you represent?

Mr. LOWE. I represent the Revere Sugar Refinery of Boston, which refines some 200,000 tons of raw sugar per year, and I represent the United Fruit Co.

Senator WALSH. I know the chairman will take good care of you.

The CHAIRMAN. We will try to give you as much time as possible, but we cannot hear you for an indefinite time.

Mr. LOWE. I understand that.

The CHAIRMAN. Is Mr. Yates present?

Mr. YATES. I will ask leave to file a statement.

The CHAIRMAN. All right. Give it to the stenographer. Mr. E. W. Camp.

A VOICE. Mr. Camp did not remain, Mr. Chairman.

The CHAIRMAN. Mr. Capdeville?

(No response.)

The CHAIRMAN. Mr. Fowler, I understand, wanted 2 minutes.

Mr. FOWLER. Yes, sir.

The CHAIRMAN. All right, Mr. Fowler. You represent the Blackstrap Molasses Association.

STATEMENT OF H. H. FOWLER, REPRESENTING THE BLACKSTRAP MOLASSES ASSOCIATION

Mr. FOWLER. I wished to file this brief.

I want to suggest an amendment on behalf of the Blackstrap Molasses Association which represents approximately 60 percent of the importers, handlers, and consumers of that commodity.

I think this amendment is not a matter of controversy, and I think that the definition as suggested requires some change merely because of the inadvertent addition of the phrase or the clause: "And the total sugar content of which does not exceed 55 percent." You will find that in section 2 of subdivision (*d*) of the act.

Now, the purpose of our amendment is to eliminate from the definition the sentence which would limit exempt blackstrap molasses to that portion of the by-product so-called, the sugar content of which does not exceed 55 percent.

I might say a word to give the background and picture of the blackstrap molasses situation. Blackstrap, or waste molasses, is a by-product of all cane, and in some beet sugar mills. It is sometimes called beet molasses if it is a by-product of the beet sugar extraction. It constitutes the residue after all the extractible sugar has been obtained. It is wholly unfit and is not used for human consumption.

The amount of sugar contained in this waste molasses varies, depending upon the type and efficiency of the mill, and although the average sugar content of this waste molasses—sometimes—the average sugar content is under 55 percent, and some portion of the commodity may range well over that figure. The important fact to be noted here, I think, is that when sugar has been extracted from cane to the limit that the plain and ordinary processing affords, the remainder of the juice is called blackstrap molasses, and it is unfit for further extraction of sugar on a commercial scale, and it is put to uses that come within the definition, "Not used for human consumption or for the extraction of sugar to be used for human consumption."

And may I make this point clear, that this product has three very definite uses, all of which alike do not compete with sugar as it is defined in the act.

Senator WALSH. Have you submitted this material to the Department of Agriculture?

Mr. FOWLER. I have.

Senator WALSH. What is their attitude?

Mr. FOWLER. They have approved our attitude.

Senator WALSH. Why need you do anything more?

Mr. FOWLER. Because I was afraid that I would not have the opportunity to make this suggested amendment.

The CHAIRMAN. We have Mr. Weaver sitting right here for the purpose of taking all these things in.

Senator WALSH. They approved of it, and you have your brief, you are well taken care of.

Mr. FOWLER. I hope so. May I just conclude my statement then by saying that it seems to me that the committee and the purpose of the bill is not to strike at blackstrap molasses in any respect, that inadvertently the extra sentence was added. "Up to a 55-percent sugar content." That definition which is intended is "Molasses, a by-product not to be used for human consumption or for the further extraction of sugar." With that definition, the enforcing authorities can administer this act and leave out of the purview of the act that particular waste by-product which is not intended to come within the meaning of the act as suggested.

I will submit my statement, if you gentlemen would be kind enough to look over it.

I have also submitted copies of it to the Agricultural Adjustment authorities, and I think they have taken the suggestions up.

I might say that I appear this morning only to make sure that it receives the committee's attention. Thank you very much.

(The following is the statement submitted by Mr. Fowler on behalf of the Blackstrap Molasses Association.)

MEMORANDUM PROPOSAL AND AMENDMENT TO THE DEFINITION OF "BLACKSTRAP MOLASSES", FILED ON BEHALF OF THE BLACKSTRAP MOLASSES ASSOCIATION

MEMORANDUM PROPOSING AN AMENDMENT TO THE DEFINITION OF BLACKSTRAP MOLASSES

I. On February 12, 1934, Senator Costigan introduced a bill, S. 2732, which proposed the inclusion of sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act, and for other purposes. In section 2, subsection (D), the following definition was submitted:

"(D) The term 'blackstrap molasses' means the commercially so designated 'byproduct' of cane-sugar industry not used for human consumption or for the extraction of sugar, and the total sugar content of which does not exceed 55 per centum."

On behalf of the Blackstrap Molasses Association which represents approximately 60 percent of the importers, handlers, and consumers of the commodity defined, the following amendment to the above definition is submitted:

"The term 'blackstrap molasses' means the commercially so designated 'by product' of the cane-sugar industry not used for human consumption or for the extraction of sugar to be used for human consumption."

The purpose of the proposed amendment is to eliminate from the definition the sentence which would limit exempt blackstrap molasses to that portion of the byproduct so called, the sugar content of which does not exceed 55 percent. It should be noted that the definition of "beet molasses" contained in subsection (E) of section 2 contains no such limitation and that the definition proposed would correspond substantially to that of beet molasses.

II. Blackstrap or waste molasses is a byproduct in all cane and in some beet sugar mills. It constitutes the residue after all the extractable sugar has been obtained. It is wholly unfit for and is not used for human consumption. The amount of sugar contained in this waste molasses varies, depending upon the type and efficiency of the mill employed in extracting the edible sugar. Although the average sugar content of this waste molasses is under the 55-percent limit, some portion of the commodity may range well over that figure. The important fact to be noted is that when the sugar has been extracted from the cane to the limit that the plant and ordinary processing afford the remainder of the juice is called blackstrap molasses, is unfit for human consumption or commercially unusable for the further extraction of sugar, and is put to uses which come within the definition "not to be used by human consumption or for the extraction of sugar to be used for human consumption."

Prior to 1905 this inedible waste product constituted merely a problem in waste disposal and was actually a considerable nuisance to sugar mills in the various producing areas. Since that time it has become a most useful byproduct of the sugar industry. It now furnishes a vital constituent in the production of cattle and dairy feeds in the United States, and, in the form of industrial alcohol, has become indispensable for many industrial processes. Its utilization in these forms has resulted in the development of a large domestic industry which is completely dependent upon the availability at a reasonable price of this former waste product. (See Spencer, A Handbook for Cane Sugar Manufacturers, passim.; Summary of Tariff Information, 1929, Schedule 5, Sugar, Molasses and Manufacturers of (compiled by the U.S. Tariff Commission, 1929), pp. 984–990; Tariff Readjustment—1929, Hearings before the Committee on Ways and Means of the House of Representatives, 70th Cong., 2d sess., Volume V, Schedule 5, Sugar, Molasses and Manufacturers of, pp. 3356–3368; Tariff Act of 1929, Hearings before a Subcommittee of the Senate Committee on Finance, 71st Cong., 1st sess., Schedule 5, Sugar, Molasses and Manufacturers of, pp. 316, et sec.)

The domestic consumption of blackstrap molasses over the last decade has averaged 313,180,379 gallons annually. From 35,000,000 to 60,000,000 gallons annually have been consumed in the manufacture of domestic cattle feed, 60 percent of which contains blackstrap molasses as an essential basic ingredient. Over 60 percent of all the blackstrap molasses consumed in the United States is employed in the manufacture of industrial alcohol. The bulk of the remainder is utilized in the production of yeast and vinegar. It has been estimated that approximately 15,000,000 gallons are used annually in the manufacture of these products.

It should be noted that in none of these forms of utilization does this commodity compete with sugar as it is defined in the act. This is the explanation of the exception of these waste products from the purview of the act.

III. The purpose of subsection (D) of section 2 is to exempt from the purview of the act the molasses byproduct of cane-sugar extraction not used for human consumption or for the further extraction of sugar.

The draftsman faced a problem due to the existence of a molasses coproduct of cane sugar which may be used for human consumption and for the further extraction of sugar. The implied purpose of the act is to exempt the one and include the other. The problem is set up in clear relief in the following quotation from the Summary of Tariff Information, 1929, Schedule 5, Sugar, Molasses, and Manufacturers of (compiled by the U.S. Tariff Commission, 1929), pp. 984, 985:

"*Description and uses.*—Molasses is either a byproduct or a coproduct of the sugar industry. It is what remains of the juice of sugar plants after the principal impurities have been removed, the juice boiled down, and a part of the sugar crystallized and removed. Some molasses is also obtained as a byproduct when raw sugar is reduced to the refined state.

"Molasses is roughly classed as edible or as blackstrap (inedible). Practically no beet molasses in the natural state is edible. If cane molasses contains sugar which could be removed by further concentration of the molasses, the residue is a coproduct with sugar and generally is edible or is used for the further extraction of sugar.

"If all of the sugar which can be separated profitably has been removed from the concentrated juice, the molasses is a byproduct called blackstrap, waste molasses or industrial molasses, and is usually unfit for human consumption or for the further extraction of sugar. Blackstrap carries a lower rate of duty than does edible molasses, providing the importer declares that it is not imported to be commercially used for the extraction of sugar, or for human consumption.

"Beet molasses and cane molasses not suitable for human food (blackstrap) are used in the manufacture of industrial alcohol, as an ingredient of cattle feeds, and, to some extent, in the manufacture of yeast, vinegar, and other products."

The probable purposes of the 55 percent limitation is to set up a method of identification of the molasses that is not used for human consumption or for the further extraction of sugar.

This limitation seems undesirable because it will result in the inclusion of a sizable proportion of "blackstrap molasses" or molasses not used for human consumption or for the further extraction of sugar, within the term "sugar." This inclusion will mean that the manufacturers and consumers of this commodity in a large domestic industry will have to carry a processing tax, a result unintended and beyond the purpose of the act.

"Tests made by three of the largest users of blackstrap molasses disclose that over a period of the last 5 years the yearly points of highest sugar content averaged were 64 percent, 62 percent, and 59 percent, respectively, for the three companies."

Certain peculiar conditions make this result extremely undesirable. It is well known in the industry that any marked increase in the price of blackstrap molasses—such as might be produced—would result in an increased synthetic production of industrial alcohol, a competition restrained only by the cost of productive machinery. To encourage this competition is to injure the sugar farmer in his reliance on income from the blackstrap molasses industry. Furthermore, any price increase will be reflected in the cost of cattle feed, a staple and necessary product for the farm. The very presence of the exemption is ample evidence of the desire of the framers of this bill to avoid any such injury to this industry. The important and determining characteristic is not sugar content but utilization. The sugar content of the commodity is of no importance as long as blackstrap molasses is not used for human consumption or for the extraction of sugar for human consumption. The definition submitted draws the line of distinction accordingly to the purpose implicit in the exemption.

IV. It is submitted further that the identification of molasses intended to be exempt can be accomplished with greater facility and fairness by administration rather than legislation. The inclusion of this yardstick of sugar content as a matter of legislative definition commits the administration to a policy of taxing a sizable proportion of a commodity that is beyond the intention and purview of the legislation. It sets up a "rule of thumb" that will be unwieldy and expensive as a matter of administration. It will mean that a testing apparatus will have to be provided for the domestic production of this commodity.

The motive of this limitation seems to be to prevent the escape from the purview of the act of molasses which might be utilized for human consumption or for the further extraction of sugar because of its high sugar content. The protection afforded by such a limitation is illusory because molasses having a sugar content below 55 percent could be utilized for human consumption and the further extraction of sugar. See Summary of Tariff Information, 1929, supra, on page 84, where duties are set up for edible molasses whose sugar content may go as low as 48 percent. The tariff authorities have faced an analogous situation because of a provision that blackstrap is to carry a lower rate than edible molasses. They allow the lower rate providing the importer declares that it is not imported to be commercially used for the extraction of sugar or for human consumption. See Summary of Tariff Information, 1929, supra, at page 84.

It is submitted that administrative officials can accomplish the result desired by the framers of the act through administrative regulations and methods of determination of whether or not the commercially designated byproduct of the can-sugar industry is used for human consumption or for the extraction of sugar. It should be possible to administer an act containing the amended definition so as to effectively reach and include all molasses which is used for functions comparable or competitive with sugar. At the same time the administration could carry out the purpose of the exemption effectively and fairly by leaving outside the Agricultural Adjustment Act a byproduct of the processing of sugarcane which is not used for human consumption or for the further extraction of sugar.

The CHAIRMAN. Mr. H. R. Bishop. Do you desire to put into the record some statement?

Mr. BISHOP. I would like to put in a statement, and to be heard for about 2 minutes.

The CHAIRMAN. All right, we will hear you for 3 minutes.

STATEMENT OF H. R. BISHOP, OF THE FIRM OF BUCKLEY & BUCKLEY

Mr. BISHOP. I represent certain raw-sugar producers of Puerto Rico and the Puero Rico Sugar Refinery, the largest refinery in Puerto Rico.

I just have a few points I wish to make orally, and one of them is that Puerto Rico is a part of the United States, and that the Agricultural Adjustment Administration and the N.R.A. apply to Puerto Rico. The question was raised before the House as to what extent the people of the island were willing to go under the N.R.A., and I wish to tell this committee that about four months ago the N.R.A. sent a deputy administrator down there. What he has accomplished, I do not know, but the people have been cooperating with him and they are willing to cooperate with him. They ask no exemptions from the provisions of the N.R.A. any more than any other part of the United States would.

As to the Agricultural Adjustment Administration, they are also paying whatever processing taxes have been placed on the products which they have.

I wish to make one or two more points.

One is that the sugar industry is the backbone of the economic life of Puerto Rico.

There seems to be a conspiracy on the part of the witnesses here to turn this committee into economic chiropractors, but that is the best way to express it—that it is the backbone and economic life of the island.

Puerto Rico is the sixth best customer of the mainland of the United States, the sixth best world customer. It is the first customer in Latin-America sections. That, too, takes in Mexico and the Caribbean countries in South America, too.

The third point that I wish to make concerns quotas. The President's quota of 821,000 for Puerto Rico. Senator Vandenberg made the point on the Senate floor that that penalized them 160,000 short tons instead of 50,000, as was apparent from the allotment that was given them in the sugar agreement. Mr. Jose L. Pasquera, former Resident Commissioner of Puerto Rico, who has just come to Washington, informs me that the present estimated crop for this year, 1933–34, will be 1,100,000 short tons. Those are not official figures, but it will be in the neighborhood of 1,000,000 tons, which means that this quota would penalize Puerto Rico in the amount of approximately 30 percent.

One other point, and that is this: Puerto Rico should not be considered with a foreign country. As this act is drawn, it is placed with foreign countries, and those insular possessions to which the original Agricultural Adjustment Act does not apply, and I wish to file this statement with certain amendments that I propose, and I thank you very much.

STATEMENT MADE BY H. R. BISHOP, OF THE FIRM OF BUCKLEY & BUCKLEY, ON BEHALF OF CENTRAL CARIBE, CORPORATION AZUCARERA SOURI SUBICA, CENTRAL BOCACHICA, CENTRAL MERCEDITA, CENTRAL SAN FRANCISCO, PORTO RICAN AMERICAN SUGAR REFINERY, INC., SUCCESSION SERALLES (ALL OF PUERTO RICO)

Puerto Rico has no representative in the Senate—no Senator to protect its back-home interests—and if the Senate bill before us is enacted into law, this committee as a whole and the Senate as a whole must recognize the political status of Puerto Rico, must recognize its economic and trade value to the continental United States and act in a most sympathetic manner toward the island and must not act in any way that will bring about economic chaos in the island. The farmers of Puerto Rico anxiously await your decision, for until the decision is known they are in the position of not knowing where their future existence rests. These farmers, these producers, represent a goodly portion of the island's population.

Puerto Rico has been a part of the United States for 35 years. The people of the island are American citizens. The island itself, for all economic and political purposes, is an extension of the United States. It is as much a part of the United States as New Jersey, New York, or Connecticut. Its people are proud of their status, proud to be under the United States flag, proud to remain there and anticipate a future statehood. The 1,600,000 American citizens on the island have been educated and trained in American principles and ideals. The people of the island will stand or fall with the United States, will take the bad with the good and expect in return to receive conscientious treatment at your hands.

Congress saw fit to extend the Agricultural Adjustment Act and the National Recovery Act to Puerto Rico. This fact is not true of all of our other insular possessions. These acts are in effect in Puerto Rico and every effort is being made to meet the requirements of this new legislation.

There are just a few patent facts which I would like to leave with you for your kind and earnest consideration:

1. Puerto Rico is an integral part of the United States and in the proposed legislation before us must be considered on that basis. Any consideration shown continental sugar interests must be in a similar manner extended to Puerto Rico.

2. Puerto Rico must be dealt with in a sympathetic manner by the Congress of the United States. Its entire fate and future rests in the hands of the Congress of the United States and while removed many miles from the situs of where its fate is being considered, at no time must its physical existence be lost sight of, for you are dealing now with the economic future of a most important part of the United States. I might state at this point that the sugar industry is the economic backbone of Puerto Rico.

3. Puerto Rico is the sixth best world customer of continental United States and I emphasize the word "world."

4. Puerto Rico is the best customer we have in our Latin American trade—and that includes Mexico, Central and South America, and the Caribbean countries. In order that Puerto Rico may continue in this position as an extremely valuable customer of continental United States, her sugar industry must not be restricted to any great extent for as heretofore stated the sugar industry is the economic life blood of the island.

5. Practically all of the trade of Puerto Rico is carried in ships flying the United States flag.

6. On February 15, 1934, Senator Vandenberg stated on the floor of the Senate that Puerto Rico is not penalized 50,000 short tons in the President's allotment of 821,000 short tons, but is penalized on estimates of the 1933–34 crop at 160,000 tons. There is present in Washington and he is ready to testify before this committee, Mr. Jose L. Pesquera, former resident commissioner of Puerto Rico, who has been sent up here by the farmers of Puerto Rico and he has information in his possession to show that the 1933–34 crop is estimated at 1,100,000 short tons, therefore Puerto Rico would be penalized over 270,000 short tons by the President's allotment of over a 30-percent sacrifice.

Puerto Rico graciously accepted at a great sacrifice 875,000 short tons of sugar under the sugar stabilization agreement considered last autumn but which was rejected by the Secretary of Agriculture. Now under the President's message 50,000 more short tons would be lopped off the quota of Puerto Rico and if this is done it will severely handicap the future of the Island and give rise immediately to fear and apprehension among the farmers and producers of the Island.

7. In no event must Puerto Rico be grouped and considered with a foreign country. It must be constantly borne in mind that Puerto Rico is a part of the United States and you are dealing with the future of American citizens.

8. If quotas are to be fixed under this legislation, Puerto Rico must be given a fair quota and in arriving at a quota, consideration must be made for those years in which Puerto Rico suffered disastrous results to its sugar crop through hurricanes and tornadoes. We do not believe that the figure of 821,000 short tons named by the President takes this fact into consideration.

9. Whatever is collected in the nature of taxes to be levied on sugar from Puerto Rico should be, by a specific mandatory provision in the law to be enacted, returned to Puerto Rico for the general benefit of agriculture in the island.

10. Lastly, please allow me to emphasize the fact that in Puerto Rico you have an insular possession that must not only be considered in an agricultural sense but must be dealt with in the light that the contiguous position of the island makes it a most important factor in problems that concern our State and War Departments.

PROPOSED AMENDMENTS TO SENATE BILL 2732

1. Section 3, page 6, add new paragraph (7):

"The word 'domestic' as used herein means those areas of the United States to which this act is made applicable by section 10 (f)."

The purpose to be accomplished by this amendment is merely one of definition and is submitted for that purpose.

2. Section 3, page 4, line 8, strike out the words "Territory of Hawaii."

Line 9, strike out the words "Puerto Rico."

The reason for proposing this amendment is that Hawaii and Puerto Rico are two insular possessions to which the Agricultural Adjustment Act is made applicable by section 10 (f). They should, therefore, not be grouped with foreign countries and those insular possessions which are expressly exempted from the provisions of the act.

3. Section 3, page 4, after the comma following the word "Florida", insert wherever such word appears in said section the words "Territory of Hawaii" and "Puerto Rico."

The reason for this amendment is similar to the reasons given for the second amendment. Since Hawaii and Puerto Rico are together with the continental areas included as parts of the United States to which the Agricultural Adjustment Act is applicable, this grouping should be maintained in any amendment to the act.

4. Section 3, page 4, line 2, after the comma following the word "consumers", add the following words: "and so as not to prejudice, and to safeguard the interests of sugar producers in the mainland and possessions of the United States."

This amendment is proposed in no spirit of selfishness but merely to insure that proper consideration be given to the interests of the United States and its possessions as against the interests of foreign countries.

5. Section 3, page 4, line 20, substitute colon for semicolon following the word "allotments", and add:

"*Provided*, That the Secretary of Agriculture shall make no orders or regulations which would prejudice the interests of sugar producers in the insular possessions of the United States, to the benefit of sugar producers of foreign countries."

This amendment is proposed for the purpose of making certain that no unjust discrimination is made in favor of any foreign country to the detriment of the insular possessions of the United States.

6. Section 3, page 5, line 12, substitute a colon for the period following the word "allotments" and add:

"*Provided*, That the Secretary of Agriculture shall make no orders or regulations which would prejudice the interests of sugar producers in the insular possessions of the United States, to the benefit of sugar producers in the Continental United States."

This amendment is considered necessary in order to make certain that the interests of the insular possessions of the United States will not be prejudiced in order that the continental areas may be unduly benefited at the expense of the insular possessions.

7. Section 8, page 7, line 24, after the words "Philippine Islands", add the words "Puerto Rico."

This amendment is proposed because it is believed that any processing tax paid upon Puerto Rican raw sugar processed in the United States should be expended for the general benefit of agriculture in Puerto Rico, rather than placed in the general fund to be distributed by the Department of Agriculture.

8. Section 3, page 5, line 2, add the words "the planting or" after the word "to."

This amendment is proposed in order to give the Secretary of Agriculture the necessary discretion to take into account hurricanes or other calamitous happenings which might destroy or injure a crop.

9. Section 3, page 4, line 14, strike out the words "1925–1933" and insert in lieu thereof "beginning July 1, 1925, to July 1, 1933, inclusive."

This amendment is proposed because it brings the crop years to date. It further places the periods involved on the same basis as those that we dealt with during the long negotiations before a sugar stabilization agreement.

10. Section 3, page 5, line 6, strike out the words "1925–1933" and insert in lieu thereof, "beginning July 1, 1925, to July 1, 1933, inclusive."

This amendment is proposed because it brings the crop years to date. It further places the periods involved on the same basis as those that we dealt with during the long negotiations for a sugar-stabilization agreement.

11. Section 3, page 5, line 8, strike out the words "most representative" and insert in lieu thereof the word "maximum."

This amendment would give an average of the maximum production and that way the rights of no United States producer could be prejudiced.

12. Section 3, page 5, line 11, after the word "readjust", add the words "but not lessen."

This amendment is proposed for the reason that the proposed act as it now reads would permit the Secretary of Agriculture to readjust quotas in any way he saw fit. It would not be well to permit him to lessen any quota once assigned, because of the hardship it might work on some area which would have planted its crop in accordance with the quota assigned.

13. Section 3, page 5, line 12, strike out period and add:

"*Provided*, That with respect to any sugar-producing area of the United States or its possessions which, during the respective years beginning July 1, 1925, to July 1, 1933, inclusive, suffered from hurricanes or tornadoes, with consequent injury to and loss of crops, the Secretary of Agriculture shall use the two maximum production years in the respective years referred to in determining such quotas."

This amendment is proposed in order that consideration be given those areas that suffered from hurricanes and tornadoes in determining quotas.

14. Section 8, page 7, lines 20, 21, and 22:

Line 20, strike out the word "the" following the word "that."

Line 21, strike out all of line 21.

Line 22, strike out the words "to decree that all or part of" and add the word "all."

This amendment is proposed so as to provide for a mandatory provision under the law for the return to Puerto Rico of all taxes collected on sugar from Puerto Rico.

The CHAIRMAN. The statement of Jules M. Burguieres is directed to be placed into the record.

STATEMENT OF JULES M. BURGUIERES ON BEHALF OF THE FLORIDA SUGARCANE INDUSTRY, APPEARING FOR A COMMITTEE OF THE STATE CHAMBER OF COMMERCE, APPOINTED BY THE GOVERNOR

Mr. BURGUIERES. The Florida sugar industry is beset by the ills occasioned by the depression and is in favor of a plan that will assure parity prices prevailing before the World War. To that end it is willing to cooperate along lines that will mean an adjustment of the conditions that will bring about a proper relief to the domestic sugar industry, without sacrificing the principle of United States markets for the United States producers.

The Florida sugar industry believes that insofar as the establishment of quotas for the domestic industry are concerned due regard should be given to the position of the Florida industry as already set forth in hearings and statements before the Department of Agriculture, and respectfully calls attention of the Congress to the great expenditure over many years and the investment already incurred, the present production from which is not the correct basis in any proposed plan of allotment.

The CHAIRMAN. The committee will adjourn until 10 o'clock Monday morning, Feb. 26, 1934.

(Whereupon, at 1 p.m., an adjournment was taken as above.)

TO INCLUDE SUGAR BEETS AND SUGAR CANE AS BASIC AGRICULTURAL COMMODITIES UNDER THE AGRICULTURAL ADJUSTMENT ACT

MONDAY, FEBRUARY 26, 1934

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

The committee met, at 10 a.m., in room 312, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Costigan, Clark, McAdoo, Byrd, Lonergan, Keyes, La Follette, Jr., Hastings, and Walcott.

The CHAIRMAN. Is Mr. Mead in the room? Mr. Mead, how much time do you think it would require you?

Mr. R. D. MEAD. I can finish, I think, Senators, in a half an hour.

The CHAIRMAN. You do not think that you could finish in less time than that?

Mr. MEAD. I do not think so. It may be possible.

The CHAIRMAN. Didn't you appear before the committee of the House?

Mr. MEAD. I appeared before the committee of the House, and occupied about 25 minutes there—25 to 30.

The CHAIRMAN. I hope that you can finish within 20 minutes.

Mr. MEAD. I will finish just as soon as I can, Senators.

STATEMENT OF R. D. MEAD, VICE PRESIDENT HAWAIIAN SUGAR PLANTERS' ASSOCIATION

Mr. MEAD. My name is R. D. Mead, and I am the vice president of the Hawaiian Sugar Planters' Association, which is a voluntary cooperative organization of all of the sugar plantations and sugar producers of the Territory of Hawaii.

In order that there may be no confusion in the minds of the members of the committee, I desire briefly to touch upon the status of Hawaii. Hawaii is incorporated Territory of the United States and an integral part thereof. It was so declared in the treaty between the Government of the United States and the Republic of Hawaii, in 1897, reaffirmed by an act of Congress and by decisions of the Supreme Court. Thereafter Hawaii was organized as a Territory of the United States, and now occupies the same status as many of the Western States formerly occupied. Utah, Colorado, Wyoming, Montana, Idaho, New Mexico, and Oklahoma were all incorporated Territories of the United States, and occupied the same position, at one time, that Hawaii now occupies.

Senator KING. I think there is no controversy about that, Mr. Mead.

Mr. MEAD. Yes. Well, the——

Senator KING. May I say that I was the one that offered the first resolution in Congress, when I was a young chap, for the annexation of Hawaii, in 1897.

Mr. MEAD. Well, you have always been very friendly toward Hawaii, and we tremendously appreciate it, but the point I want to make is that in this legislation, and in any general legislation of Congress, there can be no discrimination against the Territory of Hawaii. The same yardstick that measures any adjustment of this sugar problem must be applied to Hawaii equally as it is applied to any part of the United States. I shall also touch briefly upon the difference in the status between Hawaii and Puerto Rico, and the Philippines. Puerto Rico and the Philippines are territory of the United States, but are not incorporated territory. Congress has unlimited power over those islands. You may place any tax you please upon their products. You may put import duties upon their products. You may eliminate them as a part of the United States, if you see fit. The Constitution and laws of the United States apply to Hawaii, without question. So far as Puerto Rico and the Philippines are concerned, they apply only insofar as Congress applies them.

It was not long ago that a Puerto Rican, who was a citizen of the United States, demanded a jury trial, relying upon his constitutional rights. The Supreme Court held that he was not entitled to a jury trial because the Constitution in that particular had not been applied by Congress to Puerto Rico; so there is a wide difference in the status of the Territory of Hawaii, incorporated territory, and an integral part of the United States; and Puerto Rico and the Philippines, possessions of the United States. Hawaii is strictly an agricultural country.

We have two primary industries, sugar and pineapples, of which sugar is predominant. Our plantations are capitalized at approximately $165,000,000. We have nothing, or comparatively nothing in the way of bond issues and preferred stock. It is all American capital, and the plantations are all owned, controlled, and operated by Americans.

Senator KING. That German company was fully liquidated in your country?

Mr. MEAD. It was fully liquidated, yes, sir; during the war.

We have on our plantations approximately 54,000 laborers, employees, a total population, however, living on the plantations and in the plantation houses, of about 101,000. It varies, 101,000 to 102,000 people. Their earnings average around $1.80 per day, in addition to which we furnish them with houses, hospital, and medical treatment, fuel, and water without charge. That is estimated by the Department of Labor to be about $28 per month cost to the plantations per laborer, so that we are paying to our laborers, in Hawaii, a far greater wage than the average farm laborer on the mainland.

Senator KING. How do the costs of living there compare with the costs of living here?

Mr. MEAD. The costs of living are far less. In addition to these things, where there are plantation stores—and nearly all of the plantations have them—the laborers are allowed to purchase their staples at cost.

Senator KING. Are they compelled to?

Mr. MEAD. No; they are not. We provide them with continuous employment through the year. There is no such thing on the plantations as seasonal employment and the discharge of men at the end of any harvesting season. They go right through. For some time past, we have been not experimenting, but we have been trying to make conditions upon the plantations so very attractive to the younger generation as to start a movement from the cities back to the soil, to reverse the process which has been going on for many years on the mainland, and we are meeting with considerable success, and eventually hope to be able to have an entirely resident population on the plantations, without the shifts which we have been suffering from for so many years.

The plantations had been very carefully financed. When there had been prosperous years, they have retired their bonds and laid aside reserves, so that when the lean years have come along, as they have more recently, we have been able to make some slight return to our stockholders, in the way of dividends.

Senator COSTIGAN. Mr. Mead, have you any figures showing the average wage paid to the workers on the plantations?

Mr. MEAD. Yes. The figures which the plantations themselves have given me, and which I know about, are a little bit higher than the statements in this report which I am referring to. It is a report on labor conditions in the Territory of Hawaii, 1929–30, by the United States Department of Labor, Bulletin of the United States Bureau of Labor Statistics, No. 534. I will read two or three paragraphs of this, Senator Costigan. This is the official report, as I say, of the Department of Labor:

> The average earnings of those doing the short-term contract work, was $1.85 per day, for adult males. The average earnings of long-term contractors was $2.07 per day for adult males. The average earnings of day laborers, ranged by kinds of work, from $1.08 to $3.53 per day, for adult males. The above rates do not include the rental value of homes nor the value of fuel, water, medical and hospital services, furnished by the plantations without cost to the employees.

Now, if this is not in the report——

Senator COSTIGAN. The number of days is not given?

Mr. MEAD. No. The number of days is not given, though there are tables in this report, which I will not try to present.

Senator COSTIGAN. It represents short-term contracts?

Mr. MEAD. Well, you see that needs some explanation. Practically all the work on our plantations is piecework. I suppose that not over 5 percent of our laborers are on a daily wage basis. We contract for the work, as you would contract for the building of a house, and the laborer earns what his industry brings him, particularly in the cultivation contracts and the harvesting contracts.

Senator CLARK. How many sugar plantations are there in Hawaii?

Mr. MEAD. There are about 42, Senator?

Senator CLARK. What is the average acreage?

Mr. MEAD. Well, I do not know, sir, what the average acreage would be. There is altogether planted in sugarcane about 250,000 acres, of which about 130,000 are harvested every year. In addition to these employees who are directly engaged in the production of sugar, there are probably 100,000 more people in the territory who are directly or indirectly dependent upon the sugar industry. Furthermore, we have at Crockett, Calif., a refinery owned by 33 of the plantations of Hawaii, producing approximately 80 percent of the total quantity of sugar, which employs 1,500 men and women, and supports the village of Crockett, having a population of approximately 5,000. The basic wage rate in that refinery is 50 cents an hour, which is higher, I believe, than any basic wage fixed in any N.R.A. code.

Senator CLARK. Can you tell us, Mr. Mead, what proportion of the Hawaiian sugar is refined in that refinery?

Mr. MEAD. I believe that we refine about 600,000 tons, or 550,000 tons to 600,000 tons in that refinery. One hundred and twenty thousand tons, I believe, go to the Western Sugar Refining Co. in San Francisco, and the balance of it comes East, to the eastern refineries.

Senator BARKLEY. What proportion would that be of the total Hawaiian production?

Mr. MEAD. The total produtcion of Hawaii is around a million tons. Our average for the last 3 years has been 1,018,000 tons, and if 600,000 tons go to Crockett, it would be about 60 percent.

The CHAIRMAN. Is any of it refined in Hawaii?

Mr. MEAD. We refine none of it in Hawaii. The Honolulu plantation has a bone-char refinery and produces about 40,000 to 45,000 tons of refined sugar.

The CHAIRMAN. Is that a new institution?

Mr. MEAD. No; it is not a new institution. The Honolulu plantation was established, if I am correct, around 1900, somewhere in that vicinity, establishing from the very beginning a refinery. I would also call your attention to the fact that all of our sugar and all of the shipments from the mainland to Hawaii are carried in American vessels. It has been one of the greatest incentives toward the building up of an American merchant marine. The payments to rail and water carriers in 1932, for Hawaiian sugar, raw and refined, was very close to $9,000,000—$8,800,000 and some odd.

I would like now, Mr. Chairman, to speak on the bill itself. I have been unable to find any relation between the recommendations in the President's message, insofar as quotas are concerned, and the bill itself, and I wish it might be understood by the members of the committee, and particularly by Senator Costigan, that in criticizing the bill I am not in any way offering any criticism of the Senator. His knowledge of the sugar business is too great, and his keen and analytical mind, I am sure, would never have led him to have written some of the provisions of this pending measure. I cannot imagine that he has done so. The President's message states:

The Secretary of Agriculture should be given authority to license refiners and importers and handlers to buy and sell sugar from the various producing areas, only in the proportion which recent marketings of such areas bear to the total United States consumption. The average marketings of the past 3 years provide, on the whole, an equitable basis.

The average marketings of the last 3 years, on a raw sugar basis, consumed in the United States, were—I will go in the order in which they are on this table—for the beet area, 1,342,500 tons; for continental cane, 227,000 tons; for Puerto Rico, 817,000 tons; for Hawaii, 935,000 tons; for the Philippines, 1,032,500 tons; Virgin Islands, 3,500 tons; Cuba, 1,934,500 tons.

The CHAIRMAN. Let me see that.

Mr. MEAD. This is the raw-sugar basis, as you understand. The only instance of a reduction of our marketings is in the case of Hawaii. The President's message speaks of 935,000 tons, and our marketings, deliveries on the continent, were 993,500. Everyone else, every other area, gets a boost, and we get a reduction.

The bill itself provides that the Secretary of Agriculture may take any 3 of the last 8 years of deliveries, by any of the producing areas in the United States. Those 3 years, in Cuba, of those 8 were the highest amounts of sugar, the largest quantities of sugar, that Cuba had ever shipped to the United States. If we should take the average of the years 1926, 1927 and 1929 for Cuba, we would have an allotment to Cuba of 3,680,000 tons. That is what the Secretary of Agriculture could take as the Cuban quota, under the powers which you propose to give him in this bill. By taking any 3 of the last 8 years—and Mr. Tugwell and Mr. Ezekiel and all the other members of the Department of Agriculture stated that that was the object, to take any 3 of the 8 years—not the last 3 years, as the President states, but any 3 of the 8 years—you could give Cuba more than half of what we now consume, and you could reduce the rest of us, in the case of Hawaii, to 750,000 tons; the beet area to a million tons; Puerto Rico to around 500,000; and the Philippines to 450,000. That would be the result, if the Secretary desired to exercise the powers which this bill proposes to give him; and I say that it is wrong. You have got to fix definite quotas in your measure in order that the various producing areas shall know what they can market in the United States in any year.

The CHAIRMAN. So far as Hawaii is concerned, Mr. Mead, it is pretty well stabilized as to what they produce, isn't it?

Mr. MEAD. Yes. Since 1928 our production has been very well stabilized.

The CHAIRMAN. Pretty well stabilized? And the only influence upon your production is the seasons?

Mr. MEAD. Yes; seasons, and better canes and better methods.

The CHAIRMAN. Yes.

Mr. MEAD. But the area under cultivation in Hawaii, the sugar-cane area, is stabilized. We have no more acreage. In Hawaii it takes us 24 months to produce a crop. We are now planting and ratooning the cane which will come off in 1936. We will be given a quota for this year, under the powers of the Secretary, and then comes along 1935, and the Secretary says, "Cuba wants another million tons market in the United States. They will buy a few more pails of lard and a couple more hunks of side meat, and we are going to give them a million tons. Your production is going to be cut down. Your marketings are going to be cut down to 700,000."

We have cane in the ground to produce 1,080,000, or, say, 1,060,000 tons, which will be our crop for this year. The money, the labor, all the expense of producing that, has gone into the crop, and we are simply to wipe that out and abandon it. We cannot harvest the cane. We cannot market the sugar from the cane. That, gentlemen, may very well cause bankruptcy for several of the plantations that I could name you right now. It would be a most disastrous thing—most disastrous. It just cannot be done. Our recommendation is that the quotas shall be fixed and determined in the bill, with a provision that in the event of any increases or decreases in consumption that the quotas shall be increased or decreased pro rata among all the producing areas.

If you can give us a definite, fixed amount that we can rely upon from year to year, then we will know how to plan our crops and know what we can do. You must also, it seems to me, provide for reserves for sugar. In the event of a crop failure in Cuba, or any other producing area, serious enough to materially reduce production, you would then have a run-away market, without question. You must have some cushion to take up any crop failure which may occur during any of the periods where quotas are fixed.

The CHAIRMAN. Well, now, on that suggestion, how much would you fix as a quota for Hawaii?

Mr. MEAD. A quota for Hawaii?

The CHAIRMAN. Yes.

Mr. MEAD. Well, Mr. Chairman, we are facing, here, a condition and not a theory. You know and I know, and all the rest of us know that the conditions in Cuba are such that something must be done. If something is not done to restore Cuba, we will have anarchy there and M. de Cespedes' administration would not be worth a plugged nickel, and there will be United States intervention, which we all wish to avoid. Now, it is not pleasant to say that we will sacrifice anything. It is not at all pleasant, and it is not at all satisfactory to us to do so, but we will take the President's quotas if they are applied to all other producing areas, with the provision that increases or decreases shall be taken up pro rata. In that, I say that we are suffering the greatest decrease, on the average of the 3 years. The big quota of 1,450,000, mentioned in the President's message, is 100,000 tons more than the average of 3 years. The Cuban quota is—the Senator has the figures—the Cuban quota is larger than the average of the 3 years, by some thousands of tons, I do not know just how much, and the Hawaiian quota is 60,000 tons less than its average over the last 3 years. If this bill goes through, giving the Secretary these powers, it is a direct indication to every American producer to salvage his property and go down to Cuba, where he is going to get preferred treatment—a direct invitation.

Senator BARKLEY. Well, how do you assume that the Secretary, in exercising the authority to fix quotas, would do otherwise than as suggested by the President in the quotas which you have mentioned?

Mr. MEAD. If he will do that, that is quite satisfactory, but that is not the bill. The bill says he may take any 3 of the last 8 years.

Now, under that provision, sir, he can give Cuba 3,680,000 tons, taking the 3 highest years of exports from Cuba that Cuba has ever known.

Senator McAdoo. Mr. Mead, suppose the quotas that are mentioned in the President's message, here, were established as the basis in the bill; would that, in your opinion, be satisfactory.

Mr. Mead. Not satisfactory, sir, but as a compromise; yes.

Senator Clark. Well, Mr. Mead, as I understand it your complaint is that the President, in his message, recommends a quota for Cuba of 1,944,000 short tons?

Mr. Mead. Yes.

Senator Clark. Which is on the basis of the average of the last 3 years?

Mr. Mead. Yes.

Senator Clark. But that this bill would authorize, in the discretion of the Secretary of Agriculture or some other bureaucrat down there, an allotment to Cuba of 3,000,000?

Mr. Mead. Three million six hundred eighty thousand tons. Exactly, that is what I am objecting to.

Senator Costigan. And your comments are based on the assumption that he will use to the extreme the discretionary powers vested in him?

Mr. Mead. Exactly. I don't say that the Secretary of Agriculture would be unfair. I am not criticizing him, but I say that when you put powers like this in a bill, you must assume that they will be exercised, otherwise, don't put them in the bill.

Senator Costigan. That assumption, however, is inconsistent with the President's message, is it not, Mr. Mead?

Mr. Mead. It is inconsistent with the President's message, sir, but it is directly in line with the testimony which we had before the House committee by the Department of Agriculture experts.

Senator Costigan. You mean as to the powers vested in the Secretary?

Mr. Mead. Yes.

Senator Costigan. Or as to the manner in which the Secretary intends to use them?

Mr. Mead. They said distinctly that they would take any 3 of the 8 years which they chose to take. Now, what other assumption can you go upon than that they will take the best of the 3 years for Cuba, especially when we have Dr. Ezekiel on the stand, who told us of the thousands, millions of acres of American production that would be taken by Cuba? Mr. Weaver was not confused when he gave his testimony.

Senator Barkley. If the President's suggestions shall not be written into the bill so as to fix by legislation a definite quota, what would be your reaction to the suggestion that instead of giving them a period of 8 years you cut down the period to 3 or 5?

Mr. Mead. If you cut down the period to the last 3 years, that is satisfactory to me.

The Chairman. Of course, if you cut it down to the last 3 years, those were the 3 years in which we had the greatest production in the United States?

Mr. Mead. Yes, sir.

The Chairman. And also in Hawaii, I think.

Mr. MEAD. Yes, sir.

The CHAIRMAN. And showed the smallest production in Cuba?

Mr. MEAD. Yes, sir—and shows a marked reduction from the beet-sugar tonnage.

The CHAIRMAN. A marked increase in the sugar-beet production?

Mr. MEAD. Well, if the President's quota is 1,450,000, that is an increase on the sugar beet?

The CHAIRMAN. That is an increase.

Mr. MEAD. Yes.

The CHAIRMAN. 1933, beets, 1,366 000 short tons produced, and that was the largest that had been produced, according to these figures, or any figures that I have seen.

Mr. MEAD. Yes; that is correct. The amendment which we propose is as follows: To amend section 3, on pages 4 and 5, by striking out, after the word "respectively", in line 10, on page 4, the remainder of such section, to and including line 18 on page 5, and inserting in lieu thereof the following:

> And/or from marketing in the current of, or in competition with, or so as to burden, obstruct, or in any way affect interstate or foreign commerce, sugar manufactured from sugar beets and/or sugarcane produced in the continental United States beet-sugar producing area, the State of Louisiana, the State of Florida, and any other State or States, in amounts in excess of the following quotas for each 12 months hereafter beginning February 1, 1934—

Or any other time you may fix—

> until such time as, pursuant to section 13 of the Agricultural Adjustment Act, title I thereof shall wholly cease to be in effect, or be terminated with respect to sugar as a basic agricultural commodity, to wit:

	Tons
Continental beet area	1,450,000
Louisiana and Florida	260,000
Hawaii	935,000
Puerto Rico	821,000
Philippine Islands	1,037,000
Cuba	1,944,000
Virgin Islands	5,000

> The quota of each producing area shall consist only of sugar produced in such area directly or indirectly from sugar cane or beets grown in such area and shall be computed on a raw-sugar basis of short tons of 2,000 pounds. Provided, that all direct consumption sugar imported into continental United States from any area outside thereof shall be charged against the quota for such area at the rate of 107 pounds of raw sugar for every 100 pounds of direct consumption sugar.
>
> The Secretary of Agriculture may, by order or regulations, allot such quotas from time to time among the processors, handlers of sugar, and others, and from time to time readjust such allotments; provided, however, that nothing in this act contained shall be deemed to authorize the Secretary of Agriculture to require that the quota of any sugar beets or raw cane sugar produced by any producer or group of producers and which can be processed or refined at any processing plant or plants, or any refinery or refineries, owned or controlled by him or them, shall be sold or delivered to, or shall be processed or refined at any other processing plant or refinery unless the said producer or group of producers shall so consent.

That is to cover particularly our case. Of course, it covers all cases, but particularly our own refinery. The California-Hawaii refinery is just as much a part of the Hawaiian sugar industry as any of the pumps out there, for instance, on the plantations. It is owned and controlled by them, and we wish to have the privilege of processing, refining our own sugar in our own plant, without its being allotted to some other refinery.

If the Secretary of Agriculture at any time after this act takes effect shall find that due to changes in production or consumption of sugar the total quantity of sugar available for consumption in continental United States is inadequate or excessive, he may pro rata increase or decrease the quotas of all areas as fixed in the preceding paragraph in order that a proper total quantity of sugar may thereafter be available for consumption, and for like cause may from time to time thereafter in like manner change such quotas.

Those are the principal amendments which I have to suggest. There are other amendments which should be considered by the committee, such as having reserves set up to take care of a situation so that there will be no run-away markets; to take care of crop productions; but those are the principal things, that goes to the gist of it, and in rewriting the bill, I have no doubt that Senator Costigan and others will find that there are other amendments which they will consider quite as essential, but I do insist that the quotas shall be fixed and determined, so that there can be no question as to what we can do with the cane after we plant it, whether we are going to be able to harvest it and market it, or whether we have to throw it away. I think that is all, Mr. Chairman, that I have to say.

The CHAIRMAN. Thank you very much.

Mr. MEAD. I have tried to restrain myself.

Senator COSTIGAN. Mr. Chairman, may I at this time offer for the record a radio message received by me on February 14, from Mr. J. W. Waldron, vice president and trustee of the Hawaiian Sugar Planters' Association; also a memorandum received by air mail, as indicated in the radio message: the memorandum dealing with suggested sugar quotas as outlined in the message of the President to the Congress?

The CHAIRMAN. Without objection, they will be placed in the record.

HONOLULU, *February 14, 1934.*

Senator COSTIGAN,
Senate Office Building, Washington, D.C.:

Upon receipt of President's message I sent you a letter by air mail which should arrive Saturday morning setting forth our views. Have now seen text of bill and understand there is a hearing Friday. Would like to stress to you the following: (1) Hawaii an integral part of United States and therefore entitled to same treatment as continental producers; (2) the fact that quotas should be fixed on average of the last 3 years' production and not be subject to change by Secretary of Agriculture, especially as our crop of 1935 is already growing and part of 1936 started; (3) necessary adjustment to meet increased consumption to be prorated among domestic producers and decreased consumption be prorated among all. If hearings extended and car arrive in time some of us hope to come to Washington. Meanwhile, trust you will extend all courtesies to our representative. My excuse for troubling you is the vital importance of this matter to Territory of Hawaii.

J. W. WALDRON.

MEMO ON THE SUGGESTED SUGAR QUOTAS AS OUTLINED IN THE MESSAGE OF THE PRESIDENT TO THE CONGRESS

Quotas.—The following temporary quotas are proposed (all short tons of 2,000 pounds):

Continental beet sugar	1,450,000
Louisiana and Florida	260,000
Hawaii	935,000
Puerto Rico	821,000
Philippines	1,037,000
Cuba	1,944,000
Virgin Islands	5,000

United States beet sugar.—Beet sugar produced in the United States is allowed 1,450,000 short tons.

It is estimated (Willett and Gray) that the 1933–34 production will be 1,450,000 long tons or 1,624,000 short tons This is the largest crop by 244,000 long tons that the domestic beet sugar industry has ever produced, the next largest crop being 1,206,356 long tons, or 1,351,454 short tons in 1932–33.

Beet sugar is planted every year, so that the announcement is in ample time for this year's (1934) planting. The proposed quota for beets is therefore a liberal one considered on past performances, i.e. it is above anything heretofore produced excepting the present crop which is now being manufactured.

Louisiana and Florida.—Allowed a quota of 260,000 short tons.

The crop of 1932–33 was (Willett and Gray) 231,035 long tons or 258,759 short tons.

The estimated production (Willett and Gray) for 1933–34 is 225,000 long tons or 252,000 short tons.

It would seem from these figures that the quota of 260,000 would take care of these crops, but in fairness it must be stated that Louisiana has produced in 1913–14, 268,337 long or 300,537 short tons.

Puerto Rico.—Allowed a quota of 821,000 short tons.

The crop of 1932–33 was 744,918 long (Willett and Gray) or 834,308 short tons.

The estimated crop of 1933–34 (Willett and Gray) is given as 876,000 long or 981,120 short tons.

It would appear that Puerto Rico will suffer by a decrease of the present crop of 160,000 short tons. One, of course, must point out that Puerto Rico has great advantages over Hawaii inasmuch as it does not pay Federal income taxes, and has all customs revenues returned, etc. The curtailment or loss of 160,000 short tons will, of course, be a serious matter as the crop of 1932–33 was damaged by a cyclone and was 141,000 long tons less than that of 1931–32.

Virgin Islands.—Allowed a quota of 5,000 short tons.

The 1932–33 crop was 4,230 long (Willett and Gray) or 4,737 short tons.

The estimated production (Willett and Gray) for the 1933–34 crop is 7,000 long or 7,840 short tons, so that the Virgin Islands will suffer.

Philippines.—Allowed a quota of 1,037,000 short tons.

The Philippines have been constantly increasing their crops during the past 10 years; in fact, it is their increase which has done more than anything else or anyone else to increase the sugar produced under the flag of the United States. They have been constantly warned what would happen, but have always stated that their last crop was the limit of production possible. General Wood, in one of his last speeches, said: "The Philippine Islands can produce 5,000,000 tons of sugar."

The production has been (Willett and Gray):

Year	Production		Consumed in the United States	
	Long tons	Short tons	Long tons	Short tons
1913-14	232,761	260,692		
1925-26	430,705	489,100	312,723	350,249
1926-27	584,238	654,346	434,542	486,687
1927-28	622,704	697,428	476,071	533,199
1928-29	740,987	820,905	604,501	677,041
1929-30	773,674	866,514	671,296	751,851
1930-31	782,322	876,200	679,968	761,564
1931-32	982,776	1,100,709	869,369	973,693
1932-33	1,145,341	1,282,781	1,035,738	1,160,026
1933-34 [1]	1,400,000	1,568,000		

[1] Estimated.

It would seem that while the allotted quota will not take care of the estimated crop of this year by a large margin, that the quota allowed is more than generous considering that the Philippines have all the advantages of tariff but none of the disadvantages which United States beets, Louisiana and Florida and Hawaii cane have, viz: heavy income taxes, all duties on imports, bags, etc.

The Philippines ship their sugar under any flag and it is reported they get a rate from the Philippine Islands to New York at a rate very little in excess of that from Hawaii to San Francisco.

Cuba.—There has been so much misleading propaganda in relation to Cuba such as "Cuba won the war with its sugar", "Cuban sugar production was increased at the insistence of the United States." These statements are not true.

We have the following productions on the island (W. & G.):

	Long tons		Long tons
1913-14	2,597,732	1917-18[1]	3,446,083
1914-15	2,592,667	1918-19	3,971,776
1915-16	3,007,915	1922-23	3,602,910
1916-17	3,023,720	1924-25	5,125,970

With one intervening year, 1924, Cuba increased its crop nearly 50 percent and in doing so cut the price of sugar from 5.24 cents to 2.56 cents, or over 50 percent.

Cuba plays up the immense loss of trade with the United States, always citing the year 1920 which is known in Cuba as "the year of the dance of the millions", a year when sugar averaged 11.355 cents per pound, reaching a high of 20.58 cents per pound. In that year Cuba's business was:

Exports to United States	$626,859,000
Imports from United States	404,386,000
Balance in favor of Cuba	222,473,000

Insofar as one can ascertain from official figures, the Cubans, from 1904 to 1932, inclusive, a period of 29 years, have a balance of trade in their favor of the immense sum of $2,336,795,000, or an average of $80,000,000 per annum.

We believe that the very best way to help Cuba is in some manner to return to them the $10 per ton preference which they should have enjoyed under their preferential tariff. Cuba needs help, it is true, but should a domestic industry be sacrificed to give that help? If the sugar duty against the world, 2.5 cents per pound, is lowered always remember the 3,000,000 or so tons in Java just waiting to be sold at almost any price. Give Cuba a preference, but see she gets that preference as what she has done in the past is just to lower the duty by the amount of the preference.

Hawaii.—Allotment 935,000: The production of the Hawaiian Islands has been during the past 3 years:

	Willett & Gray		Hawaiian Sugar Planters Association, short tons
	Long tons	Short tons	
1931	889,544	966,289	993,787
1932	915,493	1,025,352	1,025,354
1933	924,595	1,035,546	1,035,548
1934 (established)	919,000	1,029,280	1,050,000

The proposed quota cuts into Hawaii to the tune of, say, 100,000 tons, which, with sugar at 3 cents per pound, means $6,000,000 less income to the Territory.

Hawaii is an integral part of the United States and is entitled to the same treatment as that meted out to continental beet or cane sugar.

Beet sugar has a quota exceeding its highest production excepting the 1933-34 crop.

Louisiana and Florida has a quota exceeding its estimated crop of 1934.

Why should Hawaii, who pays all the taxes paid by the beet States, Louisiana and Florida, whose contributions to the United States Treasury has consistently been greater than that of 18(?) States, be treated so differently? Is it fair or just to so treat us? We claim it is not.

[1] United States entered the war Apr. 6, 1917.

In what manner will it help to cut Hawaii $6,000,000, plus taxes, etc., thereon, with the consequent loss of trade, wages, etc., in order to give it to Cuba and/or the Philippines? Does not charity begin at home?

Beet sugar is planted every year, so any size crop can be planned for.

Hawaii's crop of 1934 was started in 1932, and we have in the ground today three crops growing, viz, the crop of 1934, 1935, and 1936.

Our increased yield has not meant increased acreage, as we have reached the limit of available acreage years ago. It has been brought about by better methods of cultivation, fertilization, etc.

In the matter of quotas allowed we feel we have been unjustly discriminated against as an integral part of the United States.

We understand there is a clause in the bill which gives the Secretary of Agriculture the choice of any years between 1925 and 1933. If this is so, he can cut Hawaii to 800,000 short tons, the beet to 933,000 short tons, and increase or decrease any quota he may wish.

One cannot discuss the processing tax because one does not at this writing understand just what is planned. But why should Hawaii be excluded from its benefits? Could one point out that sugar is one of the cheapest commodities in the world? It reached an all-time low of 0.57 cents, or 2.57 cents duty paid, in 1932, so one cannot quite understand the reference in the President's message to helping the consumer, when the consumer has been buying sugar lower during the past few years than ever before in history.

Quotas and consumption.—Willett & Gray give the consumption of sugar in the United States during the past 3 years:

	Long tons	Short tons
1931	5,475,204	6,132,228
1932	5,213,961	5,839,636
1933	5,270,366	5,902,810
Total	15,959,531	17,874,674
Average	1,319,844	5,958,225

The beet sugar is refined and a certain amount of the above tonnage also enters in the form of refined sugar. If we allot these sugars a tonnage of 1,500,000 long or 1,680,000 short tons then about 4,278,225 short tons would be in the form of raw sugar which would have to be refined, so we would have in terms of 96° sugar.

Average as above	5,958,225
Add 7 percent on raw sugar	299,475
Consumption on raw basis	6,257,700
Allotment proposed	6,452,000
Allotment over consumption	194,300

Or an average of 194,300 tons which would further cut Hawaii's tonnage around 3 percent or 28,050 short tons, or reducing our quota to 907,000 short tons or 143,000 short tons less than the estimated crop we are now harvesting.

Senator COSTIGAN. Mr. Mead, do you wish to comment on this message or this memorandum?

Mr. MEAD. No, sir; I do not at this time.

The CHAIRMAN. Mr. Lowe, how much time do you desire?

Mr. LOWE. I think I have boiled this down to a point where, without interruption, I can get through in less than 20 minutes.

The CHAIRMAN. Very well. Go ahead.

STATEMENT OF JOHN W. LOWE, JR., MANAGER OF THE REVERE SUGAR REFINERY OF BOSTON, MASS.

Mr. LOWE. My name is John W. Lowe. I am the manager of the Revere Sugar Refinery of Boston. I represent the Revere Sugar Refinery and its parent company, the United Fruit Co.

We have invested in the sugar business in the United States, Cuba, Honduras, and Jamaica, substantially over $60,000,000. My job in the sugar business, for a little under 25 years, has been to exercise control and to actively participate in the production of approximately 6,000,000 pounds of refined sugar. In the past few months there have appeared in the press and in magazines and articles statements to the effect that the United States sugar refineries were a backward and unprogressive group; that we use antique and obsolete processes; and I do not believe it would be necessary to answer these statements, if it were not for the fact that they have found their way into at least one important department of this administration.

Mr. Chairman, for 24 years my "bread and butter" and that of my associates has been to examine carefully—and I have had continually under my supervision—and I am a chemist—a laboratory of between 10 and 30 men to examine carefully into every conceivable process, and to do everything that we can to reduce our costs, to adopt new processes when they are shown to be true and good processes.

The statement was made here Saturday that some of these new processes will save us, if we would adopt them, somewhere between 20 and 30 cents a hundred pounds. Gentlemen, anybody who can prove to us that he can save us, not 20 or 30 cents a hundred pounds, but 1 or 2 cents per hundred pounds, has a customer right here; he is just the man we are looking for; but we do not buy these processes, and I do not invest my company's money on the basis of advertising claims or sales talk. Enough claims have come over my desk during my experience, in regard to new processes, fuel savings, so that if they were true we should use our boiler house as a coal mine, and it would cost us much less than nothing to produce our refined sugar. We settle these things on the basis of the scientific, substantiated evidence in exactly the same way as Mr. Roberson would settle a legal matter.

This controversy in regard to process is a rather simple one. Gentlemen, the entire cost—this is a rough estimate—of the bone black part of our business is about 5 cents per 100 pounds, and this includes taxes, depreciation, and all proportionate costs. I am just old fashioned enough, unprogressive and backward enough, to find it difficult to believe that you can save 30 cents out of a nickel. It cannot be done. This whole question is a question of geography, not of process—of cheap labor, of cheap land, of cheap buildings, of building loss, of food regulations; and I want to make the considered and unqualified statement that the cane-sugar refining industry of the United States is, in the judgment of those who are competent to judge, the most advanced, the most progressive unit in the world, and our plant is visited every year by skilled technicians from all over the world, and they come back every year, and our plant is about the average of the rest of the sugar refineries; and anybody with a new process that can save us 1 cent a hundred, if he can prove it, I want him to come to me, and come to me first, because I want to get the jump on our competitors. And that, for the process.

Last summer our company joined the N.R.A., and we went into it 100 percent. I hired, I think, 178 men in our plant in Boston. I increased their wages 20 percent, which is roughly 25 percent more than the N.R.A. required. We advanced many salaries, particularly of those in the lower brackets, 10 percent or more.

Now, gentlemen, we took the step in the hope, in the belief, that the stabilization plan was gonig through, and I figured that our company, this actual labor, extra labor, and the extra cost of the N.R.A., would, in my judgment, amount to about $1,000 a day, or $350,000 a year—and I was wrong. It amounts to about $1,500 a day and about a half a million dollars a year; and I think it is perfectly obvious that an industry in this country paying those wages cannot compete with an industry elsewhere paying wages, we will say, of one fifth, possibly one tenth, of what we pay. It just cannot be done. We have no tariff protection. We have a subsidy, as Mr. Hershey's man brought out. Now, I have given our company two solutions of our problem. Our company has thrown up the sponge, practically, in this fight, and I have told them that there are only two ways out for them—one, quit the N.R.A., and, two, taking steps to abandon our Boston operation and move it to the Tropics. And I don't want to see either one of those things done. I have been brought up with these men. I have hired all of them. I have worked with them, and I play with them. I love New England, and I love the men I work with. Many of them have worked with our company for over 50 years. This whole question is not one of process, of tariff, or anything else. It is a question of whether or not this American industry is going to live or pass into some other geographical area.

The CHAIRMAN. Have you any objection to putting into the record, Mr. Lowe, a financial statement of your organization?

Mr. LOWE. No, sir; insofar as our total sugar business is concerned. I want to state briefly, and I am closing, our company's position in regard to the President's message and the Walsh amendment. We believe that the Department of State, and the other interested departments, and the President, have handled a very difficult problem in a most courageous way; and we are 100 percent in favor of the principles and the quotas set forth by the President, plus the Walsh amendment. We are for it 100 percent. We believe that it is the only possible solution of the sugar problem at this time.

I would like to submit a brief, a memorandum in support of the position I have taken, and I would also like to submit a memorandum of the Pennsylvania Sugar Refining Co., signed by Mr. W. R. Hoodless, their vice president and general manager, in which he shows that the total cost of the bone-black process at his plant is something under 5 cents per 100 pounds of refined sugar produced.

The CHAIRMAN. They will be incorporated in the record. Thank you very much, Mr. Lowe.

STATEMENT SUBMITTED BY MR. JOHN LOWE, GENERAL MANAGER OF REVERE SUGAR REFINERY, BOSTON, MASS.

The Revere Sugar Refinery, owned by United Fruit Co., has been established in Boston for about 75 years. It is not one of the largest refineries in the United States, but it is larger than the biggest refinery in Cuba—Hershey.

My company is entirely in sympathy with the President's message on sugar, and believes that the quotas he has proposed, subject to the Walsh amendment limiting importations of direct-consumption sugar, are the only fair and practical solutions of the sugar problem at this time.

As to the Walsh amendment, I wish to emphasize that the question at issue is the extinction or not of a large American industry by substition for it of plants and cheap labor in the Tropics, particularly Cuba.

I would illustrate the situation by relating specific facts regarding our company. We have our refinery in Boston and raw-sugar mills in Cuba. Last August our refinery voluntarily signed the President's reemployment agreement and came under N.R.A. The number of our employees was raised 30 percent; wages were also increased; salaried persons under $3,000 were raised 10 percent. These steps and the President's recovery program are costing our company about $1,500 per day. In November we began to fear that our sugar problem was not going to be settled, and we regretfully concluded that under such circumstances we would have to begin curtailment of our Boston operations and install refining plants in Cuba. We went ahead and appropriated about $50,000 for initial expenditure to that end. We suspended plans to spend $300,000 on new construction in Boston. The sugar bill with the Walsh amendment will make it unnecessary for us to go forward with our Cuban plans; it will save our Boston plant and the American jobs which it represents.

Another matter I wish to dispose of is the baseless charge that American refineries are obsolete. The charge originates with sellers of a patented vegetable carbon process, and is sales talk.

During my experience in the business of refining sugar, extending from 1910 until the present, I have devoted a great deal of time and investigation to the relative merits of the boneblack process and numerous other processes which from time to time have come to my attention. Insofar as I know, no process offering any economy has escaped investigation by myself or my associates. These investigations have not been peculiar to the companies with which I have been associated, but are a common and regular part of the work of the technical staffs of the entire cane sugar refining industry, not only in the United States, but in Canada, Australia, Great Britain, and other countries. My training and experience for the first 10 years in this industry has been in the development of technical control, and all operations connected therewith, and for the past few years a general supervision of all phases of our business. I have never found that any of the many processes which have been proposed for refining are, from the standpoint of initial installation costs, operating costs, or technical results, equal to the boneblack process.

Within the last few years I have had independent engineers make two estimates on a 200-ton white sugar installation, using in one case boneblack, and in the other case vegetable carbon, and the initial investment was about the same in each case. When our company recently took steps contemplating installation of refining unit in Cuba, because of the critical situation in which our industry finds itself due to loss in volume to Cuban refiners (who are not operating under the N.R.A.), we decided to install a boneblack unit because in our opinion the initial cost and operating cost will be less, technical results will be better, and the product will be of a uniformly higher quality.

My company has sent men to various plants in the tropics and elsewhere, and our laboratories have carefully investigated the merits of many processes. We hold no brief for any process. We are not prejudiced in favor of any process. We have a laboratory of 15 men continually employed in an effort to better what we have, or to adopt any methods which may be shown to be better than what we have. If there is any process better and more economical than boneblack, we would adopt it.

The charge that the boneblack process is obsolete comes from people who have an alternative process to sell, and is repeated by people with no practical knowledge whatever of what boneblack processes are or do. It arises from a confusion as to just what the issue is in our industry. The real question involved is not a process or method. To my mind, the method of producing sugar by one process or another is not an important issue financially, either from the standpoint of initial cost, operating cost or technical results. I do not believe there is a difference in costs amounting to anything like 5 cents per 100 pounds of production between any of the generally used processes of refining sugar. The question involved is one of geography and not process. The ques-

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tions of relative labor, fuel, and land costs and building laws, and tariff advantages are the issues, and involve substantial differences in net financial results.

The proponents of the various vegetable carbon processes have something to sell. If they can (as in fact they do) incorporate in their sales talk, and link up as advantages of their process, the inherent advantages of refining with cheap foreign labor in tropicol islands. fuel, land cost, and so forth, and thus confuses the real issue, it furthers their purpose.

Under the boneblack process, the boneblack is used over and over again. The boneblack replacement cost (and by this I mean the amount of new boneblack which has to be purchased each year in the sugar refineries) amounts to, in our plant, about 1 cent per 100 pounds, of refined sugar produced. It is therefore obvious that if these vegetable carbons (which it is claimed would save us so much, could be sold to us for nothing, then the maximum saving would amount to 1 cent per 100 pounds of sugar produced. In fact, however, these vegetable carbons cost in the neighborhood of $250 per ton, as compared with about $100 per ton for boneblack.

It is argued by the vegetable carbon people that the lower replacement cost in the boneblack process is more than offset by the larger quantity of boneblack which has to be used in that process as compared with the quantity of vegetable carbon used in the vegetable-carbon process. Our experience is to the contrary.

I am satisfied that in a United States sugar refinery using the boneblack process the total costs of the boneblack process per 100 pounds of raw sugar melted, including proportionate part of taxes, depreciation, overhead costs, repairs, and maintenance, and every conceivable item relating to this part of our operations, are about 5 cents per 100 pounds. It is, therefore, obvious that any process, if cheaper or better, can only save a part of this total cost, and obviously can save little or nothing in taxes, overhead, repairs, and maintenance, operating costs, fuel, and many other items.

There is nothing new whatever in the vegetable-carbon process. It is old. And the vegetable carbon known as "suchar" is only one of many such articles on the market. All of them at one time or another have been experimented with by the refiners of the United States and rejected as inferior to boneblack. A gentleman stated at the hearing on Saturday, February 24, that his process could save the domestic refiners 30 cents per 100 pounds. The refiners' melt is 8,000,000,000 pounds. If his patented process could save the refiners one thirtieth of the amount he claims, or only 1 cent per 100 pounds, the refiners could not afford to be without it. It would save them $800,000 a year. Yet for all his claims as to the value of his process, he has succeeded in putting it into only one refinery in Cuba.

The most recently built large sugar refineries (the Texas City plant at Texas City, the American Sugar Refining Co.'s plant at Baltimore, and the Hershey plant in Cuba) are boneblack plants. The greater part of refined sugar now produced in Cuba is produced in the two largest refineries, which are boneblack refineries, namely Hershey and Arechabala. Practically all of the refined sugar produced in the United States, and so far as I know, all that produced in Canada and England, are produced by the boneblack process.

The sugar-refining industry is a highly competitive industry, each unit of which has a highly trained technical staff, and these conditions alone should refute the frequently seen statements made by economists and others ignorant of the business, that we use obsolete methods.

It is my opinion that if some of the proponents of these various processes, or the men who have written in criticism of the domestic refiners, could be examined as to what, if anything, they know about the relative merits of the two processes, and asked who told them, they would be very much embarrassed and unable to make any satisfactory statement or give any support whatever to their literary efforts.

Prof. Mordecai Ezekiel, economic advisor of the Department of Agriculture, who stated several times to the House Committee on Agriculture that he was not a sugar expert, included in a magazine article published by him a few weeks ago, a statement to the effect that the process of the domestic refineries is obsolete. By his own admission Professor Ezekiel appears to have no expert knowledge of the subject, and I am sure he would readily admit that he had never personally verified his statement before making it. While I do not doubt that Professor Ezekiel gave currency to his statement in entire good faith, I likewise have no doubt that the source of his information may be traced directly or indirectly to some person having a financial or other interest in discrediting the domestic sugar refining industry in the interests of refining sugar in Cuba or the insular areas.

Our refinery, and most of the refineries in the United States, are continually visited by representative technical men from sugar refineries situated all over the world. In many instances these visits are repeated yearly. The obvious reason for this, in my opinion, is that the United States cane-sugar refining industry is generally considered by the majority of the sugar refining industry of the world, as preeminent in its attitude toward adopting new methods and processes, when, as and if such are shown to be fundamentally sound.

Memorandum showing 1933 costs of bone-char processing in the sugar-refining operations of the Pennsylvania Sugar Co., Philadelphia, Pa.

	Total cost
Replacement of bone char	$63,148.91
Fuel	38,748.68
Labor	64,281.10
Repairs and maintenance	32,194.57
Depreciation (building and machinery)	83,041.03
Total 1933 cost of bone-char processing	283,306.29

As the total melt of raw sugar was 286,500 short tons the cost of the bone-char processing was $0.985 per ton, or $0.04975 cents per 100 pounds of sugar melted.

The CHAIRMAN. Mr. Capdevielle. I understand, Mr. Capdevielle, you just wanted a few minutes?

Mr. CAPDEVIELLE. That is all.

The CHAIRMAN. Very well. You are a molasses broker, a representative of the molasses industry?

Mr. CAPDEVIELLE. Yes, sir. I represent not the molasses interests, but only myself.

Senator McADOO. I did not get the name, Mr. Chairman.

Mr. CAPDEVIELLE. My name is C. C. Capdevielle, 82 Beaver Street, New York City.

Senator McADOO. From Louisiana?

Mr. CAPDEVIELLE. Originally; yes, sir.

Senator McADOO. Where, now?

Mr. CAPDEVIELLE. New York and Habana.

STATEMENT OF C. C. CAPDEVIELLE, MOLASSES BROKER AND IMPORTER, NEW YORK CITY

Mr. CAPDEVIELLE. I did not expect to be in Saturday, and so I filed a petition to have the use of the word "sugar" in paragraph (C), section 2, amended, in order to apply to molasses, because molasses, as I import it from Cuba or the tropics, is of three kinds. One is an "invert" molasses, one is a blackstrap, and the other is a high-grade molasses that contains from 50 to 75 percent blackstrap.

Senator BARKLEY. What is "invert" molasses?

Senator McADOO. Yes; what is it, for my information?

Mr. CAPDEVIELLE. Well, an "invert" is molasses in which the sugar content is higher than the blackstrap, but has been inverted so that it will not crystallize, and can be used only for distilling purposes, and not for human consumption. This high-test molasses—I mean the regular molasses, that I have reference to, with reference to the term "total sugar content", to be considered as sugar is not correct or unfair, by approximately 87 percent. I have got an illustration and a definition of everything there, and it is all for your own observation.

The total sugar content of molasses, if considered as sugar, is incorrect. Molasses is made up of 50 percent to 70 percent blackstrap or nonextractable sucrose and glucose, and also extractable sucrose (sugar).

I have the honor to request that the above paragraph c, section 2, be made to read as follows:

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13 The term "sugar" means sugar in any form
14 whatsoever, derived from sugar beets or sugarcane
15 including also molasses, raw sugar, direct-consump-
16 tion sugar, and any mixture containing sugar (except
17 blackstrap molasses, beet molasses, and sirups), and,
18 for the purpose of section 8a (1) of this act, sirups,
19 such molasses, raw sugar, direct consumption sugar,
20 sugar mixtures, and sirups, included within the word
21 "sugar", as herein defined, shall be considered to con-
22 stitute sugar to the extent of their total sugar contents
23 except molasses, in which case the blackstrap content
24 nonextractable sucrose and glucose sugars "shall be
25 deducted from the total sugar content."

You will note that the paragraph is the same except that I have added lines 23, 24, and 25 to the paragraph as originally written.

Reasons: If the blackstrap content of molasses is not deducted from the total sugar content, this will give an unfair and incorrect amount of sugar to be charged against the country from which it is derived, by approximately 87 percent. As I have been importing this molasses from Cuba, where sugar exported to the United States has been under a quota system for the past several years, the blackstrap content of the molasses is never considered as sugar, only the extractable sugar content is credited as sugar quota.

To confirm that "total sugar" content of molasses, if considered as sugar, is incorrect and unfair by approximately 87 percent, I'll offer the following analysis of molasses:

	Percent		*Percent*
Solids	82.0	Clerget sucrose	53.0
Polorization	50.8	Invert (glucose)	10.0
Purity	62.0	Total sugars	63.0

S. 2732: 100 pounds molasses times 63 percent total sugars equals 63 total sugars.

Correct method: 100 pounds of same molasses as above. According to Spencer's Handbook for Sugar Manufacturers and Chemists (7th ed., pp. 382–383), will yield 33.71 percent no. 96° sugar, and 60.78 pounds blackstrap molasses of 38 purity and 50 percent total sugars. Nonextractable sugars (blackstrap), 29.29 pounds total sugars.

$$\text{Unfairness or incorrect} = \frac{63.00-33.71}{33.71} = 87 \text{ percent approximately}$$

(I invite you to have the above work checked by the best experienced sugar chemist employed in the United States Government.)

Conclusion: If this paragraph C can be amended as I have asked in this letter and which I have only requested from a standpoint of fairness and correctness, I can assure you several million man-hours' work under the N.R.A. wages, otherwise this work will be done at the mills in Cuba with Cuban labor.

I trust that you will see the unfairness of paragraph C as written and that I am not asking for anything other than a square deal both for my business and for the country from which the product is derived, and that you will amend this paragraph accordingly.

The CHAIRMAN. Thank you very much.

Judge CRISP. Mr. Chairman, on Saturday, Mr. Snyder advised you that the best qualified man, as to statistics on the sugar business, was Mr. Fisher, a statistician of the Sugar Institute. He is here, and I ask that he be heard for 3 minutes.

The CHAIRMAN. We will hear Mr. Fisher for 5 minutes.

STATEMENT OF EVAN FISHER, OFFICE MANAGER SUGAR INSTITUTE

Mr. FISHER. Mr. Chairman, on Saturday, Mr. Snyder stated that he believed there had been less importation of refined Cuban sugar in 1933 than in 1932. I do not know where Mr. Snyder got his figures or his information, but that seemed to cast some doubt on the figures that had been submitted to you gentlemen, and I believe that the record on that point should be corrected. We have used, in preparing those charts, the figures taken from the customs house in New York City. The figures for 1933 are not yet available in printed form, and we have had to go to the customs house and compile those figures from the customs blotters, taking them off month by month, and totaling them up. This work has been done by two statisticians employed by my office and has been carefully checked. If I may, I would just like to refer first to 1932.

The CHAIRMAN. Is this the chart that you are speaking of?

Mr. FISHER. No, sir.

The CHAIRMAN. The United States Cane Sugar Refining Co.?

Mr. FISHER. No, sir. We did not prepare that chart in my office, although I believe that the basic figures in that were obtained from my office. The one that I referred to was the one with the map of the United States, and the lines that go up the side.

Senator COSTIGAN. Mr. Chairman, should not the chart be identified, in order that it may be connected with the testimony of the witness?

The CHAIRMAN. Yes. I think it would be very well to show that you are talking about a chart which we will mark "Chart A."

Senator CLARK. Is that the same chart that was referred to the other day?

The CHAIRMAN. Yes.

Mr. FISHER. I would like to read the figures for the importation of refined Cuban sugar for 1932 and for 1933, in order to clear up this point that Mr. Snyder raised. I am going to read these figures in pounds, because there seems to have been a good deal of confusion between "long" and "short" tons, not so much in this hearing.

The CHAIRMAN. Won't you also give that in long tons, so we can see how this chart is in error, if it is?

Mr. FISHER. I can work them out for you in long tons. I haven't got them worked out here.

The CHAIRMAN. Very well.

(The matter referred to above is as follows:)

THE SHOREHAM,
Washington, D.C., February 26, 1934.

Senator PAT HARRISON,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: During my testimony this morning, you requested me to convert the figures for Cuban imports which I gave in pounds into long tons so that they might be compared with an exhibit submitted by the domestic refiners.

The attached memorandum gives these figures in long tons. You will note that for the years 1925 through 1930, inclusive, there are slight discrepancies between the figures in my testimony this morning and those in the chart. I have made inquiry regarding the source of the figures used in the chart and find that for these 6 years the figures in the chart were taken from a tabulation submitted by the Tariff Commission to the Ways and Means Committee. I am not positive but I believe that the Tariff Commission used figures compiled by Willett & Gray for this tabulation.

My figures compare very closely with those in the chart in 1931, 1932, and 1933. The discrepancies here are due to the fact that the chart was compiled by adding up each year the monthly figures reported by the customhouse in New York, while the figures that I have used are yearly totals and have been corrected in some instances.

I trust that this explanation will be satisfactory and would be glad to furnish any further information which you may desire.

Respectfully yours,

EVAN FISHER.

Statement of imports of Cuban refined sugar into United States according to United States Customs statistics, Customhouse, New York

	Pounds	Long tons (2,240 pounds)	Short tons (2,000 pounds)		Pounds	Long tons (2,240 pounds)	Short tons (2,000 pounds)
1925	168,225	75	84	1930	535,469,322	239,048	267,734
1926	133,063,769	59,403	66,531	1931	719,008,033	320,985	359,504
1927	187,606,737	83,753	93,803	1932	914,434,077	408,230	457,217
1928	396,125,231	176,842	198,062	1933	932,487,340	416,289	466,243
1929	548,005,927	244,645	274,002				

Mr. FISHER. In 1932 the imports of Cuban refined sugar were 914,434,077 pounds; in 1933 the imports were 932,487,340 pounds.

Now, with that figure, and used on that chart that has just been marked "Exhibit A", in the year 1933, we also included turbinados, so called, which are sugars testing above 98 sugar degrees, in the amount of 52,901,099 pounds.

Senator WALSH. What year was that?

Mr. FISHER. That was in 1933, the last year that is given on that chart. The chart has the years 1926, 1929, and 1933.

I would also like to correct one other statement that I made Saturday in reply to a question asked me by Mr. Roberson. He asked me the importations of turbinados, and I told him, hastily, that it was 50,000 tons, approximately. I was thinking of this 52,000,000 pounds, and forgot to divide by two, and I apologize to you gentlemen.

The CHAIRMAN. So now the correct statement is——

Mr. FISHER. The correct statement has just been put into the record, and I would like to have this brief memorandum in.

The CHAIRMAN. Very well, sir.

Mr. FISHER. Mr. Snyder, of the Hershey Corporation, testified at the hearing, February 24, that importations of Cuban refined sugar into the United States were less in 1933 than in 1932. He did not state his figures or the source of his information, but did indicate that I could give the correct figures. As Mr. Snyder's statement appeared to cast some doubt upon figures submitted by the domestic refiners for those years, it is very desirable to clear the record on this point.

The figures for Cuban importations used by the refiners in compiling the charts submitted to the committee are correct; they are official Government figures. They were obtained from the customhouse in New York by two statisticians in my office and have been checked carefully. These figures are not yet available in published form, and we were forced to take them from the original entries in the customs blotters.

The Cuban sugars consumed in the United States which are not processed by domestic refiners fall into three general classes—refined sugar which is 100 degrees sucrose which has been put through a refining process similar to and comparable with the process used on the continent; raw sugar which is sold direct to manufacturers for curing meat and tobacco; and in between these two extremes the so-called "direct consumption" sugars, which consists of a heterogeneous variety of sugars which have been processed beyond the raw state but have not been completely refined. These sugars usually test above 98 sugar degrees.

Statistically we can trace from the customs blotters the 100 degree sugar and the "direct consumption" sugars less than 100 degrees and above 98 degrees as the customhouse keep their entries by sugar degrees. The refiners who use Cuban raws tell me that these raws practically never test over 98 degrees. It is therefore apparent that the sugar testing above 98 degrees is for direct consumption.

The following figures are the statistics from the customs blotters for refined Cuban sugar and for direct consumption sugars testing over 98 degrees but below 99 degrees:

Imports of Cuban sugar in pounds

Year	Imports of refined sugar 99° to 100°	Imports of sugar testing over 98° but not over 99° (turbinados)	Total imports testing over 98°
1925	168,225		
1926	133,063,769		
1927	187,606,737		
1928	396,125,231		
1929	548,005,927		
1930	535,469,322		
1931	719,008,033	12,712,986	731,721,019
1932	914,434,077	33,639,074	948,073,151
1933	932,487,340	52,901,099	985,388,439

NOTE.—Prior to 1930 figures for 98° to 99° sugar are not available.
SOURCE.—U.S. Customs Statistics.

The figures above are given in pounds rather than tons in order to avoid any possible confusion between long tons of 2,240 pounds each and short tons of 2,000 pounds each.

It is impossible to determine from the customs blotters how much Cuban raw sugar went into direct consumption, as they show only total imports of sugar for each degree. However, Willett & Gray, the widely known sugar statisticians, report that in 1933 Cuban raw sugar in the amount of 13,460 short tons of 2,000 pounds each went into "direct consumption."

I would like to correct the statement I made at the hearing on the 24th in response to a question asked me by Mr. Roberson. I stated that the turbinados brought in from Cuba amounted to about 50,000 tons. This is not correct. I was thinking of the figure of 52,000,000 pounds and neglected to divide by 2 to change to tons.

At the end of the year 1933, my office obtained reports directly from the importers of Cuban refined sugar, as to amount of importations thereof in that year. These reports showed a total somewhat higher than the customhouse figures given above.

I compiled the figures used on the charts submitted by the refiners. They show larger importations of Cuban refined sugar in 1933 than in 1932, and I believe them to be correct.

I would like to correct the record on one other point. The statement has been made here that Cuban refined sugar does not compete directly with beet sugar. This statement is not correct. In 1933, 4.72 percent of the sugar in Illinois was Cuban refined. Illinois takes more beet sugar than any other State in the Union. Cuban refined was also brought into Texas, Michigan, Ohio, Arkansas, Wisconsin, Indiana, and Oklahoma, all of which are large outlets for beet sugar. It is also a fact that beet and Cuban sugar are both sold in New England, New York, New Jersey, Pennsylvania, and many other States. As a matter of fact, any Cuban or other offshore refined sugar brought into this country actually competes with beet sugar. The United States sugar market is like a bag full of water; if you poke it in here it bulges out somewhere else. The domestic refiners are pushed farther west as the offshore sugar usurps the seaboard market, and that pressure is felt by the beets.

The domestic refiners are placed at a further disadvantage with their Cuban competitors due to the President's recovery program and the N.R.A. I have collected figures from refiners on this point, and the figures received, which cover 68 percent of the industry, show an increased cost on this account of 13½ cents per 100 pounds of raw sugar melted.

There is one more point that I would like to correct. The statement has been made here that there is no competition between Cuban refined sugar and beet sugar. The figures for 1933 show that 4.72 percent of the sugar used in the State of Illinois is Cuban refined sugar. Now, Illinois takes more beet sugar than any other one State in the United States. It takes three quarters as much sugar as the 11 Western States.

The CHAIRMAN. That is due to its proximity to the sugar-beet industry?

Mr. FISHER. Yes. It is one of the chief outlets for the sugar-beet industry. Cuban refined sugar was also brought into Texas, Michigan, Ohio, Arkansas, Wisconsin, Indiana, and Oklahoma, all of which are responsible for, or are used as an outlet for the beet-sugar group. As a matter of fact, any Cuban sugar, or any other sugar coming into the United States, will compete with the beet sugar, either directly or indirectly. The United States sugar market is just like a bag full of water—if you poke it at one place, it bulges somewhere else. As the United States refiners are driven out of their seabord markets, they go farther west and compete with the sugar beets, due to the Cuban sugar that is brought in to compete with them.

Mr. Lowe, in his closing statement, stated that the N.R.A. and the general recovery program had increased his costs. We obtained figures from about 68 percent of the sugar-refining industry. We could not get it from all of them, on such short notice, and those figures showed that the cost of fuel, boneblack, packages, labor, incidentals such as cornstarch that goes into powdered sugar, chemicals, various other things that go into the sugar refining industry, have increased the sugar refiner's costs 13½ cents per hundred pounds of raw sugar refined.

Senator McAdoo. I did not get that figure.

Mr. Fisher. Thirteen and a half cents per hundred pounds of raw sugar. Of course, the N.R.A. has not been in operation very long, but those are based on the first 7 months in 1933, refigured on present costs of labor and materials.

Senator McAdoo. What is the increase in cost, due to N.R.A., if any?

Mr. Fisher. Just the N.R.A.? Well, it is very difficult, Senator, to separate that from the increased cost of packages, fuel, water, and all these other things.

Senator McAdoo. What have been the increases in labor cost? I mean, considering new employments, and the reduction in hours?

Mr. Fisher. I haven't the figures here. It is about 3 cents. You also have, directly chargeable to the N.R.A., pretty near 2 cents, in processing taxes on cotton bags, and the compensatory taxes on burlap bags.

Senator Costigan. Have you any figures as to the increased number of employees under the N.R.A.?

Mr. Fisher. No, sir; we haven't. That is very difficult to get, because it depends somewhat on the output of the refineries. Now, since the N.R.A., the winter months are very slack, and the output of the refineries is pretty well bound, and if you try to compare that with the months prior to the N.R.A., when the output was up, it wouldn't truly reflect the increase in labor cost, which would naturally be more for labor, under the high protective period, than under the low one.

The Chairman. Mr. Fisher, have you any figures about up to date, on the cost difference in refined sugars from foreign countries and in the United States?

Mr. Fisher. No, sir.

The Chairman. You haven't got those figures?

Mr. Fisher. No, sir. They are very hard to get.

The Chairman. How is that?

Mr. Fisher. They are very hard to get.

The Chairman. Thank you very much. That is all.

Mr. Fisher. Yes, sir; if I may file that statement for the record.

The Chairman. Yes, sir. It may be filed.

Mr. Miles, the committee will be glad to hear you for 5 minutes.

STATEMENT OF H. E. MILES, CHAIRMAN OF THE FAIR TARIFF LEAGUE

Mr. MILES. Mr. Chairman, the patience of the committee reminds me of the patience of God, but I will try not to tax it. I will just run over a few things, and take the time you think I should take. Stop at any moment. Let me say just a word, as you have heard from Hawaii just recently. I sum up Hawaii just in a dozen words. The Tariff Commission, in 1923, said that the cost of producing sugar in Hawaii was a half cent above Cuba. That figure will be revised, and has been, by the Tariff Commission, at this time. I would not expect much change in the figure. When we think of the islands, if the present situation continues through the year, the islands will take 136 million in gold dollars from the poorest people in America. Just set the two facts opposite one another. We give to the islands—did give to the islands, last year, 67 millions in tariff bonuses and other products received from them. The total given the islands on that basis is $200,000,000. I can see no fairness in talking details, too much. Under God, the administration will know what to do, and will be generous. This is a miracle bill. I have not seen such a bill in my 30 years around here. A gentleman said recently that you could not make 30 cents answer for a nickel. You cannot, but this bill does.

These people were down here, the sugar growers, last summer, and wanted $150,000,000. Pardon, I guess it was nearer 120 million, but actual figures running from 95 million to 150 million, figures made by the best experts in the Federal Government. This bill substitutes, for their desire of 150 millions, a few months ago, a bare $6,700,000, and gives them a very considerable increase in their price. I forget just the figure. And it leaves, in the pocket of the Government, for the use of adjustments with the islands and others, $67,000,000. It therefore saves, in the sense in which I have expressed myself, 100 millions from the other plan, and adds 67 millions.

Senator CLARK. Mr. Miles, may I ask how you get at that figure, 6 millions? Is that the processing tax to which you are referring?

Mr. MILES. If you will let me make my general statement, if it is 5 minutes, I have got these figures from, as I say, the best experts I can find, and not one, but many, in the Federal Government. I will tell that, right now. The growers in the United States get one tenth of the tariff—only a measly tenth. The wickedness of our sugar legislation for 20 years has been that there seemed to be no guide; that we cast our bread upon the waters, when we might have given it specifically. We scattered the consumer tax of $300,000,000, when a fraction of that would have accomplished the same purpose, better than the total sum accomplished it; and as I understand, 22 Senators, in 1930, the best friends the farmers had, and so recognized by the farmers, tried desperately to get the present method substituted for the tariff.

The CHAIRMAN. The present method? What do you mean by the present method?

Mr. MILES. The method of general tariff allotments of 2 cents a pound, and as that comes up, let me say that I do believe there is no use in anyone wasting anybody's time in saying that our island possessions are our equals in law and in will, we are to be just as generous to them as to everybody. Everybody knows that, but I submit that their rights are rights in equity and not in dollars. They are entitled, by the only principle we know, to the difference in cost in their various areas and the cost in Cuba. Well, Hawaii's cost is now, as it was in 1923, a half a cent above Cuba, it is entitled to half a cent, and it is a robbery of the poor of America to send them 2 cents. Now, whether that half a cent, under protection, makes them as comfortable as they should be, is entirely another thing. You quit protection and take up the "new deal", and the right to live, and that sort of thing. But I do beg you to consider the equity in respect to each area. If you don't then you have got to give a high tariff, 150 percent or so, to maintain the interests in the United States, and then you give the island areas at least twice what the principal protection would permit. You fill their pockets with money that they cannot justify. Well, the growers in this country get one-tenth that the amount that Congress has given them through the tariff for the maintenance of their industry. I take it that the purpose of the tariff is to give sugar production to continental growers. If that is the purpose, we are spending $1,000,000 every working day to get $100,000 worth of sugar grown in the United States. I am not saying that we should not take money from every poor pocket in America, including the unemployment and those who are maintained by charity, to get the $100,000 worth of sugar grown in the United States. I am saying this is a ridiculous method, because this method is so infinitely better.

Senator McAdoo. You are speaking of the quotas now proposed by the President?

Mr. Miles. Yes, sir.

Senator McAdoo. As being better?

Mr. Miles. The methods of this bill.

Senator McAdoo. Yes.

Mr. Miles. But to ch[illegible]bit, between——

Senator McAdoo. [illegible]better than the other methods?

Mr. Miles. Ye[illegible], as quo[illegible]re men[illegible]submit that it may not be fai[illegible]he last 3 y[illegible]because [illegible]depression crop in the Uni[illegible]is a m[illegible]rop. [illegible]prospers, the country m[illegible]

Senator Ba[illegible]tion[illegible]s bill as a substitute f[illegible]ariff,[illegible]on sug[illegible]

Mr. Miles. [illegible]ubstitut[illegible]

Senator B[illegible] For the [illegible]

Mr. Miles. [illegible]; I w[illegible]ything in the world [illegible]wo[illegible] instead of 2 cents a p[illegible]mo[illegible]reasury, only a part o[illegible]reasury [illegible]complish more than the [illegible]iff accompl[illegible]

Senator Barkl[illegible]bill does [illegible]terfere[illegible]tariff made on sugar?

Mr. Miles. Well, a[illegible], it increases the protection of the growe[illegible]ent must act upon the findings of the Tariff Commission, that 1½ cents, or thereabouts, is a full measure of the difference in cost of production, here and in Cuba. We must rectify the said, where it is said by the Commission to be incorrect, but not for the world would I take the tariff off sugar at this time. Not for the world would I do anything else than increase the profits of our domestic growers.

Senator BARKLEY. Well, if I got the gist of your argument, you were condemning the present policy of paying off some 300-odd million dollars a year in the tariff and subsidy, whatever you called it, to produce a small amount of domestic sugar, you thought this method was better. I wondered if you had in mind to substitute this method entirely for the present?

Mr. MILES. Not entirely. I would have the tariff measure the difference in the cost of production between the islands and Cuba, amply and generously, and then I would take this new method of benefitting continental growers, better than you could, unless you made the tariff 400 to 450 million dollars a year.

The CHAIRMAN. I understood you, Mr. Miles, to say the grower now gets one tenth out of the tariff.

Mr. MILES. One tenth and there is no——

The CHAIRMAN. If it was reduced to what the Tariff Commission has recommended, and the actual grower is given the benefit of that, it will give them the increase—the grower will get an increase?

Mr. MILES. If the tariff is reduced to half a cent, the consumers, or the Treasury of the United States—and I would like to confuse the two; what goes into the Treasury goes to consumers in the adjustment of their taxes—a consumer tax in that sense is saved to the extent of $75,000,000, and $6,700,000 accomplishes what the $75,000,000 accomplishes.

The CHAIRMAN. Well, this difference is supposed to be given over to the grower, the continental grower in this country, to the processing tax?

Mr. MILES. I think you will find that you cannot give it all over, or the price would go, I don't know where—$10 a ton for beets, or something, and I don't feel that—give them a very generous mathematical consideration.

The CHAIRMAN. All right.

Mr. MILES. But $6,700,000 given to the growers through the processing tax reduces the consumer tax $75,000,000, and then you get—or, what to me is next to it—puts $75,000,000 in the Treasury of the United States for the common use; and then giving them only one tenth of the amount now given, you have left nine tenths, with which to be generous, and then take each island on it merits, and be generous with it, and don't here figure out the nickels or the dollars and the millions. The importance of the industry to the United States has been grossly exaggerated. I don't like to say that here. I am a protectionist, if there is one living, and have given 30 years of my life to protection of American industry, with the help of 200 of the best experts here, including a good many in Europe; but we have got to see things in perspective. The best experts in America—we, I guess, all study—tell us that we would have more agricultural land in production if we grew no sugar than we have now. It is not a foolish statement. Whatever you do with it is another question.

I have here a budget from the College of Agriculture, Fort Collins, Colo. It shows the use of 160 representative grades, in America's greatest sugar district. Only 17 percent of that district is in sugar. No man ever lives by 17 percent of his property, the use of it. It shows that 23 percent more in the sugar districts of Colorado is made by fattening 109 steers, than in the use of the average acreage of sugar beets. I have another budget, prepared last February, showing that you can grow other crops, in the judgment of a good many people, in this best of American areas. You can grow other crops to as good advantage as you can grow beets. I think everybody out there knows that the last few years potatoes, that did not get any production at all and were more profitable than sugar beets—and yet sugar beets never had such a chance for relative profit as the last 2 years, for absolutely abnormal reasons. I have a statement from the best experts in America, in your own judgment as well as mine, that Cuba is using 817,000 less acres of America's best-tilled land than she used in 1928, and there is every reason to believe that if we quit sugar—if we turn over to Cuba a very large production of sugar, she will use, if we turn over enough—she will use all those 800,000 acres; very likely 900,000 acres, and possibly a million acres now plowed under and rented, as it were, by the Government for disuse, and the cost of $10 per acre, $10,000,000.

You heard yesterday that the income from beets is $35 an acre. It is perfectly proper to use that language, and you cannot use any other, in ordinary conversation. I did not use that language. They never got anything like $35, as I judge, from beets. They got just one half of that from beets. The beets, as beets, gave them $17.50, instead of $35, but attached to the beets was the right to take another $17.50 from the poorest people in America. I do not question at this moment the propriety—I would question it—of taking that $17, but one half of the $35 was a contribution in the tax from the pockets of the poorest people in America; so they got from their acreage $17.50 for beets, which is not a profit—a great loss—and they got $17.50 in tax. That is not the end of it. That is the grower's account. The consumer's account is far different. The consumer paid $17.50 for those beets, international basis, raw, delivered in New York harbor or New Orleans, or any Atlantic port. The consumer paid for those beets what he could have bought them for, elsewhere, $17.50. He paid another tax, a consumer tax of $17.50 making the $35, and then in addition, he paid another $17.50 to the processer, who processed as cheaply—in a few pennies; I couldn't get down to nickels—but substantially processed as cheaply as the Atlantic Seaboard refiners, so the consumer paid for $17.50 worth of beets, $52.50. This miracle bill, as I choose to call it, does away, as far as it goes—it does not go far enough—it does away with that situation. It introduces into the tariff program of the United States the most honorable and just and fair calculation that ever has been made on an American commodity.

The CHAIRMAN. Mr. Miles, have you a further statement there? You have had 10 minutes. If you have a statement, or if you want to extend your statement, we will be very glad if you will give it to the stenographer.

Mr. MILES. May I say one word only? I am very grateful, sir. Ohio wants sugar beets. The consumers in Ohio spent last year in the tax or gratuity $16,000,000. The farmers of Ohio spent $2,400,000. They got a crop of $360,000, international basis, and the situation in Michigan is not much better. The people in these States do not know the cost of the other tax and the saving under the present bill.

Senator BARKLEY. Mr. Miles, in what capacity are you testifying, for the record?

Mr. MILES. As chairman of the Fair Tariff League. It is an organization that is directed; two thirds of the members of committee are the foremost representatives of agriculture in the United States. You could almost call it a farmer organization, which leads me to say that they want me to make this statement, and the present sugar tariff, if I may so call it, is costing the farmers of the United States $78,000,000 a year. It has cost them $1,800,000,000 since the experiment began. It has cost the general consumers of the United States $3,000,000,000 to get a crop that a little while ago was worth $31,000,000.

The CHAIRMAN. Thank you very much.

I have here telegrams from the Governors of Wyoming, Nebraska, Colorado, and Utah, which I desire to have placed in the record.

(The telegrams referred to are as follows:)

[Telegrams]

CHEYENNE, WYO., *February 14, 1934.*

Senator PAT HARRISON,
Chairman Finance Committee, United States Senate,
Washington, D.C.:

Understand your committee has under advisement bill proposing to allocate sugar production and imports and am advised that under pending proposal it will be necessary to curtail sugar-beet acreage in this part of country by 17 to 20 percent. This would work very serious hardships on farmers of western United States, particularly in irrigated districts. Sugar beets are not only an adaptable crop but have been source of the only dependable cash revenues for our farmers for years. I believe in all fairness and justice that the quota of tariff-exempt sugar from Philippines should be held to lower figures in order that our sugar beet growing sections may be permitted to produce at not less than present levels. Trust you will give this earnest consideration.

LESLIE A. MILLER, *Governor of Wyoming.*

LINCOLN, NEBR., *February 21, 1934.*

Hon. PAT HARRISON,
United States Senate, Washington, D.C.:

I have just sent the following message to President Roosevelt which I hope that you can use to protect and promote sugar protection so that the American farmers will be given a preference in their home market in place of being discriminated against by curtailing their production:

"Nebraska as a State is vitally interested in the production of sugar beets. We cannot afford to have the ton production reduced. It should be increased. It is a cash crop and all of the farms producing sugar beets have been planned and equipped and are manned for sugar-beet production. The sugar produced in United States is only a fourth of the amount of sugar consumed and it is impossible to conceive, as a business proposition as it affects our State and our Nation why our quota is not increased and our people enabled to get some benefit from their home markets. I sincerely hope that the importance of our people of saving this important agricultural crop will not be jeopardized or overshadowed by demands of capital invested on foreign shores. We are cooperating to the limit in all efforts of your administration to restore prosperity and to bring peace and comfort to the toiling masses. It would destroy the investments of those engaged in sugar-beet growing and beet-sugar manufacturing, and it would bring hardships and discouragement to our people if our great and powerful Federal Government should permit our people to be discriminated against in fixing the quota of sugar so that our people would be deprived of sharing in and enjoying the fruits of their frugal efforts."

CHARLES W. BRYAN, *Governor of Nebraska.*

DENVER, COLO., *February 19, 1934.*

Hon. PAT HARRISON,
Senate Office Building, Washington, D.C.:

Have wired President Roosevelt and Secretary Wallace today urging that sugar-beet acreage in continental United States be not curtailed. Many millions in investments in farms, factories, and city properties almost wholly depend upon this industry. While of tremendous importance in beet-growing areas, total of sugar produced is not material in national consumption. Western States demand right to continue normal agricultural program without unreasonable limitation. Sincerely hope your committee will consider tremendous importance of this industry to beet-growing areas before concluding finally.

ED C. JOHNSON, *Governor of Colorado.*

SALT LAKE CITY, *February 17, 1934.*

Hon. PAT HARRISON,
United States Senate:

Utah is very deeply concerned in the proper solution of sugar question. permit me strongly to urge that no action be taken that will curtail present beet sugar production in continental United States. This State relies in large measure on sugar to make advantageous use of many irrigated tracts of land and to keep a balance of trade through export of sugar that enables us to purchase manufactured goods from other parts of the United States; to the extent sugar production in the United States is curtailed in the interest of foreign production, the industries of the whole country will be adversely affected.

HENRY H. BLOOD, *Governor.*

The CHAIRMAN. I have here two letters from the Secretary of War, dated February 15, and also two letters from the Secretary of War, dated February 19, enclosing certain communications received relative to the proposed sugar bill, which I desire to have copied in the record.

(The letters referred to are as follows:)

WAR DEPARTMENT,
Washington, February 15, 1934.

Hon. PAT HARRISON,
Chairman Finance Committee,
United States Senate, Washington, D.C.

DEAR SENATOR HARRISON: I am pleased to transmit herewith for the information and appropriate consideration of your committee a copy of a self-explanatory radiogram dated February 9, 1934, received in the Bureau of Insular Affairs of this Department from the Governor of Puerto Rico, relative to sugar.

Sincerely yours,

GEORGE H. DERN,
Secretary of War.

[Translation of cablegram received Feb. 10, 1934]

SAN JUAN, *February 9.*

COX,
Bureau of Insular Affairs, War Department,
Washington, D.C.

President's message to Congress, transmitted your 42, has been considered in conference with sugar producers of this island who give arguments set down below, which are referred to Secretary of War for his information and such action as he deems appropriate.

Sugar producers here are extremely dismayed at low quota proposed for Puerto Rico. Sugarcane agriculture and cane-sugar production are the backbone of the economic structure of Puerto Rico and the main source of living of Puerto Rican laborers. Considering the Puerto Rican sugar production in 1932, which was over 992,000 short tons, the production in 1933, which was over 834,000 short tons, in spite of the severe damage caused by the hurricane that visited us that year, and considering the conservative estimate of a production of 1,000,000 tons in the present crop, that we consider a normal crop for the island, it is hardly fair to receive a quota for export from Puerto Rico to continental United States of only 821,000 short tons which means a reduction of about 18 percent of the average of these three crops. When the sugar producers of Puerto Rico accepted a quota of 875,000 short tons for export to continental United States, plus the islands consumption, under the sugar agreement approved by the producers and discarded by the Government, such was done at a sacrifice to the general welfare of the island and its inhabitants due to the spirit of cooperation towards the national Government and its proposed plan for general reconstruction. During this same period the exportation of Cuba to continental United States has been as follows: Year 1932, 1,647,248; year 1933, 1,495,992, and for 1934 an estimated crop of two million tons, which discriminates in the proposed allocation of quotas against Puerto Rico in favor of a foreign country.

As supplementary data the attention of the administration is called to the following facts: Cuba exported to the United States in the year 1932, 56 percent of its total sugar production; in the year 1933, 65 percent of its total sugar production; and this year, according to the proposed quota, Cuba would export 97 percent of its total sugar production, while Puerto Rico would only export 82 percent of its total sugar production. Consider that if producer has to pay processing tax it would mean ruination to industry. Puerto Ricans at present are burdened with processing taxes under the Agricultural Adjustment Administration and also with increase in prices of goods imported from mainland due to the effects of National Recovery Administration. These are taxes paid by Puerto Ricans as consumers of American goods. If sugar becomes a basic commodity under the Agricultural Adjustment Administration, it should be entitled to all benefits that the act carries; that is, processing taxes imposed on finished products to be distributed among the sugar growers and charged to the consumers, as in the case of cotton, wheat, and other basic commodities. We beg to remind the Administration that sugar is the cheapest staple food product available to the American consumers. A reduction of the Puerto Rican quota and a decrease in the duty mean a reduction on our purchasing power. Puerto Rico occupies sixth place as an importer of American goods. As American citizens, we request that the Puerto Rican quota be increased to 900,000 tons in consideration of recent hurricanes and overpopulation, factors mainly responsible for our present economic distress.

Realizing that sugar industry is the mainstay of the island, and that other agricultural products are at present in a state of practical bankruptcy, including coffee, citrus fruits, tobacco, and cotton, I commend the arguments of sugar association to your serious consideration. Should there be lack of clarify as to basic facts or figures, please enlighten me.

BLANTON WINSHIP.

WAR DEPARTMENT,
Washington, February 15, 1934.

Hon. PAT HARRISON,
Chairman Finance Committee, United States Senate,
Washington, D.C.

DEAR SENATOR HARRISON: I am pleased to transmit herewith for the information of your committee communications received in this Department, as listed below, relative to the proposed bill (S. 2732) on sugar.

Sincerely yours,

GEORGE H. DERN,
Secretary of War.

WASHINGTON, D.C., *February 10, 1934.*

Hon. GEORGE H. DERN,
Secretary of War, Washington, D.C.

DEAR SIR: I enclose herewith copy of a letter which I forwarded today to the Agricultural Adjustment Administrator in connection with the proposed bill making sugar a basic commodity and fixing the Puerto Rico sugar quota.

You will see from my letter the injustice toward Puerto Rico, if no adjustment can be made on account of the hurricanes in Puerto Rico, and I wish that you would kindly use your good office in seeing to it that the bill be adequately changed before being introduced to take care of the Puerto Rican problem.

I understand the bill is still being changed today, and in view of the urgency of this matter I wish that you would kindly see to it that my proposed change also be made.

Thanking you in advance for your courtesy, I remain,

Very sincerely,

JOHN BASS,
Representing the Puerto Rico Sugar Producers Association.

WASHINGTON, D.C., *February 10, 1934.*

AGRICULTURAL ADJUSTMENT ADMINISTRATION,
Department of Agriculture, Washington, D.C.

GENTLEMEN: With further reference to the personal conversation I had with your Mr. Weaver and Dr. Bernhardt this morning in connection with the Puerto Rico sugar quota, I would like to again state to you the point of view of the Puerto Rico Sugar Producers Association, which I represent.

As you know, Puerto Rico has been visited by two very severe hurricanes, one in 1928 and one in 1932, which severely affected the crop outputs for 1928 and 1933. The effects of these hurricanes were so disastrous that the Puerto Rico sugar industry and, as a matter of fact, the entire island has suffered severe financial losses, which we all feel we are entitled to make up in years to come. It would be unfair and unjust and discriminatory if the Puerto Rico sugar producers should have to suffer for such catastrophes for which they were not responsible, and it would be just as unfair to give the other sugar-producing areas the benefits of any such catastrophes by cutting down the Puerto Rico quota to the advantage of the other producing areas. In other words, if the other producing areas' quotas should be based upon an average of the 3 years taken out of the last 8 years, of which the last 3 years are the highest ones, ten it would be unfair to cut out the 2 hurricane years when considering the Puerto Rico quota, especially so when one of these hurricane years falls into the last 3 years, showing the highest production in the island, the same as in other areas. For that reason I feel that it is only fair and just that a provision be made in regard to Puerto Rico whereby the delivery figures for Puerto Rico for 1929 and 1933 be based upon what would have been a normal figure rather than be based upon the actual production figures, which naturally were considerably reduced on account of the hurricanes.

A readjustment of these individual years could easily be made by taking the official estimates of these crop years made prior to the hurricanes by the Department of Agriculture in Puerto Rico or by the Puerto Rico Sugar Producers Association, or both, in which event it will be quite clearly shown that Puerto Rico would have supplied the continental United States in 1933, not with 791,000 short tons raw sugar value, but with at least 910,500 short tons. The mere striking out of the actual delivery figures for 1933 would not be fair in view of the above-mentioned arguments, but I feel that it would be fair to substitute the actual figure for 1933 with the estimated normal deliveries for 1933, thereby giving Puerto Rico the same privileges of including the three large crop years in their average as is being given to other areas. I, therefore, would suggest that you recommend a provision in the proposed bill reading approximately as follows:

"Since some of the Puerto Rico crop years have been abnormally affected by hurricanes and the inclusion of these abnormal figures in the 3-year average would be misleading and cause undue hardship to Puerto Rico, such actual delivery figures for these hurricane years shall be increased by the amount of the estimated crop damage as approved by the Secretary of Agriculture."

I would highly appreciate if you would recommend the inclusion of such section in the proposed bill before same is submitted to Congress. I am quite sure that in view of the fairness of this request no other area will have any objection to the inclusion of this section in the bill.

Thanking you in advance for your courtesy, I remain,

Yours very sincerely,

JOHN BASS.

BUCKLEY & BUCKLEY,
Washington, D.C., February 13, 1934.

Brig. Gen. CREED F. COX,
Chief, Bureau of Insular Affairs, War Department,
Washington, D.C.

MY DEAR GENERAL COX: I presume that you have received a copy of the sugar control bill, but in the event that you have not, I enclose a copy herewith.

This bill is quite antagonistic to Puerto Rico, and in section 3 accentuates the fact that it is to protect the domestic consumers and producers with the inference that domestic means contitental.

I am suggesting that this word "domestic" occurring in section 3 be changed to read "United States", and that section 8a (A), which is amended by section 3, should eliminate "Puerto Rico" from paragraph (A), and place "Puerto Rico" in paragraph (B). Furthermore, in section 8, the coverage into the insular treasury should be provided for by putting in the words "Puerto Rico."

Certain governmental aspects to this bill are interesting to my clients in view of the fact that they are heavily prejudiced by the application of the processing tax and N.R.A. provisions to goods purchased in Puerto Rico.

In connection with this latter aspect I sent a cable to Governor Winship, copy of which is enclosed herewith.

I would be happy to know Governor Winship's views on this bill as soon as practical, and would suggest that cable advices on this situation would be of considerable importance, as the bill will undoubtedly be brought forward very quickly.

Very truly yours,

DAVID A. BUCKLEY, Jr.

[Telegram]

PONCE, P.R., *February 13.*

CHIEF BUREAU INSULAR AFFAIRS,
Washington, D.C.:

Agricultural Association of Puerto Rico claims for its membership equal rights with other American farmers. Sugar production is most highly developed industry in Puerto Rico and deserves friendly cooperation of continental farmers, whose products in form of flour, meal, rice, lard, meat, butter, etc., are consumed by cane farmers.

FARM LOCAL ASSOCIATION OF PONCE.

[Telegram]

SAN JUAN, P.R., *February 14, 1934.*

BUREAU INSULAR AFFAIRS,
Washington, D.C.:

San Juan Rotary Club endorses cable of Puerto Rican sugar producers relative proposed sugar quota and urges favorable action thereon; details air mail.

HARVEY, *Secretary.*

[Telegram]

SAN JUAN, P.R., *February 13, 1934.*

CHIEF OF BUREAU OF INSULAR AFFAIRS,
War Department, Washington, D.C.:

Senate of Puerto Rico protests against discrimination made cane and sugar producers of Puerto Rico as foreign sugar producers, as proposed in sugar control bill introduced by Representative Marvin Jones, which, in section 3 (A), includes Puerto Rican producers jointly with Cuban and other foreign producers, instead of including them in section 3 (B) with American producers.

The Senate of Puerto Rico also protests against bill introduced in the Senate by Senator Costigan of Colorado, on which hearing will be held Friday, February 16, before Senate Finance Committee and which contains identical discriminative clause. So far Puerto Rico has suffered all the encumberances of the A.A.A., which has highly increased the cost of living. We, therefore, request that Department to protect the interests of Puerto Rico on all legislation affecting sugar. Our request rests upon the policy of the Agricultural Adjustment Act, which properly includes Puerto Rico producers with American producers. Such discrimination would tend to increase unemployment. We beg to remind you that Congress has made us American citizens and that we expect the same treatment in all aspects of life that is accorded to citizens born in continental United States.

RAFAEL MARTINEZ NADAL,
President Senate of Puerto Rico.

WAR DEPARTMENT,
Washington, February 19, 1934.

Hon. PAT HARRISON,
Chairman Finance Committee,
United States Senate, Washington, D.C.

DEAR SENATOR HARRISON: I am pleased to transmit herewith for appropriate consideration a copy of a cablegram received in the Bureau of Insular Affairs of this Department from the speaker of the house of representatives, Legislature of Puerto Rico, dated February 15, 1934, relative to the proposed bill (S. 2732) on sugar.

Sincerely yours,

GEORGE H. DERN,
Secretary of War.

SAN JUAN, P.R., *February 15, 1934.*

BUREAU OF INSULAR AFFAIRS,
Washington, D.C.

House of Representatives of Puerto Rico request that Puerto Rican cane growers and sugar producers be included among domestic sugar producers and that in any sugar-control bill introduced in that honorable body they be considered as continentals with all benefits derived from these laws. Puerto Rico has accepted all the obligations imposed by the N.R.A. and A.A.A. laws which have greatly increased its cost of living. We therefore ask that in legislating on sugar, our principal product, there be given to the growers of sugarcane and producers of sugar in Puerto Rico same treatment as is given to continental growers of beet and sugarcane and producers of sugar. We demand this within the spirit of the Agricultural Adjustment Act which properly classifies the producers of Puerto Rico among American producers. The proposed discrimination between foreign continental producers would aggravate unemployment in this island.

MIGUEL A. GARCIA MENDEZ, *Speaker.*

WAR DEPARTMENT,
Washington, February 19, 1934.

Hon. PAT HARRISON,
Chairman Finance Committee, United States Senate,
Washington, D.C.

DEAR SENATOR HARRISON: I am pleased to transmit herewith for the information of your committee a copy of a cablegram received in the Bureau of Insular Affairs of this Department from the Puerto Rico Sugar Producers Association, dated February 15, 1934, relative to the proposed bill (S. 2732) on sugar.

Sincerely yours,

GEORGE H. DERN.
Secretary of War.

SAN JUAN, P.R., *February 15, 1934.*

Brig. Gen. CREED F. COX,
Chief Bureau of Insular Affairs,
Washington, D.C.

There are 42 sugar centrals in Puerto Rico. One of these has not operated since year 1930. Five others are in receivership and have been ordered sold at public auction. Only one bid was received and the court is now considering whether to accept this offer of $3,500,000 for five centrals with creditors for about $18,000,000 or order another auction. If proposed drastic limitation is imposed, other centrals will probably be forced into liquidation. This will certainly be the case if a processing tax is levied which cannot be passed on to the consumer.

RAMON ABOY BENITEZ,
President Puerto Rico Sugar Producers Association.

WAR DEPARTMENT,
Washington, February 26, 1934.

Hon. PAT HARRISON,
Chairman Finance Committee, United States Senate, Washington, D.C.

DEAR SENATOR HARRISON: In connection with my letter of February 15, 1934, I am pleased to transmit herewith for the information of your committee a letter received in the Bureau of Insular Affairs of this Department from the Rotary Club of San Juan, P.R., dated February 19, 1934, relative to the proposed bill (S. 2732) on sugar.

Sincerely yours,

GEO. H. DERN,
Secretary of War.

THE ROTARY CLUB OF SAN JUAN, P.R.,
February 19, 1934.

THE BUREAU OF INSULAR AFFAIRS,
Washington, D.C.

SIRS: At the regular meeting of the San Juan Rotary Club, held February 13, the question of the proposed sugar quota for Puerto Rico was discussed, and the following cable was sent to you:

"San Juan Rotary Club endorses cable of Puerto Rican sugar producers relative proposed sugar quota and urges favorable action thereon. Details air mail."

Puerto Rico is dependent mainly on agriculture, and sugar is its principal crop. The possible production in years when the island has not been visited by a hurricane is around 1,000,000 short tons.

The commerce of Puerto Rico has grown since the American occupation, until the island is now the heaviest purchaser of goods from the United States in all Latin America and is the seventh largest customer of the United States in the whole world.

The island is greatly overpopulated, and the economic conditions are such at the present time that 192,871 families are receiving aid from the Emergency Relief Administration.

The proposed quota for Puerto Rico of 821,000 short tons, which would mean a reduction of about 18 percent from a normal crop, would have an economic effect on the island similar to that caused by the devastating hurricanes of 1928 and 1932.

We respectfully call these facts to your attention and urge their favorable consideration.

Very truly yours,

ARTHUR J. HARVEY, *Secretary.*

STATEMENT OF HON. PAUL H. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. MALONEY. I appreciate very much the opportunity to present some views relating to sugar legislation as proposed in what is known as the Costigan bill.

I may say that I have the honor to represent the Second Congressional District of the State of Louisiana, which State is interested very much in the sugar industry from the standpoint of growing cane and the refining of imported raw sugars.

In my district there are considerable small farmers who grow cane. They have been looking forward with much encouragement as it has been the policy of our Government to give so much attention to the help of the farmer that he would finally be reached and receive substantial help.

The sugar industry has been one that Louisiana has been engaged in for many, many years. The planters have gone through many ups and downs and within the last several years the hardships upon this industry have been almost unbearable. However, as stated, they were looking forward with much encouragement to better conditions, particularly since our great President has indicated a sympathetic feeling regarding the sugar farmers. To more clearly emphasize this, I quote from a telegram that was received by one of my constituents from the President on November 7, 1932:

> Of course it is absurd to talk of lowering tariff duties on farm products. I declared that all prosperity in the broadest sense springs from the soil. I promised to endeavor to restore the purchasing power of the farmer dollar by making the tariff effective for agriculture and raising the price on farm products. I know of no excessive high tariff duties on farm products; I do not intend that any duties necessary to protect the farmer shall be lowered; to do so would be inconsistent with my entire farm program and every farmer knows it and will not be deceived.
>
> FRANKLIN D. ROOSEVELT.

So, gentlemen, you can understand how these producers feel when they read the testimony of some of the governmental witnesses relating to the sugar industry as it applies to this country.

Without taking up too much time, may I just say this, that I feel the sugar growers of my district are agreeable to seeing sugar made a basic commodity for the purpose of stabilizing prices in equity to the farmer for his work and with equity to the consumer. I also wish to say that in the refining of imported sugars the tariff as applied to raw and refined sugar is not fair to the American labor or to the American industry and this should be readjusted so that the benefits would come to the home labor, and to do this under the suggested legislation, it is probable that the refined sugar from other countries should be limited to practically a minimum.

For instance, to stabilize prices, we curtail the production of commodities of which we produce too much and here, sugar, on the other hand, that we do not produce enough of, we attempt to curtail production in this country and import the balance of our requirements. This, to me, is inconsistent and out of harmony with the assumed policy giving help to the American farmer and labor.

There is another matter that I may call to your attention; that is, the Government is lending much money and some of which to the sugar planters and unless the legislation is considerate in reference to the sugar planters this is not going to be a satisfactory financial investment.

I feel that you gentlemen are going to give this matter your very earnest consideration and finally approve legislation that is going to be equitable.

I wish to thank you for the courtesy extended.

The CHAIRMAN. Is there anybody in the audience now that desires to insert in the record any statement touching this matter and giving his views?

Mr. MEAD. Mr. Chairman, there have been many references to the so-called "stabilization" agreement which the producers worked on during the spring and summer. If you would care to have it, I would be very glad to introduce it in the record as a part of my testimony.

The CHAIRMAN. You may put it in, but the committee was going to get that from the Tariff Commission, Mr. Mead.

Mr. MEAD. I will produce the one which we all signed, and sent to the Secretary of Agriculture.

Senator COSTIGAN. It was suggested to me yesterday that Mr. Kearney, representing the beet growers, might desire to make a brief supplemental statement this morning.

The CHAIRMAN. Mr. Kearney, do you desire to make a brief statement?

Mr. KEARNEY. Mr. Chairman and Senator Costigan, after discussion with my people, they decided to let the matter stand.

The CHAIRMAN. The committee will go into executive session, and I hope the audience will clear as quickly and as speedily as they can.

Mr. H. R. BISHOP, of the firm of Buckley & Buckley. I request the privilege, Mr. Chairman, of filing a short additional statement.

The CHAIRMAN. You may.

(The statement referred to is as follows:)

STATEMENT SUBMITTED BY H. R. BISHOP OF THE FIRM OF BUCKLEY & BUCKLEY

I am appearing in these proceedings on behalf of the Puerto Rican American Sugar Refinery Corporation among others, and in this particular, in view of the remarks by refined-sugar representatives, I wish to call attention to the fact that these particular groups in addition to their refined business in the United States, have extremely large interests for raw-sugar production in Cuba. For example, the American Sugar Refinery Co., which is the largest sugar refinery in the United States, holds Central Cunagua, 1 of the 3 largest centrals in Cuba, besides other extensive raw-sugar interests in Cuba.

The United Fruit Co., which owns the Revere Sugar Refinery Co. in Boston, is likewise the owner of Central Boston and Central Preston, two very large centrals. The Cuban American Sugar Co., which holds the Gramercy Refinery in Louisiana, is 1 of the 2 or 3 largest raw-sugar production companies in Cuba.

The American Sugar Refinery, mentioned above, owns 25 percent of the National Sugar Refinery in the United States. The committee is taking into consideration the aspects of sugar-refinery interests in the United States, and should also consider the great benefit which will flow to them from their ownership of raw production in Cuba.

Statement By the Baltimore Association of Commerce on the Sugar Situation

The Baltimore Association of Commerce, as the principal representative of the general business of the city of Baltimore, desires to bring to the attention of the Committee on Agriculture the serious situation confronting the sugar-refining industry of this city, and the disastrous potential effect of this situation on Baltimore labor and commercial operations.

The present condition results from an improper and inequitable adjustment of rates of tariff duty between raw sugar and refined sugar, as contained in the Smoot-Hawley Tariff Act. This act imposed a duty of $2 per 100 pounds on Cuban raw sugar and a duty of $2.12 per 100 pounds on Cuban refined sugar. As 107 pounds of 96° raw sugar are required for the manufacture of 100 pounds of refined sugar, American sugar refiners pay $2.14 in duty on the Cuban raw sugar necessary to manufacture 100 pounds of refined sugar. The resulting differential of 2 cents against the domestic industry, plus the ability of import refined sugar interests to undersell in the American market because of low production and labor costs in Cuba and elsewhere, makes competition by the domestic refining industry virtually impossible, decreases the activities of domestic refining plants, creates unemployment and threatens the very existence of this basic American industry.

The effect of this situation is graphically shown by the importations of raw and refined sugar from Cuba at the port of Baltimore in 1933, when for the first time imports of dutiable refined sugar exceeded imports of dutiable raw sugar. The figures in that year were 69,768,071 pounds of dutiable raw sugar imported from Cuba, compared with 229,790,000 pounds imported in 1932, and 153,658,800 pounds of dutiable refined sugar imported from Cuba, compared with 209,218,300 pounds imported in 1932. This was a decrease of 26.5 percent in dutiable refined sugar as between the 2 years, and a decrease of 69.6 percent in dutiable raw sugar. It may also be noted that free raw sugar from Puerto Rico received at Baltimore in 1933 was 18,202,500 pounds, compared with 77,970,500 pounds in 1932, a decrease of 77 percent, while free refined sugar from this source totaled 23,800,000 pounds in 1933, compared with 24,005,600 pounds, a decrease of less than 1 percent.

Since 1922 one of the largest cane-sugar refineries in the world, and probably the most modern plant of its kind in existence, has been located at Baltimore. This refinery has paid in customs receipts to the Federal Government over $60,000,000. Its past employment, before the situation created by large imports of refined sugar, has been approximately 1,000 employees. It has borne a large share of municipal and State taxes. Its purchases of supplies and materials have represented a substantial contribution to local commerce. Its shipments by rail and water have added materially to the activity of the general port and city. It has consumed over 1,000,000 tons of coal, which represented benefits to mine and transportation workers of other States.

This plant is now operated as a decidedly reduced capacity. Its continued operation is threatened, as is that of many other refineries in the United States, which are employing a large volume of American labor and are basis assets of the communities in which they are located. During the last 2 years the Baltimore plant has been forced to shut down entirely for periods totaling 2 months. We are now informed that complete and permanent closing of the entire operation is in prospect if some solution to the domestic refiners' problem is not found in the legislation now being formulated by Congress on this subject.

The present unfavorable position of American sugar refineries may be said to be principally due to the inward movement of sugar refined in Cuba and in our own insular possessions. It is doubtful whether any nation other than the United States permits sugar refined in the Tropics, whose natural sugar production may be said to be raw sugar, to enter into destructive competition with its home refiners.

The Baltimore Association of Commerce reaffirms its action taken in May 1933 to the effect that this situation should be corrected by such decrease in the import tariff duty on raw sugar as will meet the inequality as described and permit the domestic refining industry to function on a competitive basis. The association believes that it was the intent of Congress, at the time of the passage of the Smoot-Hawley Act, to make this adjustment through the flexible provision of the act, but such correction has not been made. The lowering of duty on raw sugar, with the duty on refined remaining at the present level, would satisfy the needs of the situation, would benefit both Cuba and the United States, and would guarantee continuance of an industry which occupies an important place in the economic life of the country.

This association believes that foreign trade is a 2-way matter, and that this situation could be worked out through reciprocal lowering of Cuban and American tariffs, to the best interest of the natural production and export business of each country. However, if it is intended by the Government of the United States to make sugar allotments to the various producing countries, then we urge that definite percentages for refined sugar be specified for each total sugar allotment, from each source of supply, and that these quotas be limited to such degree as will permit continuance of the local domestic refining industry.

In connection with your committee's consideration of the pending legislation and the proposal to place sugar under the Agricultural Adjustment Act, this association therefore urges that proper remedial action be taken through adequate reduction in the import tariff duty on raw sugar alone; and by such definite limitation on imports of refined sugar as will suffice to protect the domestic refining industry.

STATEMENT OF AMERICAN FARM BUREAU FEDERATION BY CHESTER H. GRAY, WASHINGTON REPRESENTATIVE

This measure, S.2732, is presented as an amendment to the Agricultural Adjustment Act. That act has as its first and immediate purpose to bring parity prices to the American farmers who grow farm crops, basic or otherwise. Not one word, sentence, paragraph, or section of this law states, or even indicates, that its benefits are to redound to any individual other than the American farmer; much less does it state or indicate that its purpose is to reach beyond our continental boundaries, and by the indirect method of settling difficulties abroad or in our colonies, secure some hoped-for benefits to our farm producers at home.

Anyone who will read section 1 and 2 of the Agricultural Adjustment Act, must conclude that S. 2732, as well as its companion measure H.R. 7907, are not proper amendments to an act, the design of which is to improve domestic farm conditions. The amendment as presented is undoubtedly, if put into operation, of more benefit to importing industries, both producers and refiners, than it can possibly be to domestic interests, either producers or refiners.

This point of view offered in behalf of the American Farm Bureau Federation is not one newly developed. Since May and June 1933, when the proposed sugar marketing agreement was offered for consideration, the Federation has taken the position that in regard to any domestic farm crop, sugar or otherwise, the adjustment act must not be amended, and no marketing agreement under its terms is to be promulgated, to promote any one of the following characteristics:

(a) To become international rather than national in character.

(b) To fail to benefit the American farmer, who is the individual designed to be benefited according to the declaration of policy in sections 1 and 2 of the act, and to give benefits primarily to producers abroad or in our columns.

(c) To surrender the home market in regard to any domestic farm crop, and in the degree to which that market is surrendered, to turn it over to foreign interests, agricultural or industrial, as the case may be.

(d) To require the domestic producers of cane and beets to decrease, or limit, or put under quota, their present minority production, measured in terms of domestic requirements, at the same time that importations of sugar, or any other farm crop, are not only permitted but authorized.

(e) To allow by invitation, or otherwise, foreign and importing interests participating in the formulation of legislation or marketing agreements amendatory to, or under the operation of, the Agricultural Adjustment Act.

(f) To adopt marketing agreements, or amendments to the act, which are designed primarily to protect American investments abroad, or in our colonies, for the production of agricultural products.

The American Farm Bureau Federation appeared several times in public hearings in opposition to the proposed marketing agreement on sugar of 1933. Its representatives refused to accept a place on the so-called sugar policy committee of seven, the purpose of which was to write the sugar marketing agreement, because that committee was dominated by representatives of importing interests, which domination was then, and is now, directly in violation of the statement of policy of the Agricultural Adjustment Act. No one could expect a sugar marketing agreement to be so written as to benefit the American producer of sugar, when the group writing such an agreement was composed too largely of individuals who had not the interest of the American farmer at heart, but who represented, too directly, American capital in Cuba, Philippines, and Puerto Rico.

With this review of position taken by the federation in 1933, it can be seen that little support can be given by the federation to S. 2732. This measure is a repetition of the proposed marketing agreement on sugar of 1933, but even goes farther in violating the intent and purpose of the adjustment act to serve the American farmer than did that agreement of 1933. The pending measure would reduce domestic quotas below those proposed in 1933. The pending measure would grant more tonnages from Cuba, Puerto Rico, and the Philippines than were contained in the proposed agreement of 1933, or than was then asked by said representatives of the interests in those islands. The pending measure, despite t[illegible] fact that domestic sugar is produced only one quarter, approximately, to t[illegible] extent of our domestic requirements, would still further reduce that small percentage and subsequently surrender the domestic market, more and more, to foreign and importing interests.

The pending measure, without doing so in words, would classify domestic production of sugar as being uneconomical, following the thoughts in this regard of some who have participated in the drafting of the bill, and who have recently testified in its support both before the House and the Senate Committees on Agriculture. The assertion that sugar is "uneconomical" means, according to the testimony of supporters of the measure, either that sugar costs more to produce in the United States than it costs to produce it elsewhere; or, since sugar is not now produced in quantity sufficient to supply our needs, no effort should be made to expand its domestic production.

If sugar is uneconomical in the sense that it costs more to produce at home than abroad, let us also similarly classify, and after classification, remove them from the protective influence of our tariff rates, the following farm products which cost more to produce in the United States than abroad:

Corn, dried beans, beef-cattle, butter, fresh lima beans, cream, onions, milk, fresh tomatoes, cherries, lemons, canned tomatoes, maple sugar, almonds, flaxseed, wool, peppers, fresh green peas.

Is there anyone bold enough to say that this list of farm crops, which cost more to raise domestically than abroad, should be treated in the way which is now planned for sugar? If there is anyone so bold, let us consider the other aspect of the "uneconomical" feature alleged against sugar; namely, that it is not now being produced adequately to supply our home market, therefore, let us get our sugar from abroad and sacrifice our domestic producers and refiners. If sugar is to be treated in this way because it is a deficiency crop, so likewise must we treat many fresh winter vegetables such as tomatoes, snap beans, green beans, and cucumbers; also buckwheat. In this classification would come flaxseed, canned tomatoes, peas, potatoes, soybeans, grapefruit, almonds, lemons, figs, olives, dates, English walnuts, limes, peanuts, filberts, beef-cattle, wool, cream, butter, maple sugar, and maple sirup.

Many people misconstrue the intent of the Agricultural Adjustment Act in regard to control of production. Basic crops—those so named as basic in the law—all come under the provision relative to control of production; but many other crops such as sugar, which is not produced at the present time adequate to supply all our own requirements, need not necessarily be subjected to a reduction in production. The entire intent of the Adjustment Act is to "give the American market to the American farmer" whether the crop is basic or otherwise. To take a crop of minority production, that is, one which does not supply our own requirements, such as sugar, and then compel the American farmers of such a crop still further to limit their production, is not a procedure properly to be considered as an amendment to the Adjustment Act, unless, indeed, the declaration of policy in sections 1 and 2 of the act should be so drastically changed as to remove from such declaration of policy the present stated intent of the law to benefit only one person, namely, the American farmer by giving him parity prices.

It is difficult to suggest to the Senate Committee on Finance a proper procedure in regard to S. 2732, as the entire measure is in violation of the policies and the activities of the American Farm Bureau Federation. Any effort suggested in this statement, offered in behalf of the American Farm Bureau Federation, to amend S. 2732 so that its provisions would be in accord with the policy of the Agriculture Adjustment Act, would require a complete rewriting of the proposed measure. That effort obviously cannot be undertaken in a brief statement such as is now being offered by the Federation. It may be said, however, in conclusion that if the Senate Finance Committee desires to make sugar a basic commodity, then about all that is necessary is to slightly amend section 11; in addition, add some necessary definitions which are now included in section 2 of S. 2732; and finally, introduce the words "or regulation" after the word "reduction" in the first line, paragraph 1, of section 8, so that any doubt would be removed relative to a basic crop lige sugar being allowed to expand its production.

The sugar-producing farmers should be allowed to control their acreage by enlarging it annually 10 to 15 percent until such enlargement gradually reaches the surplus point of production; after which time the present "reduction" requirement relative to acreage, should properly be put into effect. But, to require reduction now when only 25 percent, approximately, of our domestic requirements of sugar are produced domestically, is to subject sugar to a legal requirement, which is not sought to be made operative on any other farm crop whatsoever. Should an amendment be adopted to the Adjustment Act, allowing sugar to expand rather than requiring it to shrink in production, automatically the importations from Cuba, Philippines, and Puerto Rico should be gradually decreased, so that instead of making the American sugar-producing farmers retire from the home market, there would be a gradual retirement from that market of the foreign and imported products.

This consummation cannot be secured by amending the proposed amendment, S. 2732, to the Agricultural Adjustment Act. It is respectfully submitted to the Finance Committee that the proposed amendment be entirely rewritten in line with the recommendations in the concluding paragraphs in this statement which is offered on behalf of the American Farm Bureau Federation, the policy of which never forgets the American farmers who produce any and all of our domestic farm crops.

(Whereupon, the committee adjourned at 11:45 a.m.)

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