

**TO MODIFY AND EXTEND THE ACT ENTITLED "AN ACT  
TO INCLUDE SUGAR BEETS AND SUGARCANE AS BASIC  
AGRICULTURAL COMMODITIES UNDER THE  
AGRICULTURAL ADJUSTMENT ACT"**

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**HEARING**  
BEFORE A  
SUBCOMMITTEE OF THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
SEVENTY-FOURTH CONGRESS  
SECOND SESSION  
ON

**S. J. Res. 278**

A JOINT RESOLUTION TO MODIFY AND EXTEND THE ACT  
ENTITLED "AN ACT TO INCLUDE SUGAR BEETS AND  
SUGARCANE AS BASIC AGRICULTURAL COMMODI-  
TIES UNDER THE AGRICULTURAL ADJUSTMENT  
ACT, AND FOR OTHER PURPOSES", APPROVED  
MAY 9, 1934, AS AMENDED, AND FOR  
OTHER PURPOSES

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JUNE 2, 1936

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Printed for the use of the Committee on Finance



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# TO MODIFY AND EXTEND THE ACT ENTITLED "AN ACT TO INCLUDE SUGAR BEETS AND SUGARCANE AS BASIC AGRICULTURAL COMMODITIES UNDER THE AGRICULTURAL ADJUSTMENT ACT"

TUESDAY, JUNE 2, 1936

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,  
Washington, D. C.

The subcommittee met, pursuant to call, at 11:15 a. m., in the committee room, Senate Office Building, Senator Walter F. George presiding.

Present: Senators George (chairman), and Clark.

Also present: Senators O'Mahoney, Overton, and Loftin.

Senator GEORGE. The committee will come to order. This is a subcommittee consisting of Senators Clark, Couzens, and George, appointed to consider Senate Joint Resolution 278. Senator Couzens is necessarily absent this morning because of another meeting, and I will therefore ask the subcommittee to proceed without him. He said that he would not be able to be here at all this morning.

Senator O'Mahoney, do you wish to make a statement about Senate Resolution 278?

(S. J. Res. 278 follows:)

[S. J. Res. 278, 74th Cong., 2d sess.]

JOINT RESOLUTION To modify and extend the Act entitled "An Act to include sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act, and for other purposes", approved May 9, 1934, as amended, and for other purposes.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That under the Act entitled "An Act to include sugar beets and sugarcane as basic agricultural commodities under the Agricultural Adjustment Act and for other purposes", approved May 9, 1934, as amended, no further processing, compensating, or floor-stocks tax shall be levied or collected respecting sugar beets or sugarcane or the products thereof as defined by such Act as amended nor shall any contract be entered into under the provisions of such Act, as amended, with the producers of sugar beets or sugarcane, but in all other respects such amendatory Act shall be and remain in force and effect until December 31, 1937, and the quotas established and allotments heretofore made by the Secretary of Agriculture are hereby ratified.*

*SEC. 2. In order to regulate commerce with Cuba and other foreign countries, among the several States, with the Territories and possessions of the United States, and the Commonwealth of the Philippine Islands, with respect to sugar, the quotas for the respective sugar-producing areas shall be the same (subject to modification or adjustment by the Secretary of Agriculture under conditions set out in such Act) for the calendar years 1936 and 1937 as those initially established by the Secretary of Agriculture for the calendar year 1936: *Provided*, That for the calendar year 1937 there shall be allotted to continental United States not less than 40 per centum of any amount of consumption requirements therefor above six million four hundred and fifty-two thousand short tons, raw value: *Provided further*, That any quota may be allotted by the Secretary of Agriculture,*

In order to prevent disorderly marketing or importation of sugar, on the basis of prior allotments under such Act, changes in marketing since the first such marketings during the calendar year 1935, and ability to perform.

Sec. 3. For the purpose of restoring the average purchasing power of the producers of sugar beets and sugarcane in continental United States, Hawaii, and Puerto Rico, the Secretary of Agriculture is authorized to make payments to such producers subject to any of the conditions heretofore made effective by the Secretary under the authority of said amendatory Act at a rate not to exceed 50 cents per hundred pounds of sugar, raw value, commercially recoverable from sugar beets or sugarcane produced during each of the calendar years 1936 and 1937 not in excess of the proportionate share of the producer in the initial marketing quota for his area for each of said years. Such basic rate shall be that which is determined by the Secretary to be necessary to give producers of sugarcane and sugar beets in continental United States a purchasing power per such unit of one hundred pounds raw value equal to the average purchasing power obtained therefrom for the 1935 crops, said rate to be adjusted to allow for any sums obtainable with respect to sugar beets or sugarcane production or land used for such production under the Soil Conservation and Domestic Allotment Act.

Sec. 4. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum not to exceed \$30,000,000 annually to carry out the purposes of this resolution, including all necessary expenses of administration.

#### STATEMENT OF HON. JOSEPH C. O'MAHONEY, UNITED STATES SENATOR FROM THE STATE OF WYOMING

SENATOR O'MAHONEY. I shall be glad to do that, Mr. Chairman.

This resolution, as I think I explained to the committee yesterday, is identical with one introduced in the House by Chairman Jones of the Committee on Agriculture. It undertakes to extend until December 31, 1937, the effective provisions of the Jones-Costigan Act.

It will be recalled that by reason of the decision of the Supreme Court in the *Hoosac Mills case*, the Department of Agriculture abandoned benefit payments under the Agricultural Adjustment Act. The Jones-Costigan Act provides a quota system. Now, many of us have felt that the Jones-Costigan Act was the most successful of all of the agricultural acts passed during this administration, and that it produced tremendously beneficial effects to the entire sugar industry. For several years before the passage of this act, the sugar industry in the United States was in a chaotic condition and getting progressively worse. This was by reason of the large overproduction of sugar throughout the world. American refiners were losing money and American producers were unable to receive a living return for their crops.

Now, this whole system was inextricably tied to the reciprocal trade agreement with Cuba whereby a certain quota for the importation of Cuban sugar was provided, with the understanding that it would be maintained as long as there was a domestic quota system in the United States.

When the United States Supreme Court invalidated the control provisions and the processing tax provisions of the Jones-Costigan Act, it laid the basis, as many fear, for an attack upon the quota system. In the Guffey decision, the Supreme Court held that those provisions of the Guffey law which undertook to regulate commerce among the States were invalid because they were so tied to the so-called labor provisions that they could not be separated. Three members of the Court in their minority opinion held that those phases

of that law were absolutely sound and constitutional. Chief Justice Hughes in his dissenting opinion also held that those phases of the law were sound and constitutional, and the majority of the Court, the five members of the Court, invalidated them only because they were so tied to the other provisions that, as the majority felt, they could not stand.

Now, my fear is that the same arguments and the same reasoning by which the Supreme Court knocked out that phase of the Guffey Act could be used to invalidate the quota system, and I feel the quota system is absolutely essential to the maintenance of the sugar industry upon a prosperous basis in this country. So, this resolution is presented in the nature of a stop-gap measure, to carry over during the recess of Congress the present condition, bearing in mind that Congress -----

Senator CLARK (interposing). You change the quotas, do you not?

Senator O'MAHOONEY. No; they are not changed.

Senator CLARK. You change the distribution excess above 6,472,000 tons.

Senator O'MAHOONEY. Not exactly, Senator. Frankly, I will say this with respect to that: Under the present law, 30 percent of any amount of the consumption requirements above the quota system was reserved for continental United States. This bill, or this resolution, rather, is an alteration and provides for 40 percent. Of course, that is one of those practical matters that are presented in all legislation. There are many producers in the United States who assert that they should have 100 percent of the increase-----

Senator CLARK. The point I was making is that this is not simply a continuing resolution or a stop-gap, so to speak, but in a sense, changes things; at least, the Secretary of the Interior thinks so.

Senator O'MAHOONEY. I will be perfectly frank and will say this to the Senator: The consumption requirements are estimated by the Secretary. This resolution continues the act until December 31, 1937. Now, it is humanly improbable that there will be any such increase of domestic consumption requirements that it will be necessary for the Secretary to call that clause into operation, as a matter of cold fact, and even if there should be an increase it is likely to be so infinitesimal it will not make very much difference. I have put it in there as it was put in the original act, as a declaration of principle, a declaration of principle that, so far as is possible, the American sugar market should be held for those who have been encouraged to develop sugar in the United States.

Now, the first section of this resolution in effect repeals the processing tax as part of the Jones-Costigan Act and provides that no more contracts shall be entered into under the provisions of this act with the producers of sugar beets or sugar cane, but in all other respects the original act shall be and remain in force and effect until December 31, 1937. Then it ratifies the quotas established under the allotments heretofore made by the Secretary.

Section 2 authorizes the Secretary to fix the quotas, as he does now, during 1936 and 1937, and contains the provision to which you have just alluded, and the additional provision that-----

Any quota may be allotted by the Secretary of Agriculture, in order to prevent disorderly marketing or importation of sugar, on the basis of prior allotments under such act, changes in marketing since the first such allotment, marketings during the calendar year 1935, and ability to perform.

The purpose of that proviso is to prevent a rush to the American sugar market from off-shore areas and to make it certain that the Secretary has the power in interstate commerce to redistribute the allocation among the various producing areas.

That, Senator Loftin, I think, covers one of the amendments which you called to my attention yesterday as being desired in your area.

It is not the purpose of the resolution to deprive the Secretary of any power he has under the present law except those specifically withdrawn in section 1.

Now, section 3 provides for the benefit payments and places a ceiling not to exceed 50 cents per 100 pounds of raw value, and provides they shall not be in excess of the proportionate share of the producer in the initial marketing quota for his area for each of said years, and then there is this provision of the basic rate, on the theory of restoring parity.

It is only fair that I should say there has been some dispute or some debate, I should rather say, with respect to the fixing of the initial quota, the initial marketing quota, as the measure for these payments. Now, the theory of that was simply this: If any area by reason of circumstances has an increased allocation and therefore an increased production, it was the feeling of the Department, and it is one in which I am frank to say I am inclined to agree that it would be a little bit unfair to provide for benefit payments upon a maximum production while at the same time giving the industry the benefits of the quota system which restricts the importation from offshore.

Now, then, section 4 provides for the appropriation. I might say, however, that in section 3, reverting to that, there is a provision which undertakes to make certain that there shall not be a duplication of payments under this act and under the Soil Conservation Act. The Soil Conservation Act is so drawn that the payments under that to producers of sugar cannot reach - let me say they would be substantially lower than the benefit payments made under the Jones-Costigan Act - and our purpose here is to maintain the parity of price received by the producers. It cannot be done under the Conservation Act; it can be done by the combination of the two.

Senator CLARK. Does the Soil Conservation Act apply to Puerto Rico?

Senator O'MAHOONEY. My judgment is it does.

That, in brief, is a summary of this resolution. I will say to the committee our feeling is that if this continuing resolution is not passed, that the sugar industry stands in danger of being precipitated into the same chaos from which it was pulled by the Jones-Costigan Act.

In drafting this, Mr. Jones and I listened to the arguments of all factors concerned in the production and refining of sugar and we laid down the principle that so far as was possible this resolution should be reduced to a minimum and should not contain any new provisions that were not essential to the accomplishment of the principal purpose, which is, as I say, to protect the industry during the adjournment of Congress.

Senator CLARK. Do you consider this change in the excess beyond the quota to be essential in a stop-gap resolution?

Senator O'MAHOONEY. It was essential in order to gain the support of some of the factors.

Senator CLARK. And you would lose the support of some of the factors by that, would you not?



Senator O'MAHONEY. I do not think so.

Senator CLARK. The Secretary of the Interior seems to consider himself a factor, and he is not in favor of it.

Senator O'MAHONEY. My feeling is as I indicated to you at the beginning, that actually, before that can be brought into play, Congress will be in session again and it will necessarily have to go into this whole business. This sugar problem is going to be reassessed in the next session of Congress, and all we are trying to do is to maintain the status quo, and it cannot be doubted that the act has been eminently successful; refiners and producers, alike, testified to that.

The CHAIRMAN. You have not any tax in this resolution?

Senator O'MAHONEY. Oh, no; Senator George; it was impossible to put the tax in that bill, because if we did, we would be inviting another Hoosac Mills decision.

The CHAIRMAN. You do have an appropriation.

Senator O'MAHONEY. Yes. We hope the Finance Committee will see the reasonable propriety of levying an independent processing tax upon sugar. The sugar industry ought to pay for the benefits Congress is giving to it under this act.

The CHAIRMAN. The ones who pay are the consumers, Senator.

Senator O'MAHONEY. That is a question. I think facts and figures can be brought before the committee to show that when the processing tax levied under the Jones-Costigan Act was suspended, while there was a temporary drop in the price, it very speedily flattened out again so that the consumer is really not getting the benefit.

The CHAIRMAN. What are the sugar producers being paid under the Soil Conservation Act?

Senator O'MAHONEY. They are being paid on the basis of 12½ cents per hundred pounds. So that would be deducted from 50 and there would be a spread of 37½ cents.

The CHAIRMAN. I can frankly state to you that whatever the subcommittee might do, I do not think the full committee would recommend the imposition of the processing tax on sugar alone. The committee has unanimously refused to do it and all other processing taxes were earlier eliminated.

Senator O'MAHONEY. It was my understanding when I appeared before the full committee last week that that was in effect a tentative decision. Senator King said to me the committee had taken that position because of its reluctance to authorize a processing tax on sugar without any assurance that there would be any substantial sugar legislation. Since that time the agreement has been reached between the Department of Agriculture, Congressman Jones and myself upon the terms of this, which, I understand, are substantially agreed to by most of the producing areas, and, I hope, by all, although perhaps there may be some amendments that should be adopted; but Congressman Jones last night told me he felt confident he would bring this out of his committee today; whether he is doing that, I do not know. So that with the very great likelihood that the House will approve this continuing resolution, I am hoping that the subcommittee will give the full committee an opportunity to reconsider that decision. Failure to do this, let me say, Senator, in my judgment, invites serious trouble for the sugar industry and for all concerned.

Now, it may be pointed out, and it was pointed out by Secretary Wallace in his letter to the chairman of the committee, that the bill

which Senator Harrison introduced at the request of Senator Costigan, that the quota system alone without a tax brings about a condition in which processors can earn from 12 to 16 percent upon their capital and surplus. It should be pointed out also that the tariff, before the Jones-Costigan Act, upon Cuban sugar was 2 cents; it is now .9 cents—90 cents a hundred. A processing tax of half cent a pound, or 50 cents a hundred, would mean a tax of \$1.40 a hundred, as against \$2 under the old provision. So that the consumer is not being badly treated at all. If you do not have that processing tax it means under the present system, Cuban sugar is coming in here at 90 cents a hundred.

Senator CLARK. That provision of the Cuban tariff is effective only if the quota system is in effect in the United States; in other words, if the quota system falls, that provision falls with it.

Senator O'MAHONEY. Yes.

Then we come back to the situation which existed before that, when in spite of the tariff levied upon Cuban sugar, the importations from that island were steadily increasing into the United States. The truth of the matter is the tariff had ceased to function as an agency for restraining importations of sugar, and the quota system is the only system which has adequately functioned; it is the only system which has protected this industry.

The CHAIRMAN. Senator, is there anything else you wish to say?

Senator O'MAHONEY. I might say, Senator, that last night I received a letter from the President, which I shall read for the record. It is dated the White House, June 1, 1939, and reads as follows:

DEAR SENATOR O'MAHONEY: In connection with the proposed legislation with respect to sugar which you and Congressman Jones are sponsoring, I believe that the principle of graduated payments might well be incorporated. Large corporate organizations, whether in industry or agriculture, in the past have obtained from the Government certain advantages which oftentimes have enabled them to profit to an unusual extent. This situation was recognized to some extent last year when the graduated income tax was applied to corporations, and I would ask your most earnest consideration of the advisability of applying the same principle to the sugar payments by means of an amendment to Senate Joint Resolution 278 which would provide for payments at rates for large operating units lower than those applicable to family size farms.

I trust it will be possible to incorporate this principle in the sugar legislation and that steps may be taken to consider the advisability of applying the same principle to payments under the Soil Conservation and Domestic Allotment Act.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

HON. JOSEPH C. O'MAHONEY,  
*The United States Senate, Washington, D. C.*

Mr. Jones and I have been discussing this principle for several weeks, but because of our general reluctance not to introduce any new feature into the bill unless it seemed it would facilitate its passage, or was necessary to its passage, we did not incorporate it into the bill, although we were endeavoring to propose some such point. However, the Department of Agriculture has had worked out this amendment, which is proposed section 5:

Sec. 5. Any payment that would otherwise be made to any producer pursuant to the terms of this resolution.

A total reduction equal to the sum of: (a) 1 percent of that portion of the payment, that would otherwise be made, which is included within the interval of \$2,000 to \$3,000; (b) 2 per centum of that portion of the payment, that would otherwise be made, which is included within the interval of \$3,000 to \$4,000; (c) similar additional amounts equal in each instance to a per centum, which

per centum shall increase 1 unit (1 per centum) per successive interval of \$1,000, of those portions of the payment, that would otherwise be made, which are included within any successive interval of \$1,000 which is in excess of \$4,000 but not in excess of \$5,000; and (d) an additional amount equal to 50 per centum of that portion of the payment, that would otherwise be made, which is in excess of \$5,000.

In computing any such reduction, payments made pursuant to the terms of this resolution and those made pursuant to section 8 of the Soil Conservation and Domestic Allotment Act shall be computed separately, and each of such payments shall be computed separately also with respect to performance in any State, Territory, or possession for each year. In computing these reductions the determination by the Secretary of Agriculture of the status of any producer shall be final; in any such determination, there shall be taken into account the status, if any, of any producer, or its predecessor in interest, as of January 1, 1936.

Now, Mr. Chairman, I might add that I understand the form of a processing tax has already been presented to the committee, the so-called long form. I have a short form, but the long form is identical in its purpose and objectives, and the short form is merely for convenience. I think if the committee undertakes to consider a tax it should use the long form.

I thank the committee for its attention.

Senator GEORGE. Senator Overton, I understand you desire to make a statement, but before you do so I will ask that this letter which we have received from the Secretary of the Interior, which I suppose all parties have seen, be placed in the record.

Senator O'MAHONEY. Is there also one from the Secretary of Agriculture?

Senator GEORGE. There was one put in at the hearings.

Senator O'MAHONEY. I mean with respect to this joint resolution.

Senator GEORGE. No.

Senator O'MAHONEY. He has authorized the statement that it has his approval.

Senator GEORGE. The letter from the Secretary of the Interior will be made part of the record, or, rather, incorporated in it.

Senator CLARK. This seems to be another one of those unfortunate disputes between the Interior and Agriculture Departments.

(The letter from the Secretary of the Interior is as follows:)

DEPARTMENT OF THE INTERIOR,  
Washington, June 1, 1936.

HON. PAT HARRISON,

*Chairman, Committee on Finance,  
United States Senate, Washington, D. C.*

MY DEAR SENATOR HARRISON: Reference is made to Senate Joint Resolution 278, which is now before your committee. I am advised that the purpose of the resolution is to strengthen the quota provisions of the Jones-Costigan Act during the balance of its term, which ends December 31, 1937, and to provide benefit payments for sugar producers.

While I am in accord with the purposes of the legislation, an examination of the resolution discloses that it contains a provision that during the calendar year 1937 there shall be allowed to continental United States not less than 40 per cent of any amount of sugar consumption requirements above 6,452,000 short tons, raw value. At the present time surplus consumption is distributed among the producing areas in substantially the same ratio as the basic quotas, the existing 30 per cent differential for continental United States being practically the same as the continental quota established for base sugar consumption.

The special allowance given to continental producers by this provision violates the quota system established pursuant to the present law and affects materially the interests of Hawaii and Puerto Rico, which are under the administration of the Department of the Interior.

The basic quotas continued by the resolution represent the findings of the Secretary of Agriculture, determined only after careful study and long negotiations and disagreements between the parties in interest. The various producing areas are now operating in accord and have adjusted their economics to meet the requirements of the present quotas. To change the basis in the manner now proposed in my opinion will make exceedingly difficult the drafting of permanent quota legislation by the next Congress. Furthermore, to establish at this time an inequality between producing areas by favoring a particular area, it is feared, will make permanent a policy of discrimination against the American citizens of Hawaii and Puerto Rico that will result in widespread resentment through depriving them of participation in the economic benefits from increased consumption in which they otherwise would have shared.

It is demonstrable that Hawaii and Puerto Rico already have made actual and material sacrifices under the present quota system.

In Hawaii it requires 2 years to mature a sugar crop, which means that any sudden imposition of new factors cannot be immediately absorbed or adjusted so as to avoid a financial loss and hardship out of proportion to the change involved. Under the Jones-Costigan Act for the period 1935 to 1937, inclusive, the production area in Hawaii was reduced by 24,326 acres, or approximately 10 percent, resulting in a corresponding reduced farm-crop value of \$20,266,950, based on a decrease of approximately 522,625 tons. This loss was absorbed by the producers themselves and did not result in unemployment. Social unrest was thereby prevented and the economic and political equilibrium maintained.

So far as Puerto Rico is concerned, the effect of the proposed quota modification would be even more disastrous. The island is greatly overcrowded, having a density of 500 people to the square mile in an almost purely agricultural population. The major source of income in the island, and substantially the only cash crop, is sugar. It is estimated that at the present time more than 75 percent of the people are unemployed and on relief. This means that the expenditure for relief purposes is at the rate of \$1,000,000 a month. While the Puerto Rico Reconstruction Administration's program contemplates an ultimate correction of these conditions, fundamental rehabilitation cannot be accomplished for a number of years. Any change which would deprive the island of benefits now enjoyed under the quota system, or which would alter the basis of its present economy, would increase the already tense political situation.

In these circumstances I recommend that the proviso on page 2, lines 16 to 20, of the resolution be eliminated; or, if any doubt remains as to the desirability of removing it, that the committee accord an opportunity to representatives of the sugar producers of Hawaii and Puerto Rico, who are now in the city, to appear before your committee in their own interest.

Sincerely yours,

HARRY L. JONES,  
*Secretary of the Interior.*

Senator GEORGE. We will hear you now, Senator Overton.

#### STATEMENT OF HON. JOHN H. OVERTON, UNITED STATES SENATOR FROM THE STATE OF LOUISIANA

Senator OVERTON. I wish, Mr. Chairman, to bring the attention of the committee to the situation that exists in Louisiana with reference to the sugar industry. We produced last year, without violating the contracts that the growers had with the Agriculture Department under the A. A. A. Act, 340,000 tons of sugar; we expect this year to produce something over 360,000 tons of sugar. The quota that has been assigned under the existing Jones-Costigan Act to the sugarcane area embraced within the States of Louisiana and Florida is only 260,000 tons. The sugarcane industry, both of Louisiana and Florida, cannot very well survive under this restricted quota.

Louisiana was the original sugar-producing area in the United States. We have been producing sugar in Louisiana almost since the white man settled in continental United States. The industry developed at one time to a production in excess of 400,000 tons during a

period of 2 years. It was visited by a disease known as the mosaic disease which was very detrimental to production. The Agriculture Department of the United States Government took cognizance of this situation and proceeded to experiment with new varieties of cane. The experiment was a success. The new varieties of cane are disease resisting. The Department of Agriculture encouraged, and properly so, the sugarcane growers in Louisiana to plant and grow this cane, and the result has been that the production in Louisiana has increased in the quantities that I have just mentioned.

While our sugarcane was afflicted with this disease, the production went down to a very low ebb; then, with the introduction of the new varieties it has increased until a quota of 260,000 tons is, if I may use the expression, ridiculously and absurdly low.

I had the pleasure of attending a meeting about 2 weeks ago in the city of New Orleans where I met with the representatives of the sugar cane producers in Louisiana. They stated that they needed and would not be satisfied with a quota of less than 450,000 tons for Louisiana and Florida.

The situation with reference to the beet-sugar industry is different. It has a quota of 1,550,000 tons and its actual production last year was approximately 1,210,000 tons; in other words their quota exceeds actual production by 340,000 tons. I am advised that in all probability production this season will not exceed that of last season. Therefore, so far as their quota is concerned, I can very well understand that they are perfectly satisfied with the quota assigned to them of 1,550,000 tons under the Jones-Costigan Act.

The quota of 260,000 tons that was assigned to Louisiana and Florida under the Jones-Costigan Act was established over the protests of the growers in Louisiana and, I think, in Florida also. However, the legislation was enacted and that quota was assigned to us.

I wish to call the attention of the subcommittee to the further fact that there has been since the enactment of the Jones-Costigan Act an increase in sugar consumption in continental United States. According to the last estimate made by the Agriculture Department there is an increase in consumption of 157,625 tons, in round figures, over what was estimated at the time of the enactment of the Jones-Costigan Act. I further understand from the trade and from other sources that the probability is that there will be an additional increase in consumption during this year in continental United States of from 100,000 to 200,000 tons, and nearer 200,000.

There is, therefore, ample margin in the actual increase in consumption in continental United States to take care of the requirements of production in the sugarcane area. There is ample increase to take care of the suggested increase in quota from 260,000 tons to 450,000 tons.

The Louisiana industry takes the position that there should not be any quota at all except this quota: We should take the estimated consumption in the United States and from it deduct the estimated production in continental United States, and that actual production will then be the quota for the continental United States, and after deducting that quota from the estimated consumption, the remainder would be the quota to the off-shore sugar.

Senator CLARK. What justification is there for any such principle as that? While I think it was a great mistake to annex Hawaii, it

still is just as much a part of the United States as Michigan and Missouri or Louisiana or any other part of the United States. You would not say we should have one tax law for continental United States and another for insular possessions or territories, or that our national defense legislation should apply with any greater effect to continental United States than Hawaii or Puerto Rico?

Senator OVERTON. That is very true, Hawaii and Puerto Rico are both insular possessions of the United States.

Senator CLARK. Hawaii is even more than an insular possession; it is a Territory of the United States.

Senator OVERTON. They are both embraced within the territory of the United States. There is, however, this difference, and I think it should be the policy of the Government to protect as far as possible the farmers in the continental United States where it can be done without any grave injustice.

Senator CLARK. Do you think we should make a differentiation as between the income-tax laws of Louisiana and those of Hawaii?

Senator OVERTON. That is an entirely different question.

Senator CLARK. I do not see the difference.

Senator OVERTON. There are a great many laws that should apply equally to all, but in these territories to which you refer, we have to compete with labor rates which, on our continental farms, cannot exist.

Senator CLARK. Is it not a fact that, on an average, Hawaiian laborers in the sugar industry are paid higher wages than in Louisiana?

Senator OVERTON. Not that I know of.

Senator CLARK. I think we can demonstrate that.

Senator OVERTON. My information is to the contrary, but if you have the official statistics on it, of course that would settle it.

Senator CLARK. I do not have them with me, but I have seen them.

Senator OVERTON. Whether your position be correct or incorrect, the position that we are taking is that we cannot get along with less than a quota of 450,000 tons. That quota can be assigned to us without detriment to the position that you take, Senator Clark.

Now, we shall not be satisfied with this resolution and we think it will operate a gross injustice to our sugarcane producers unless it is amended. I am going to suggest one amendment and I think Senator Loftin is going to suggest another amendment, and after these amendments are adopted, if they are adopted, I shall undertake to submit the matter to our people in the hope that the resolution will be satisfactory to them.

On page 3—

Senator CLARK. Do you agree with Senator O'Mahoney's statement that the Jones-Costigan Act, taken as a whole, has been of great advantage to the sugar industry?

Senator OVERTON. It has been helpful. I would not favor the abolition of the quota system.

Senator CLARK. The effect of the resolution would be to retain the quota system.

Senator OVERTON. Yes.

Senator CLARK. And your position is to oppose it unless it contains this provision?

Senator OVERTON. Yes, because I do not think the quota of 260,000 tons is going to do us much good.

Senator O'MAHONEY. According to my point of view, that is the question which we will have to thrash out next year, and it does seem to me to be unwise and short-sighted to run the risk of ruining this very excellent legislation in order to get something which you cannot possibly get if the system fails.

Senator OVERTON. The answer to that is my people think this quota is so unjust it ought not to be continued during the period set forth in the resolution.

Senator O'MAHONEY. Nothing in this resolution can possibly affect the situation for this year and next year, and it will not be until October 1937 that the Secretary will be fixing his quotas and Congress will be in session for almost 9 months at that time.

Senator OVERTON. We have to make a fight against these quotas and we propose to make it whenever the subject is discussed.

Senator CLARK. The Senate Finance Committee has decided not to take any action with regard to processing taxes at this session and that that matter should be held over until the whole matter can be discussed slowly and with mature consideration; do you think we should enter into this matter hurriedly?

Senator O'MAHONEY. That would be perfectly sound were it not for the danger of the collapse of the system.

Senator CLARK. Why should you propose to put in a stop-gap resolution to continue the status quo, something new?

Senator O'MAHONEY. There wasn't any change except the 40 per cent.

Senator OVERTON. If it can be changed in one particular, it can be changed in other particulars.

Senator GEORGE. We must hurry on, Senator.

Senator OVERTON. On page 3, line 10, after the numerals "1937", strike out all of the remainder of the section.

Senator CLARK. Beginning with "not in excess"?

Senator OVERTON. Yes. That will give us benefit payments on what we produce, and give all of the areas, Hawaii, Puerto Rico, beet-sugar areas and the cane-sugar areas.

Senator CLARK. The effect of the amendment would be to give the benefit payments and relieve you from the quota system?

Senator OVERTON. The quota system remains.

Senator O'MAHONEY. You mean, Senator, only the rest of the sentence and not the whole section?

Senator OVERTON. I think the whole section should go out; in any event, the rest of that sentence should be stricken from the resolution.

Senator O'MAHONEY. The second sentence fixes the rate by which the Secretary makes the payments, and that would emasculate the whole section.

Senator OVERTON. I thank you.

Senator GEORGE. Senator Loftin.

#### **STATEMENT OF HON. SCOTT M. LOFTIN, UNITED STATES SENATOR FROM THE STATE OF FLORIDA**

Senator LOFTIN. I shall be very brief.

The position of the Florida sugar growers is that they would be very glad to be relieved of all restrictions, processing taxes and benefit payments. However, that is not the question before the subcom-

mitted; the question is on the resolution. We would prefer not to have the resolution passed, but if the committee feels that it should be passed, we would like to see it clarified in some particulars.

We are satisfied to go along with the amendment suggested by Senator Overton——

Senator OVERTON. May I interrupt just a moment?

On reflection it will be satisfactory to us to eliminate after the numerals "1937", line 10, page 3, the remainder of the sentence, and then leave the rest of the paragraph untouched.

Senator LOFTIN. That will be satisfactory to the Florida growers.

I am going to leave the amendments which I hold with the committee, two amendments that are most material, one raising the quota from 40 to 50 percent. We should like very much to have that done. The other is on page 2, line 20, after "value" insert:

*Provided further,* That any deficiency in production of the marketing quota of any continental area shall first be allocated or allotted to other continental areas to the extent of their ability to supply same.

I understand that under the Jones-Costigan Act this power at the present time is discretionary. We would like to have it made mandatory so that it shall be allocated to the continental area first.

The other amendments are not material.

As the subcommittee is quite familiar with this subject, I am not going to take up any more of the time of the committee, but will leave the amendments with you.

Senator GEORGE. Just leave it with the clerk.

I suppose that will have to close our hearing unless there is something else you wish to put in the record here this morning. We are most anxious to be on the floor, as the tax bill is under consideration.

Senator OVERTON. I understand the Michigan people would like to insert a memorandum in the record headed "Suggested Amendments" to the resolution under consideration.

Senator GEORGE. That may be filed with the stenographer and incorporated in the record. I understand that is presented by the beet sugar people of Michigan?

Senator OVERTON. Yes.

(The memorandum referred to is as follows:)

SUGGESTED AMENDMENTS TO SENATE JOINT RESOLUTION (S. 278) OR (H. R. 613)

1. Expiration date should be December 31, 1938.
2. Continental United States should have 50 percent of increase in consumption.
3. Section 2 should be amended by striking out the last provisional clause authorizing allotments.
4. Add the following amendment to section 2:  
*"And provided further,* That any deficient quantity which one of the specified sugar-producing areas in continental United States is unable to supply to fill its quota shall be first allotted to the other specified continental area to the extent to which such area is able to supply such additional sugar."
5. In section 3 strike out "50 cents per 100 pounds, raw value, commercially recoverable from", and insert in lieu thereof "\$1.50 per ton of."
6. Section 3 should be amended by striking out the sentence "not in excess of the proportionate share of the producer in the initial marketing quota for his area for each of said years."
7. In section 3 strike out last sentence beginning "Such basic rate, etc." and insert in lieu thereof "Such basic rate shall be that which is determined by the Secretary to be necessary to give producers of sugarcane and sugar beets in continental United States a purchasing power per ton equal to the average purchasing power obtained from the sale of such sugarcane and sugar beets and from the benefits paid under such amendatory act for the 1935 crops."



8. Add the following:

"SECTION 5. Separate additional quotas for all sirups, edible, molasses and mixtures containing sugar contemplated by said Act for areas other than continental United States shall be established for the calendar years 1936, 1937, and 1938, at amounts for such respective areas equivalent to their respective importations or shipments into continental United States during the calendar year 1935."

Senator GEORGE. Is there anyone else who has any memorandum he wishes to insert in the record?

Senator O'MAHOONEY. Mr. Savoy and Mr. Wightman, of the Department of Agriculture, are here.

Mr. SAVOY. I would merely like to say that there is no disagreement between the Department of the Interior and the Department of Agriculture. The Department of Agriculture would have no objection to maintaining the present status quo of 30 percent.

Senator GEORGE. That is, taking out the first proviso in section 2?

Senator O'MAHOONEY. Yes; to make it 30 percent.

Mr. SAVOY. We would have no objection to that.

Senator GEORGE. Is there anyone else who has a statement?

Senator LOFTIN. I may have a further statement to submit for the record.

Senator GEORGE. You may do so.

Mr. GREENE. I have a statement on behalf of the sugar producers of the Territory of Hawaii presenting for your consideration our objections to the provision which reads:

*Provided, That for the calendar year 1937 there shall be allotted to continental United States not less than 40 per centum of any amount of consumption requirements therefor above 6,452,000 short tons raw value.*

Senator GEORGE. You are opposed to that for substantially the same reasons set out by Secretary Ickes in the letter we have placed in the record?

Mr. GREENE. Yes, sir. This is an objection to the proviso and not the resolution.

Senator GEORGE. Your memorandum may be placed in the record.

#### **STATEMENT OF ERNEST GREENE, MANAGER, OAHU SUGAR CO.**

I am Ernest Greene, manager of Oahu Sugar Co., generally known as Waipahu Plantation, located at Waipahu in the Territory of Hawaii, and make this statement on behalf of the sugar producers of that Territory.

We object to the provision in the proposed resolution (S. J. Res. 278) commencing on page 2, line 16, which reads as follows:

*Provided, That for the calendar year 1937 there shall be allotted to continental United States not less than forty per centum of any amount of consumption requirements therefor above 6,452,000 short tons raw value.*

Our objection is based upon the ground that this proviso changes the basic quota provisions of the Jones-Costigan Act to the prejudice of the Territory of Hawaii, and constitutes an inequitable discrimination against one part of the United States in favor of another part.

We understand that the ostensible purpose of this resolution is to clarify and strengthen the sugar quotas and certain other features of the existing Jones-Costigan Act during the remainder of its term, and to provide for conditional payments to sugar producers.

While the existing act discriminates against Hawaii, and contains provisions to its prejudice which we feel should be eliminated, the act has been fairly and ably administered, and we believe that the time is not opportune for any area to attempt to change the basic provisions of the existing law, nor do we understand any such change to be the purpose of the authors of the resolution. Without any desire to labor the point at this time, we wish merely to point out that the existing act discriminates against the cane area of the Territory of Hawaii with respect to the beet area and the Louisiana-Florida cane area in that Hawaii (1) has not fixed minimum quota, (2) has no fixed participation in excess of United States consumption over the base consumption, (3) its initial quota was fixed on a different and reduced basis, and (4) it was restricted as to the locality within the United States where the sugar it produced could be refined. As I have said before, this is not an opportune time to press for consideration matters which would involve any changes in the basic quota provisions of the existing act, and we mention these points only as items to be considered at the appropriate time.

The Jones-Costigan Act expires by its own terms on December 31, 1937, and this resolution does not extend the act beyond that date. Congress will meet early in 1937. We understand that at that time consideration will be given to sugar legislation of a more permanent character.

It is, therefore, not only illogical, but also unnecessary and undesirable, to insert in a resolution ostensibly intended to maintain the existing status, a proviso changing the basic quota provisions, which proviso is not even intended to be effective until after Congress shall have had an opportunity to consider and act upon more permanent legislation.

While we do not know the origin of the provision to which we object, it appears obvious that it has been urged upon Congress in order to serve the purposes of some area or group of producers, in regard to some past or contemplated excess production over the applicable quota under the existing act. Under the methods of fixing quotas under the Jones-Costigan Act, and continued by this resolution, such a procedure would inevitably and unjustly diminish the quotas for the Territory of Hawaii and certain other areas below the production which would have been permissible upon the existing quota basis.

The sugar production of the Territory of Hawaii complied strictly with the production—reduction program of the Jones-Costigan Act, realizing that quota legislation is essential for the protection of the domestic sugar industry in view of the reduction in the sugar traff.

The crop cycle for Hawaiian sugarcane is 2 years, and cane is a perennial plant which, with proper culture and fertilization of the ratoon, or stubble, crops, has a life of about 10 years so that about 5 crops are harvested from a single planting. Therefore, the reduction program, requiring the fallowing of the land and the plowing under of cane plants, bore especially heavily on Hawaii with its 2-year crop cycle.

The extent of the reduction which we have carried out for the years 1935 to 1937, inclusive, under the Jones-Costigan Act and the contract entered into with the Secretary of Agriculture pursuant thereto, is illustrated by the following:

(a) The cane area has been reduced by fallowing over 24,000 acres, or about 10 percent of normal cane land.

(b) The reduction in production by all means was more than 144,000 tons in 1935, and has been officially estimated at a total of more than 500,000 tons for the 3 years 1935 to 1937. At the 1935 farm value of cane in the Territory of Hawaii, the total reduction for the 3 years represents a farm value of product of more than \$20,000,000.

Furthermore, we agreed with the Secretary of Agriculture that the reduction in production would be accomplished with the least social and economic disturbance, and pursuant to this agreement we did not discharge or lay off any workers by reason of the reduction of production.

Having complied in good faith with the existing legislation, believing that this is not the appropriate time for any area to ask for changes in the quota basis and that the resolution is not a suitable vehicle for any changes in that basis, we object to the proviso as being unjust and urge that it be deleted from the resolution.

Senator O'MAHONEY. The only criticism you make is that this proviso constitutes a preference to domestic producers?

Mr. GREENE. Yes, sir; on the ground that Congress will have an opportunity, presumably, at the beginning of the next session, to give careful consideration to any changes in the existing status.

(Subsequently the following statement and letters were received and ordered placed in the record:)

#### STATEMENT OF POSITION OF FLORIDA CANE SUGAR PRODUCERS, JUNE 2, 1936

On May 26, 1936, we stated our position as being opposed to any and all processing and excise taxes, benefit payments, and limitation on continental production and we repeat that statement here.

Since the sugar stabilization hearings during the summer of 1933 Florida has constantly maintained that position; we did, however, in order to assist in meeting the conditions that then existed, agree to a temporary restriction to 250,000 short tons, raw value.

In Tariff Commission Report 73 on sugar it is shown that in the period 1907-11 continental production supplied 24.6 percent of the demand and Cuba 41.7 percent of the demand, a total of 66.3 percent; the same report shows that in 1932 the continent supplied only 23.7 percent of the demand and Cuba supplied but 28.2 percent. Where did the difference come from? During same periods under review the Philippines increased from 2.3 to 16.6 percent; Puerto Rico increased from 7.4 to 14.6 percent, and Hawaii from 14.2 to 16.4 percent. These comparisons clearly prove that continental production has not affected the Cuban market, but they do show that tariff-protected areas, having wage scales and living conditions not superior to those of Cuba, have been enabled to take our market.

What have we received from the off-shore sugar-producing areas for free access, or preferential access, to our markets? Referring again to the Tariff Commission's report, we find that for the 8 years 1925 to 1932 we purchased merchandise and commodities from such areas, in excess of all their purchases from us, as follows:

	<i>Millions</i>
Cuba .....	\$533
Philippines .....	328
Hawaii .....	186
Puerto Rico .....	116

or a grand total of the enormous sum of \$1,163,000,000. Just imagine the amount of employment the expenditure of that sum would have created if it had been spent here instead of elsewhere.

When continental United States purchases sugar from off-shore areas we have the sugar and they have the money to spend where and with whom they please; but when continental United States produces its own sugar it has both the sugar

and the money and in addition has furnished employment for many thousands of its own people. Who will claim that an insular possession or foreign country has any vested right to the continental market, under these circumstances? The American farmer, employing American labor, should not be penalized by even partial exclusion from the market that essentially, rightfully, and according to all historical precedent belongs to him.

We hear much ado about regaining the market in Cuba for our agricultural products. Such market is, to a great extent, gone forever and cannot be regained. Our Department of Agriculture sent its experts to Cuba to teach the Cubans how to raise the things we sold them. They were well taught and learned quickly, because they now export some of the commodities that we formerly sold them.

Florida has suffered much at the hands of our tropical charges; her pineapple culture was ruined, much of her winter vegetable crops have been badly depressed, and now some of her sister States would deprive her of an opportunity to expand the production of an agricultural product of which the entire continental area produces less than 25 percent of its requirements.

The problems of national defense, the building of our national agricultural economy as well as the social problem involved in providing a cushion in beet culture to assist in taking up the slack in industrial employment during certain phases of the business cycle are recognized by all well-informed persons. Other countries have recognized these conditions and have therefore established bounties for the production of sugar beets. We, of this country, have indirectly, through the tariff, attempted to create the equivalent of a bounty upon continental sugar production, but, due to a policy toward our dependencies, it has not been successful, as is well known.

If our National Government wishes to create a bounty on beet-sugar production because of the many national problems involved, all well and good. Let it be a reasonable bounty based on acreage and efficient farming. It is unfair to attempt to restrict the production of cane sugar in Florida where, based upon costs shown in Tariff Commission's report, sugar can be produced as cheaply as in the Philippines and cheaper than in Puerto Rico or Hawaii.

The standard of living and the demands for the comforts of life are far greater in Florida than in any off-shore area. Permit Florida to produce all the cane sugar it desires and many thousands of our citizens will find employment therein and their demands will require the employment of many more thousands in other lines.

The American market for American producers is the only fair, just, and reasonable basis for consideration of any sugar legislation. Florida does not believe in continental restriction; neither does she believe in processing or excise taxes, or benefit payments, on sugar.

At the subcommittee hearing June 2, 1936, it was stated that the benefit payments under the proposed resolution should be graduated so that in effect large producers would get benefits of only one-half that of small producers. Surely the sugar from a large producer is just as sweet as the sugar from a small producer and the chances are that the large producer pays his labor higher wages.

All of the off-shore areas will naturally oppose increasing continental production for the same reason that England would like a monopoly of our woolen market, Germany our iron and steel market, and Japan our silk, rayon, and cotton textile markets. Will Congress favor off-shore areas or continental producers?

In Florida one person out of every five has an automobile; in Puerto Rico only 1 out of 130; in Cuba 1 out of 230; and in the Philippine Islands only 1 out of 490; it is thus apparent that any increase in Florida's agriculture will have very beneficial effects on employment in the automotive industries. In Florida there is 1 telephone for every 10 persons; in Cuba 1 for every 110; in Puerto Rico 1 for every 130; and in the Philippines 1 for every 490; these same relative statistics are true for home radios, mechanical refrigerators, and many other comforts and conveniences. Such figures conclusively prove that increased continental production of our sugar requirements will result in increased employment in many varied lines of industry.

Each and every nation seeks, and expends great effort in trying, to reach self-sufficiency. Other countries will buy from us only those things which they cannot, themselves, produce; and this should, likewise, be the policy of this country. Cuba, through the gratuitous assistance of our governmental departments, has learned to become more and more self-sufficient; in fact, today, they are exporting some things which we formerly supplied them. In the Philippines, blood has again proved thicker than water, because they are increasing their purchases from Japan at the expense of our factories. The Puerto Ricans, by their actions as well as on their statements, have told us definitely, and without question of

doubt, that they want none of us; their demand is for free and unlimited access to our markets to dispose of products produced by the lowest compensated labor.

Some discussion arose today as to the status of Hawaii. If Hawaiian producers desire to have the same treatment accorded them as is accorded a State, by all means give it to them; but in receiving that treatment they must, in turn, treat their labor similar to the treatment labor receives in the States—long-term, low-wage, contracts with imported foreign labor must be outlawed.

To increase production where no domestic surpluses exist; to increase the employment of American labor on an American basis; to increase the demand on the capital goods industries and make available the existing wealth of the State of Florida through the development of its natural resources are substantial means of relieving the distress which we behold on all sides.

Statutory limitation on American farmers producing the consumptive demands of American citizens may well be viewed with alarm as the opening wedge of foreign producers to establish the principle that the American citizen may be deprived of his inherent and constitutional right to supply his own needs, and throws into the discard that unalienable right—"The American market for American producers."

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WILLIAM CATTRON RIGBY,  
COUNSEL FOR PUERTO RICO,  
*Washington, D. C., June 2, 1936.*

HON. PAT HARRISON,  
*Chairman, Senate Finance Committee,  
United States Senate, Washington, D. C.*

S. J. RES. 278—SUGAR QUOTAS

MY DEAR SENATOR HARRISON: On behalf of the insular government of Puerto Rico, with reference to the enclosed copy of letter from Secretary Ickes concerning the above resolution, it is desired to invite attention to the fact that the sugar quota allotted Puerto Rico under the Jones-Costigan Act is already substantially below the normal output of the island. It is estimated that its application throw some 20,000 workers out of employment there, entailing with their families the casting of perhaps 100,000 people onto the relief rolls for the government to support. In addition, since Puerto Rico does not raise its own food, but its people must buy their foodstuffs and clothing materials from the mainland, the operation of the processing taxes has seriously increased the cost of living for the great mass of the people in the island. For example, up to last January, island costs of staple foods and of cotton cloth are estimated to have risen during the preceding 2 years as follows:

Flour, from 2¼ to 6¼ cents per pound.  
Lard, from 10 to 16 cents per pound.  
Rice, from 3 to 4 cents per pound.  
Bacon, from 6 to 14 cents per pound.  
Ham, from 9 to 18 cents per pound.  
Butter, from 25½ to 38 cents per pound.  
Cotton cloth, from 3 to 6¼ cents.

This double effect of throwing so many sugar workers out of employment on the one hand, and of increasing the cost of living on the other hand, has hit the island very hard. The insular government earnestly hopes that it will not be considered necessary to increase its difficulties at this time by further quota restrictions in favor of the mainland; and, therefore, that the proviso in section 2 of the above resolution increasing the mainland proportion of excess consumption requirements from 30 to not less than 40 percent—and thereby proportionally reducing the island quota—may be eliminated from the resolution.

Respectfully submitted.

WILLIAM CATTRON RIGBY.

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THE SECRETARY OF THE INTERIOR,  
*Washington, June 1, 1936.*

HON. PAT HARRISON,  
*Chairman, Committee on Finance,  
United States Senate, Washington, D. C.*

MY DEAR SENATOR HARRISON: Reference is made to Senate Joint Resolution 278, which is now before your committee. I am advised that the purpose of the resolution is to strengthen the quota provisions of the Jones-Costigan Act during

the balance of its term, which ends December 31, 1937, and to provide benefit payments for sugar producers.

While I am in accord with the purposes of the legislation, an examination of the resolution discloses that it contains a provision that during the calendar year 1937 there shall be allowed to continental United States not less than 40 percent of any amount of sugar-consumption requirements above 6,452,000 short tons, raw value. At the present time surplus consumption is distributed among the producing areas in substantially the same ratio as the basic quotas, the existing 30-percent differential for continental United States being practically the same as the continental quota established for base sugar consumption.

The special allowance given to continental producers by this provision violates the quota system established pursuant to the present law and affects materially the interests of Hawaii and Puerto Rico, which are under the administration of the Department of the Interior.

The basic quotas continued by the resolution represent the findings of the Secretary of Agriculture, determined only after careful study and long negotiations and disagreements between the parties in interest. The various producing areas are now operating in accord and have adjusted their economics to meet the requirements of the present quotas. To change the basis in the manner now proposed in my opinion will make exceedingly difficult the drafting of permanent quota legislation by the next Congress. Furthermore, to establish at this time an inequality between producing areas by favoring a particular area, it is feared, will make permanent a policy of discrimination against the American citizens of Hawaii and Puerto Rico that will result in widespread resentment through depriving them of participation in the economic benefits from increased consumption in which they otherwise would have shared.

It is demonstrable that Hawaii and Puerto Rico have already made actual and material sacrifices under the present quota system.

In Hawaii, it requires 2 years to mature a sugar crop, which means that any sudden imposition of new factors cannot be immediately absorbed or adjusted so as to avoid a financial loss and hardship out of proportion to the change involved. Under the Jones-Costigan Act for the period 1935 to 1937, inclusive, the production area in Hawaii was reduced by 24,326 acres, or approximately 10 percent, resulting in a corresponding reduced farm crop value of \$20,266,950, based on a decrease of approximately 522,625 tons. This loss was absorbed by the producers themselves and did not result in unemployment. Social unrest was thereby prevented and the economic and political equilibrium maintained.

So far as Puerto Rico is concerned, the effect of the proposed quota modification would be even more disastrous. The island is greatly overcrowded, having a density of 500 people to the square mile in an almost purely agricultural population. The major source of income in the island, and substantially the only cash crop, is sugar. It is estimated that at the present time more than 75 percent of the people are unemployed and on relief. This means that the expenditure for relief purposes is at the rate of \$1,000,000 a month. While the Puerto Rico Reconstruction Administration's program contemplates an ultimate correction of these conditions, fundamental rehabilitation cannot be accomplished for a number of years. Any change which would deprive the island of benefits now enjoyed under the quota system, or which would alter the basis of its present economy, would increase the already tense political situation.

In these circumstances, I recommend that the proviso on page 2, lines 16 to 20, of the resolution be eliminated; or, if any doubt remains as to the desirability of removing it, that the committee accord an opportunity to representatives of the sugar producers of Hawaii and Puerto Rico, who are now in the city, to appear before your committee in their own interest.

Sincerely yours,

HAROLD L. ICKES,  
*Secretary of the Interior.*

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
*Washington, D. C., June 2, 1936.*

HON. PAT HARRISON,  
*United States Senate, Washington, D. C.*

DEAR SENATOR HARRISON: I am in receipt of a cablegram from the Governor of Puerto Rico, the honorable Blanton Winship, regarding the resolution covering sugar quotas, a copy of which I herewith enclose.

Your sincere consideration of the suggestions contained in the Governor's cable would be greatly appreciated, and I trust that they will receive the approval of the Senate Committee.

Sincerely yours,

SANTIAGO IGLESIAS.

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SAN JUAN, PUERTO RICO, *June 2, 1936.*

SANTIAGO IGLESIAS,  
*House of Representatives, Washington:*

Following message for you, Senator Tydings, Representative Kocialkowski, Representative Jones of House Agriculture Committee, Senator Harrison of Senate Finance Committee, Senator Copeland, and Senator King. Please furnish them copies. "I cannot understand any reason supporting resolution covering sugar quotas introduced in both Houses changing mainland proportion of excess consumption from 30 to 40 percent since such action constitutes terrible discrimination against Puerto Rico who has already willingly complied with all regulations of AAA regarding sugar production. The increase favoring mainland producers seems uncalled for and unfair, since it openly violates the established system of quotas allocated according to the present law and thus will be greatly harmful to Puerto Rican producers and especially to the laboring classes of the Island.

"The reduction of sugar production has already worked great hardships on the Island, greatly increasing our grave problem of unemployment. Any additional discrimination will bring additional distress in view of the fact that the sugar industry constitutes by far the greater source of employment in the agricultural sections of the Island. I am, therefore, asking you to see that Puerto Rico gets a fair proportion of an excess consumption of sugar as may come about in the continent, at least in proportion to the actual established quotas. The proposed amendment would produce so much additional distress to Puerto Rican sugar producers and laborers that it should by no means be approved before fair consideration is given to the interests of Puerto Rico."

WINSHIP, *Governor.*

Senator GEORGE. If there are no other statements, the committee will recess subject to the call of the Chair.

(Whereupon the committee recessed at 12:04 p. m.)