87TH CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 1829

SUGAR ACT AMENDMENTS OF 1962

JUNE 15, 1962.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 12154]

The Committee on Agriculture, to whom was referred the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

H.R. 12154 extends the Sugar Act of 1948, with amendments, from June 30, 1962 to December 31, 1966.

Basically, the Sugar Act of 1948, which superseded the Sugar Act of 1937, is intended to do three things: (1) Make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

The Sugar Act has been notably successful in attaining all three of these major objectives.

Under its protection, nearly one-third of our total consumption of sugar is produced by beet and cane growers within the continental limits of the United States and total domestic production (including Hawaii, Puerto Rico, and the Virgin Islands) fills more than one-half of our sugar quota. The Sugar Act has given us this security in supplies, and sugar prices to consumers have been remarkably stable during the lifetime of the act.

H.R. 12154 perpetuates these objectives and strengthens the Sugar Act by assigning a greater portion of the U.S. market to our own domestic beet and cane producers, and by a more equitable and dependable distribution of quotas, for the remainder of our market, among the producers of friendly nations, principally to the good neighbors of the United States in the Western Hemisphere.

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MAJOR PROVISIONS

To accomplish these objectives, the bill:

1. Extends the act to December 31, 1966.

2. Increases the quotas for domestic sugar producing areas at current levels of sugar consumption (9.7 million tons) about 625,000 tons and provides that those areas receive 63 percent of increases in consumption as compared to 55 percent under current legislation. The quotas for each of the domestic sugar producing areas at the sugar requirement level of 9.7 million tons under current legislation and under the committee bill are as follows:

[Short tons, raw value]

Area	Present legislation	H.R. 12154
Domestic beet sugar	2, 110, 627	2, 650, 000
Mainland cane sugar	649, 460	895, 000
Hawaii	1, 117, 936	1, 110, 000
Puerto Rico	1, 231, 682	1, 140, 000
Virgin Islands	16, 795	15, 000
Total	5, 186, 500	5, 810, 000

3. The basic quota would be allocated as follows:

	Tons		Tons
Domestics	5, 810, 000	Ecuador	30, 000
Cuba	1, 500, 000	Haiti	25, 000
Philippines	1, 050, 000	Guatamala	20, 000
Peru	200, 000	Argentina	20, 000
Dominican Republic	200, 000	South Africa	20, 000
Mexico	200, 000	Panama	15, 000
Brazil	190, 000	El Salvador	10, 000
British West Indies	100, 000	Paraguay	10, 000
Australia	50, 000	British Honduras	10, 000
Republic of China	45, 000	Fiji Islands	10, 000
French West Indies	40, 000	Netherlands	10, 000
Colombia	35, 000	Mauritius	10, 000
Nicaragua	30, 000		
Costa Rica	30, 000	Total	9, 700, 000
India	30, 000		

4. The Cuban quota of 1.5 million tons would be authorized for purchase from other countries on a temporary basis through December 1963, as follows:

	Tons		Tons
Philippines	150, 000	Republic of China	150, 000
Peru	150, 000	India	100, 000
Dominican Republic	150, 000	South Africa	100, 000
Mexico	150, 000	Mauritius	100, 000
Brazil	150, 000		
British West Indies	150, 000	Total	1, 500, 000
Australia	150, 000		

5. Revises the formula provided in section 201 of the act to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers. The current provision of the act relates the price of refined sugar to the Consumer Price Index, as published by the Bureau of Labor Statistics, as it was related in the years 1947 to 1949. The price for refined sugar is now approximately 0.8 cent per pound below the level indicated by the price formula.

The committee accepts the new formula on the basis that it will be administered as the price objective set forth in section 201 of the act.

6. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quota or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations. When we are not in diplomatic relations with Cuba or any other quota country and one of the countries named to supply the replacement sugar is unable to do so, the deficit would be authorized for purchase from other countries named in the bill and in the event they cannot supply it from other friendly countries.

7. Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended if the President finds such action to be in the national interest.

8. Provides that if the President, in his discretion, finds that any nation discriminates against U.S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

9. Authorizes the payment of $22.8 million to the Dominican Republic Government and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime.

10. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

11. Provides direct-consumption sugar limitations substantially similar to those in present legislation for Hawaii, Puerto Rico, and the Republic of the Philippines. It would limit the direct consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957 to 1959 of such sugar from countries which receive a proration of 20,000 tons or less under the bill. No direct consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons.

12. Provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not so reasonably available, he may authorize the purchase of direct-consumption sugar as required.

The language of this section has been changed from that in section 408(b)(3) of the present act to make clear that the purchase of direct-consumption sugar may not be authorized from a country if any other country or countries eligible under section 202(c)(5) have raw sugar reasonably available. The present act has been interpreted by the Secretary to permit the importation of direct-consumption sugar from certain countries in lieu of Cuba's quota, although raw sugar was available from other authorized sources. The changed language in section 202(c)(5) will not permit such an interpretation.

13. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quotas.

14. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for the Virgin Islands.

15. Provides that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 50,000 tons of sugar be assigned to farms on a fair and reasonable basis without regard to any previous production history for the purpose of making acreage available for expansion of the beet sugar industry. Also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962.

CUBA

Cuba in years past has been our largest supplier of sugar. In response to political upheavals in Cuba, Congress in 1960 authorized the President to reduce that country's quota in our market. Under this authority, the Cuban quota was brought down to zero and, by a special formula provided by the Congress, the sugar formerly supplied by Cuba now is obtained from domestic sources and from friendly nations. H.R. 12154 assigns to our own producers and to producers in friendly nations a portion of the sugar formerly supplied by Cuba, but the legislation holds to a hope that Cuba may soon throw off its Communist yoke and return to the family of free American nations. In this firm expectation, this legislation reserves a substantial portion of Cuba's former quota, for reassignment in the future to a free and independent Cuba.

U.S. SUGAR CONSUMERS

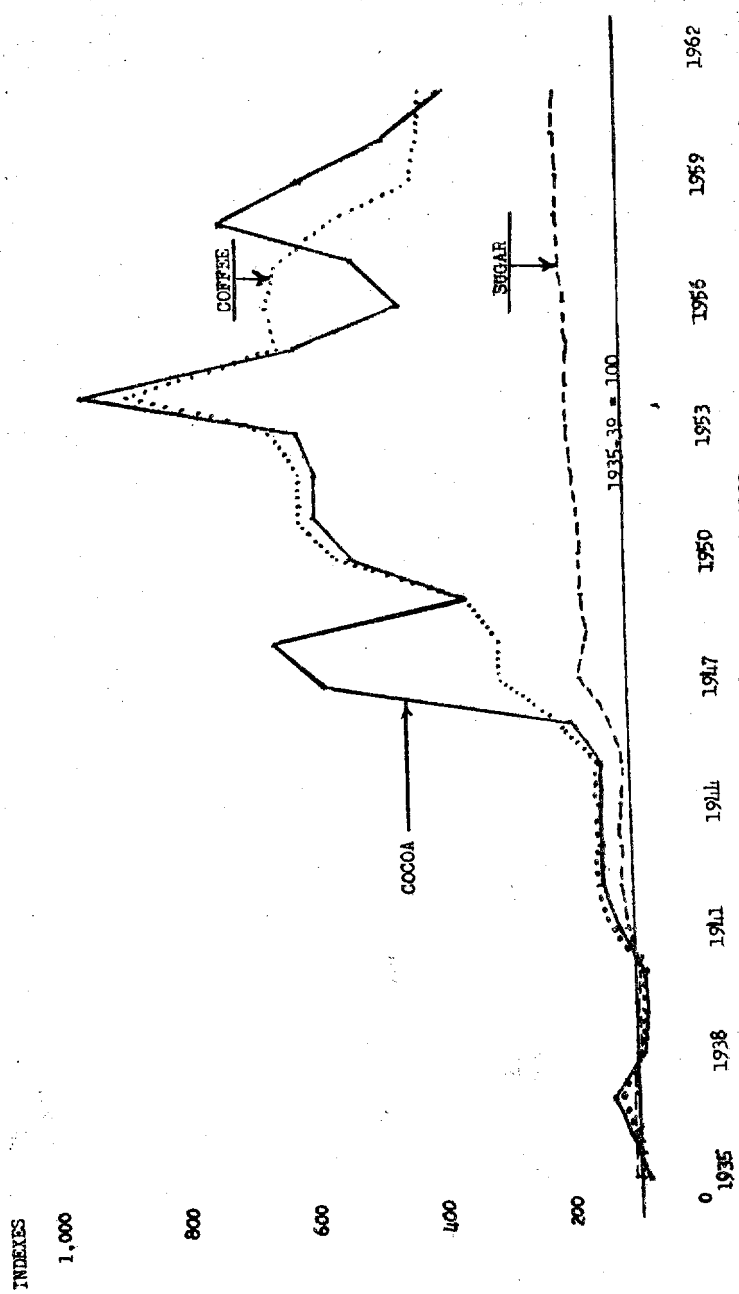
While the Sugar Act has served to encourage the development of a solid and stable, and constantly growing, sugar industry and economy in continental United States, the committee stresses particularly the benefits it has brought to U.S. consumers of sugar.

No other basic food has been more stable in supply and price, in wartime and in peacetime, than has sugar. The pressures that have caused great fluctuations in the prices of some foods, particularly the foods that we import, have had little inflationary effect upon sugar.

The following simple chart best illustrates the benefits to U.S. consumers, by comparing the stable sugar price line with the fluctuations and inflations in the prices of cocoa and coffee, two other imported and important foods, which operate under no program similar to that provided by the Sugar Act:

PRICES OF SUGAR, COCOA AND COFFEE AT NEW YORK, N.Y.

Indexes 1935-39 = 100



SU-ASCS-USDA—June 11, 1962

DOMESTIC SUGAR PRODUCTION INCREASED

H.R. 12154 provides for expansion of sugar production in the United States. It assigns to the domestic areas on a permanent basis the right to supply a substantial portion of the sugar not obtained from Cuba. It raises domestic quotas to almost 60 percent of the present total market for sugar and furthermore it assigns 63 percent of future market growth to the domestic areas. These changes increase total domestic quotas by about 625,000 tons or about 12 percent.

The desire to produce sugar crops has been most intense on the mainland. Accordingly, this legislation provides quotas for the three offshore domestic areas adequate for their present and near-term production potentials with provision for quota increases if future production exceeds these quotas.

The quota for the domestic beet sugar area is increased more than 25 percent to 2,650,000 tons. The quota for the mainland cane sugar area at the present level of consumption is increased more than 35 percent to 895,000 tons. The domestic areas' 63 percent of market growth or a little more than 100,000 tons a year would go to the two mainland areas in ratio to their basic quotas, that is, about three-fourths to the beet sugar area and one-fourth to the cane area.

In view of the need to replenish inventories, the quota for the domestic beet sugar area is sufficient to cover all of the sugarbeets likely to be processed in existing factories plus an additional amount that would permit entry of some additional localities of production.

When any domestic area is unable to fill its quota the deficit, under this legislation, would be assigned to foreign importations rather than to other domestic areas. On the other hand, if production increased in the offshore domestic areas, foreign importations would be reduced sufficiently to enable the offshore domestic areas to market increased production up to the entitlement that they would have had if the current law had been extended without amendment. These arrangements will stabilize the marketing opportunities of each of the domestic areas.

PROVISION FOR NEW BEET FACTORIES

The provisions of the sugar bill providing for growth and expansion of the beet sugar industry take the form of an amendment to section 302(b) of the present law, the section which authorizes the Secretary to establish and allocate proportionate shares to sugarbeet farms.

Under the terms of the bill, the Secretary shall, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement established by him, not in excess of the acreage required to yield 50,000 short tons, raw value of sugar. On the basis of the national average yield of 2½ tons of sugar per acre, this provision would permit the Secretary to establish a sugarbeet acreage reserve of 20,000 acres. In areas where the sugar yield per acre is less, the sugarbeet acreage reserve might be somewhat greater and in the areas where the sugar yield per acre is higher than the national average, the sugarbeet acreage reserve might be less than 20,000 acres. In any event, regardless of the sugar yield per acre of any area to which the sugarbeet acreage reserve might be distributed, such area will have an opportunity to produce enough sugarbeets to support the operation of a sugar plant having a production capacity of 1 million hundred-pound bags of refined sugar.

The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet sugar plants in operation in 1961 in the United States was less than 800,000 hundred-pound bags of refined sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant eventually having a larger capacity, it is generally recognized that a 1-million-bag output would be adequate to underwrite successfully the initiation of such a plant.

The bill provides that the sugarbeet acreage reserve shall be established only in years when restrictive proportionate shares are in effect. It is unnecessary to establish acreage priorities in years when plantings of producers, whether old or new, are not restricted by the Government.

The bill provides that the sugarbeet acreage reserve shall be distributed by the Secretary, after investigation and notice and opportunity for public hearing, on a fair and reasonable basis to farms without regard to other acreage allocations to States or areas within States. Except as indicated, the bill does not contain any standards to guide the Secretary in distributing the sugarbeet acreage reserve. The sugarbeet acreage reserve is available for distribution to new growers supplying a new factory in a new area. The Secretary of Agriculture stated in his testimony before the House Agriculture Committee that, in distributing the sugarbeet acreage reserve, he would give priority to new growers for a new factory over new growers for an old factory. That such priority is inherently assured by the language and the origin of the pertinent provisions of the bill was underscored by the comments of Congressman Poage in the record of the House hearings.

In the event of the proposed opening of more than one new factory in a single year, the Secretary would have to decide which new growers group, taking into account all the relevant facts, has the more valid claim. The Secretary's decision in 1 year would, of course, be without prejudice to the position of any losing group in a subsequent year.

Quite properly the bill does not undertake to define a new area. A new area could include a State where sugarbeets have never been commercially grown, such as Maine or Missouri; a State where sugarbeets have not been commercially grown for a number of years, such as New York; a State where only a few beets, for sugar or for seed, are now being grown, such as Texas, New Mexico, Indiana, or Arizona; or, a State where sugarbeets are being commercially grown in significant volume, such as Nebraska, California, North and South Dakota, Idaho, Washington, or Minnesota.

Growth and expansion of the beet-sugar industry is also possible through increases in the capacities of existing plants. Subject to the priority claims of new growers for new plants in new areas, the sugarbeet acreage reserve is available for distribution to new growers supplying beets to an old plant which is being expanded. Such new growers would, of course, have prior claims over old growers who might wish to expand their production to supply the additional beets needed for the expanded plant. If two or more plants are expanded in a single year, the Secretary has to decide which new grower groups, or which old grower groups, have the most valid claim to all, or some part, of the sugarbeet acreage reserve available for distribution.

The sugarbeet acreage reserve provided by the bill is in addition to provisions already in the law authorizing the Secretary to protect the interest of new and small producers.

It is estimated that about 70,000 tons of quota will be credited annually to the beet area as a result of its share of the 63 percent of market growth reserve for continental areas. It is generally assumed that U.S. market growth is about 150,000 tons a year; 63 percent of this amount is roughly 95,000 tons. Under the bill the 95,000 tons is split approximately 3 to 1 between the domestic beet and mainland cane areas—70,000 tons for beets, 25,000 tons for cane.

The 50,000 tons needed for the sugarbeet acreage reserve is thus covered by the annual growth increment accruing to the domestic beet area. The difference (20,000 tons) between the expected growth increment (70,000 tons) and the maximum sugarbeet acreage reserve (50,000 tons), however, cannot be construed as being available for "expansion" of the existing industry because it is not enough to absorb the industry's annual technological growth, which amounts to about 50,000 tons.

Accordingly, under the terms of the bill most of the annual technological growth of the industry—that is, higher sugar yields per acre—will have to be absorbed by the old beet grower group. This could involve a cut in old grower acreages.

The probability of future acreage reductions for old growers is compounded by the level of the basic beet quota—2,650,000 tons as compared with a 1962 crop now estimated to yield 2,800,000 tons of sugar. The low level of the industry's current carryover, due to last year's below average yields, will probably avoid the need for acreage cuts for old beet growers for 1963. Under these circumstances, as Secretary Freeman has said, acreage restrictions next year appear unlikely.

In summary: The sugarbeet acreage reserve may equal only the equivalent of one million-bag factory a year for new growers. The 1 million-bag-a-year technological growth of the industry may have to be carried, in large part, by the old growers—and by the new growers after they enter the business. The conservative level of the basic quota, and the modest growth increment, awarded the domestic beet industry in the bill reveal clearly, on analysis, the willingness of the beet industry, old and new, to make a real contribution to industry unity, to permit the foreign suppliers to continue to have a guaranteed share of about 40 percent of the U.S. sugar market.

THE PHILIPPINES

A quota of 1,050,000 tons is established in this legislation for the Republic of the Philippines. This represents an increase of 70,000 tons above the quota provided in current legislation and above the terms of the Philippine Trade Agreement.

QUOTAS FOR OTHER FRIENDLY NATIONS

After the assignment of quotas to domestic continental and offshore areas, and to the Philippines the balance of our requirements of 2,840,000 tons—based on domestic consumption of 9,700,000 tons annually—would be obtained from other friendly countries, by permanent quotas during the 5-year duration of this extension of the act, and by year-by-year purchases from designated countries of the amount of the sugar quota reserved for Cuba.

The quota reserved for Cuba, against the day when she returns to the brotherhood of free nations of the Western Hemisphere, amounts to 1,500,000 tons. Prior to the entry of Communist rule on the island, Cuba's quota amounted to more than 3 million tons. It is the firm position of this committee that a substantial portion of Cuba's old quota should be reserved, and not assigned permanently to other countries, so that prompt and effective economic strength shall be assured a free Cuba when she emerges from the wreckage of Communist domination.

This bill assigns permanent quotas of approximately 1,340,000 tons to foreign countries other than Cuba and the Philippines. The quotas of all foreign suppliers are substantially increased. The 1,500,000 quota reserve for Cuba will be purchased from other countries on a year-to-year allocation basis, by act of the Congress. The quota for the British West Indies embraces all the territories that are members of the B.W.I. Sugar Association. This includes British Guiana.

In making the temporary allocations after 1963 to other nations, from the Cuban reserve quota, the Congress will review and take into consideration among other factors, the purchases by the various sugar-producing countries of agricultural commodities in the United States, and will give special consideration also to good-neighbor countries of the Western Hemisphere.

NEW BASE FOR QUOTAS

Prior to the upheaval in Cuba, the quotas for purchases of sugar from foreign suppliers followed somewhat the pattern of the participation of these suppliers in our market in the years before the Sugar Act came into being. This basis for quota assignment was completely upset when Cuba ceased to be a supplier, and assignments of purchases have been largely on a temporary and experimental basis since that time, under special enactments of the Congress.

This legislation extending the act departs as a matter of necessity from the historical supply basis in assigning foreign quotas, and turns to what may well be a more solid basis of making such quota assignments, by dependency primarily upon the ability of sugar-producing and friendly countries to supply our market at the time that sugar is needed after giving consideration to production totals, to the facility with which sugar may be delivered, and with especial emphasis upon doing business with Western Hemisphere countries.

The following table shows the sugar production, consumption, and exports by countries:

Data concerning specified sugar exporting countries, May 24, 1962

	Total land area	Population	Sugar, 3-year (1959–61) average (thousand short tons, raw value)					1961 U.S. sugar (thousand short tons, raw value)			U.S. quota, at 9.7 million tons
			Crop-year production	Local consumption	Exports to—			Quota	Other allocation	Total	
					United States	Other preferential markets	Total				
	Thousand square miles	*Thousands*									*Thousand tons*
Republic of the Philippines	116	27,456	1,527	[1] 321	[1] 1,132		[1] 1,181	980.0	491	1,471	980.0
Peru	514	10,857	937	292	357		592	122.0	514	696	109.0
Dominican Republic	19	3,014	1,180	86	326		950	111.0	223	334	96.0
Mexico	760	34,626	1,719	1,225	386		444	95.0	590	685	80.0
Nicaragua	57	1,475	82	[1] 41	[1] 26		[1] 33	17.0	26	43	16.0
Haiti	11	3,505	75	[1] 38	[1] 20		[1] 20	8.0	37	45	8.0
Netherlands	13	11,417	660	732	10		86	4.0	6	10	4.0
Republic of China	14	10,611	956	133	67		825	4.0	166	170	4.0
Panama	29	1,053	30	25	4		5	4.0	6	10	4.0
Costa Rica	23	1,171	75	[1] 40	[1] 8		[1] 9	4.0	26	30	4.0
Canada	3,852	18,085	155	[1] 913	[1] 0		[1] 3	.6	1	2	.6
United Kingdom	94	52,675	989	3,210	3		545	.5	1	2	.5
Belgium	12	9,104	402	368	2		129	.2	1	2	.2
British Guiana	83	566	352	23	41	288	329	.1			.1
British West Indies	12	3,326	964	130	78	769	847		266	266	
Colombia	440	14,132	388	328	16		17	0	46	46	0
Brazil	3,288	68,000	3,817	2,707	150		811	0	306	306	0
India	1,222	438,000	[2] 3,713	2,553	54		121	0	175	175	0
El Salvador	8	2,612	59	[1] 46	[1] 3		[1] 10	0	12	12	0
Ireland	27	2,834	154	179	0		15	0	0	0	0
Guatemala	42	3,759	95	[1] 74	[1] 3		[1] 4	0	17	17	0
Fiji	7	394	230	16	0	163	203	0	0	0	0
French West Indies	1	500	279	[1] 12	[1] 0	[3] 201	[1] 42	0	75	75	0
Australia	2,975	10,398	1,465	625	29	546	835	0	90	90	0
Ecuador	116	4,298	111	[1] 87	[1] 0		[1] 30	0	36	36	0
Paraguay	157	1,760	35	26	1		8	0	5	5	0
Mauritius	1	621	498	29	0	479	492	0	0	0	0
British Honduras	9	90	15	2	0	19	19	0	0	0	0
South Africa	472	15,841	1,080	765	0	237	279	0	0	0	0
Argentina	1,073	20,956	913	846	2		110	0	0	0	0
Cuba	44	6,743	6,647	378	1,795		6,247	0	0	0	0
Total	15,491	779,879	29,602	16,250	4,513	2,702	15,241	1,352.0	3,116	4,468	1,306.0

[1] 2-year (1959–60) average.
[2] Apparently includes several hundred thousand tons of khandsari, a high-grade, noncentrifugal sugar.
[3] Shipments to other departments of France.

SAFEGUARDING AMERICAN INTERESTS

This legislation takes particular caution to safeguard American interests in countries from which we purchase sugar, against expropriation of property and investments of U.S. citizens and against discrimination especially against American owned sugar properties and facilities in these countries. The committee directs specific attention to the sections of this legislation which embrace these safeguards.

DOMINICAN REPUBLIC REFUND

While Public Law 86-592, July 5, 1960, and the legislative history, did not consider the imposition of any special fees on any nonquota purchase sugar, the Department of Agriculture Sugar Regulation 818, Amendment 3 (Sept. 23, 1960), did impose a fee of 2 cents per pound, which was subsequently raised to 2¼ cents per pound under Department of Agriculture Sugar Regulation 819 (Dec. 22, 1960), on all nonquota purchase sugar imported from the Dominican Republic. The fees so collected until March 31, 1961, when the importation of nonquota purchase sugar from the Dominican Republic was totally eliminated under the authorization of Public Law 87-15, March 31, 1961, totaled $22,755,153.67.

Action taken in imposing such fees was designed to prevent a windfall to the then Trujillo Government in the Dominican Republic.

The committee was informed that when the Trujillo Government ceased to exist and the present U.S. supported Dominican Government came into power, it was assumed by the Dominican people that this money, having been withheld by the U.S. Government in order to prevent the benefits of sales in the U.S. premium market of nonquota sugar going to the Trujillo Government, would then be returned by the U.S. Government. The American private sugar company operating in the Dominican Republic, together with a private Dominican sugar company, entered into binding agreements with the Government of the Dominican Republic providing:

1. In the event such legislation is enacted by the U.S. Congress authorizing the return of an amount equivalent to the collected fees, these private companies with respect to their shares of the fees so paid would forego receiving any dollars, so that all the dollars so returned would be deposited to the account of the Government of the Dominican Republic, thereby bolstering the difficult foreign exchange position of that country.

2. The private sugar companies would receive the equivalent in pesos of the dollar amount they paid. From this amount the companies would pay Dominican taxes and small amounts to farmers who originally supplied some of the sugar, and would utilize the net remaining amount of pesos for construction of houses in the fields for use of the Dominican laborers and other comparable economic and social programs, such as improvements of roads, etc. In the case of the American company, its claim of $6,885,861 would thus be distributed approximately as follows:

Pesos for taxes	3, 746, 000
Pesos for the small farmers	331, 000
Pesos for housing and roads	2, 808, 861

In the case of the other private company, owned by Dominican citizens whose claim totaled approximately $1 million, the distribution of the peso equivalent of $1 million would be along the same proportions. In the case of the remaining sugar companies, all now entirely owned by the Dominican Government, all the funds so returned to them would be used for the benefit of the Dominican people.

3. The South Puerto Rico Sugar Co. and the Dominican Government-owned companies which had brought suit against the United States in the Court of Claims on the ground that the tax had been unconstitutionally imposed, would dismiss the law suits.

In view of the strong political importance attached to the returning of this money in this way by the present U.S.-supported Dominican Government, the committee considered this method to be that which would provide important support to this new democratic government.

History and Operations of the U.S. Sugar Program

National Policy

For many years it has been the policy of the U.S. Government—for defense and strategic reasons—to preserve within the United States the ability to produce a substantial portion of our sugar requirements. This has been done because sugar is an essential and vital food product needed by American consumers, the supply of which on a worldwide scale has been marked by periods of alternating scarcity and surplus.

A large portion of the world's sugar is grown in tropical countries where cheap labor is abundantly available. An additional large portion of world production is in countries which, like the United States, provide protection or subsidy to their sugar producers.

It is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries.

For years, protection was afforded to our sugar producers solely through the tariff. Although the tariff did assist domestic producers, it still left them exposed to the price fluctuations of the world sugar market. It also increased the price of sugar to consumers in the United States without assuring them of adequate foreign sources of supply.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was developed and enacted as law in 1934. The quota system was revised in 1937 and again in the present act which became effective in 1948. Since initiation of the quota system, the tariff on sugar has been reduced 75 percent and now represents only supplementary protection to the sugar industry.

A tax of 0.5 cent per pound is imposed on all sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugar beets at a rate which ranges from 80 cents per hundredweight of recoverable sugar produced on small farms to as little as 30 cents per hundredweight of production in excess of 30,000 tons of sugar on large farms. To qualify for payments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugar beets.

Income to the Government from the tax on sugar has been very substantially in excess of the amount disbursed as payments to domestic growers during each of the years under the program. In recent years the income from the tax has approximated $95 million annually, while payments to growers have approximated $70 million.

Since 1937 there has been a net return to the Treasury of over $450 million in the difference between collections on the sugar excise tax and the actual cost of the stabilization program.

SUPPLY

Table 1 below shows how the various supplying areas have participated in the U.S. sugar market from 1900 through 1961. It will be noted that since 1948, all areas have shared equitably in the expanding sugar market in the United States. The lower figures for Hawaii and Puerto Rico in several recent years resulted from production difficulties and this automatically increased the shares of the domestic beet and mainland cane areas for such years. The major shift in 1960 and 1961 from Cuba to the Philippines and other foreign countries will be noted.

Tables 2 and 2(a) show the manner in which the quotas and "nonquota purchase authorizations" have been distributed among the various producing areas. Tables 2(b) and 2(c) show the final quotas and authorizations for 1961 and unfilled balances, if any. Final quotas of Hawaii, Puerto Rico, and the Virgin Islands reflect adjustments for deficits.

Table 1.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[1,000 short tons, raw value]

Year [1]	Total	Continental United States [2]		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba [3]	Other foreign countries
		Beet	Mainland cane						
1900	2,413	92	312	252	36	(1)	25	353	1,343
1901	2,963	198	364	345	69	(1)	2	550	1,435
1902	2,574	233	373	360	92	(1)	6	492	1,018
1903	3,143	258	278	387	113	(1)	9	1,198	900
1904	3,023	259	415	368	130	(1)	31	1,410	410
1905	3,118	335	390	416	136	(1)	39	1,029	773
1906	3,359	518	273	373	205	(1)	35	1,391	564
1907	3,701	496	394	411	204	(1)	13	1,618	565
1908	3,331	456	415	539	235	(1)	19	1,155	512
1909	3,730	548	332	511	244	(1)	42	1,431	622
1910	3,789	546	355	555	285	(1)	88	1,755	205
1911	3,801	642	361	506	323	(1)	115	1,674	180
1912	3,927	742	163	603	367	(1)	218	1,593	241
1913	4,382	784	301	543	383	(1)	102	2,156	113
1914	4,431	773	247	557	321	(1)	58	2,463	12
1915	4,718	935	139	640	294	(1)	163	2,392	155
1916	5,000	878	311	569	425	(1)	109	2,575	133
1917	4,808	819	245	581	489	6	134	2,335	198
1918	4,430	814	285	540	336	4	87	2,280	84
1919	5,352	777	122	579	364	10	88	3,343	69
1920	6,337	1,165	176	550	413	13	146	2,881	993
1921	5,412	1,091	327	541	469	6	165	2,590	223
1922	6,807	722	296	568	360	6	275	4,527	53
1923	5,831	943	172	519	342	2	238	3,426	189
1924	6,483	1,166	90	677	393	2	339	3,692	104
1925	6,934	977	142	755	600	11	493	3,923	33
1926	7,024	960	48	747	559	6	380	4,280	44
1927	6,809	1,170	72	777	574	6	531	3,650	29
1928	6,691	1,135	136	878	674	11	575	3,249	33
1929	7,587	1,089	218	882	507	3	711	4,149	28
1930	6,683	1,293	215	868	809	6	794	2,645	53
1931	6,727	1,343	206	998	796	2	872	2,482	28
1932	6,303	1,319	160	1,048	940	5	1,028	1,791	12
1933	6,331	1,366	315	990	793	5	1,249	1,573	40
1934	6,574	1,562	268	948	807	5	1,088	1,866	30
1935	6,277	1,478	319	927	793	2	917	1,830	11
1936	6,833	1,364	409	1,033	907	4	985	2,102	29
1937	6,860	1,245	491	985	896	8	991	2,155	89
1938	6,619	1,448	449	906	815	4	981	1,941	75
1939	7,466	1,809	587	966	1,126	6	980	1,930	62
1940	6,443	1,550	406	941	798	0	981	1,750	17
1941	8,009	1,952	411	903	993	5	855	2,700	190
1942	5,555	1,703	407	751	836	0	23	1,796	39
1943	6,466	1,524	460	866	642	3	0	2,857	114
1944	6,942	1,155	515	802	743	3	0	3,618	106
1945	5,997	1,043	417	740	903	4	0	2,803	87
1946	5,657	1,379	445	633	867	5	0	2,282	46
1947	7,759	1,574	383	842	969	3	0	3,943	45
1948	7,084	1,656	456	714	1,013	4	252	2,927	62
1949	7,588	1,487	557	769	1,091	4	525	3,103	52
1950	8,279	1,749	522	1,145	1,053	11	474	3,264	61
1951	7,758	1,730	457	941	959	6	706	2,946	13
1952	7,991	1,560	579	972	983	6	860	2,980	51
1953	8,282	1,749	513	1,087	1,118	12	932	2,760	111
1954	8,240	1,802	501	1,040	1,082	10	974	2,718	113
1955	8,396	1,797	500	1,052	1,080	10	977	2,862	118
1956	8,992	1,955	601	1,091	1,135	13	982	3,089	126
1957	8,916	2,066	636	1,037	912	15	906	3,127	217
1958	9,076	2,240	680	630	823	6	980	3,438	279
1959	9,240	2,241	578	977	958	12	980	3,215	279
1960	9,522	2,165	619	845	896	7	1,155	2,390	1,445
1961 [4]	9,701	2,608	750	1,045	980	16	1,355	0	2,947

[1] Data on fiscal year basis 1900–18; calendar year basis 1919 to date.
[2] Crop year production 1900–30.
[3] Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; 1947, 230,000 tons.
[4] Preliminary.

TABLE 2.—*Final basic quotas, Sugar Act of 1948*

FIRST YEAR OF ACT, EACH MAJOR EXTENSION AND RECENT YEARS

[Short tons, raw value]

Area or country	1948	1953	1957	1960	1962 as of May 31 adjusted to annual rate
Total U.S. "requirements"	7,200,000	8,100,000	8,975,000	10,400,000	9,700,000
Domestic beet	1,800,000	1,800,000	1,948,357	2,267,301	2,110,626
Mainland cane	500,000	500,000	599,528	697,670	649,460
Hawaii	1,052,000	1,052,000	1,087,373	1,265,375	1,177,936
Puerto Rico	910,000	1,080,000	1,136,987	1,323,111	1,231,682
Virgin Islands	6,000	12,000	15,505	18,043	16,796
Philippines	982,000	974,000	980,000	980,000	980,000
Cuba	1,923,480	2,574,720	2,993,897	2,419,655	
Other foreign countries (details below)	26,520	107,280	213,353	432,945	325,076
Withheld from Cuba for allocation to other countries				995,900	3,208,424
Total	7,200,000	8,100,000	8,975,000	10,400,000	9,700,000

PRORATION OF QUOTAS FOR FOREIGN COUNTRIES OTHER THAN CUBA AND THE REPUBLIC OF THE PHILIPPINES

[Short tons, raw value]

Peru	5,903.6	50,109	77,124	138,827	108,518
Dominican Republic	3,542.2	26,641	60,420	130,957	96,308
Mexico	3,204.1	11,046	43,134	115,809	80,108
Nicaragua	5,429.2	7,550	11,588	19,766	15,748
Haiti	489.5	2,578	6,127	9,105	7,640
Netherlands	115.7		3,435	4,427	3,940
China	153.0 (China and Hong Kong)		3,371	4,218	3,802
Hong Kong			3	3	4
Canada	299.7		631	631	632
United Kingdom	186.2		516	516	516
Belgium	156.3		182	182	182
Dutch East Indies	112.3				
Guatemala	177.9				
Honduras	1,823.3				
El Salvador	4,360.3	3,992			
Venezuela	154.0				
Czechoslovakia	139.8				
Other countries	[1] 22.9				
"Unallotted reserve" or "unspecified countries"	250.0	5,364			
Costa Rica			3,367	4,202	3,792
Panama			3,371		3,802
British Guiana			84	84	84
Total	26,520.0	107,280	213,353	432,945	325,076

[1] Argentina, 7.7 tons; Australia, 0.1 ton; Brazil, 0.7 ton; Colombia, 0.2 ton; Costa Rica, 11.0 tons; Italy, 1.0 tons; Japan, 2.1 tons.

TABLE 2(a).—*Nonquota purchase allocations, 1960 and 1961, subject to sec. 408(B) of the act*

[Short tons, raw value]

Country	1960	1961
Philippines	176, 426	490, 731
Peru	135, 000	514, 870
Dominican Republic	321, 857	222, 723
Mexico	284, 628	589, 591
Nicaragua	22, 000	25, 897
Haiti	26, 567	37, 005
Netherlands	6, 129	5, 851
China (Taiwan)	6, 258	166, 048
Panama	6, 258	6, 020
Costa Rica	6, 267	26, 282
Canada	1, 657	1, 266
United Kingdom	1, 355	1, 034
Belgium	478	1, 453
Hong Kong	8	27
Federation of West Indies and British Guiana	92, 765	265, 923
Brazil	100, 347	306, 474
El Salvador	6, 000	12, 000
Guatemala	6, 000	17, 000
Australia		90, 000
Colombia		46, 000
Ecuador		36, 000
French West Indies		75, 000
India		175, 000
Paraguay		5, 000
Total	1, 200, 000	3, 117, 195
Not authorized for purchase	235, 900	180, 000
Total subject to sec. 408(B) of act	1, 435, 900	3, 297, 195

TABLE 2(b).—*Status of 1961 sugar quotas as of Dec. 31, 1961*

Area	Quota	Credit for drawback of duty	Charge to quota and offset to drawback of duty [1]		Unfilled balance	
			Total	Direct-consumption [2]	Total	Direct-consumption [2]
	Short tons, raw value					
Domestic beet	2, 609, 170		2, 608, 000		1, 170	
Mainland cane	715, 000		750, 000		0	
Hawaii [3]	1, 030, 000		1, 044, 936	78	0	0
Puerto Rico [3]	980, 000		[4] 980, 148	148, 146	0	0
Virgin Islands	17, 330		16, 184		1, 146	0
Republic of the Philippines	980, 000		962, 651	47, 044	17, 349	12, 876
Cuba						
Other foreign countries	371, 305	1, 188	364, 011	66, 453	9, 071	3, 220
Total quotas	6, 702, 805	1, 188	6, 725, 930	261, 721	28, 736	16, 096
Subject to sec. 408(b) of act	3, 297, 195					
Allocated	[5] 3, 117, 195					
Unallocated	[5] 180, 000					
Total requirements	10, 000, 000					
Details of other foreign countries:						
Peru	121, 507	601	122, 692	10, 896	0	0
Dominican Republic	111, 157	452	111, 601	9, 686	8	[6] 8
Mexico	95, 409		92, 850	14, 996	2, 559	2, 559
Nicaragua	17, 471	16	11, 289	11, 289	6, 198	347
Haiti	8, 268	119	8, 087	5, 396	300	300
Netherlands	4, 149		4, 144	4, 144	5	[6] 5
China	3, 980		3, 980	678	0	0
Panama	3, 980		3, 980	3, 980	0	0
Costa Rica	3, 968		3, 973	3, 973	0	0
Canada	631		631	631	0	[6] 0
United Kingdom	516		516	516	0	[6] 0
Belgium	182		182	182	0	[6] 0
British Guiana	84		83	83	1	1
Hong Kong	3		3	3	0	[6] 0
Total	371, 305	1, 188	[7] 364, 011	66, 453	9, 071	3, 220
	Liquid sugar [8] (wine gallons of 72 percent total sugar content)					
Cuba						
Dominican Republic	830, 894		830, 894		0	
Federation of the West Indies	300, 000				300, 000	

[1] These data include the following: (*a*) Domestic beet and mainland cane sugar partly estimated, (*b*) all other sugar entered or authorized as of Dec. 31, 1961.

[2] Includes raw sugar for direct-consumption from the Philippines 11,337, Haiti 5,396, and Hawaii 78, total 16,811.

[3] Despite deficits declared, full quotas remained available as follows: Hawaii 1,215,410 and Puerto Rico 1,270,865.

[4] In addition, 202 tons of raw and 40 tons of direct-consumption sugar were brought in for subsequent return to Puerto Rico.

[5] For status see table 16.

[6] Sugar held in customs custody pending availability of quota: Belgium 1,668, Canada 503, Hong Kong 44, Netherlands 7,372 and the United Kingdom 3,222. Held for quota-exempt purposes, 9,669 from the Dominican Republic.

[7] Under sec. 212(1) charges to quota exclude 2 tons from Sweden, 10 tons from France, Germany, Ireland, Poland, South Africa, and from each country listed.

[8] Under sec. 212(3) 540 gallons were entered from Australia, 2,466 from France, 899 from Italy, 17,098 from the United Kingdom, 447 from Poland, 1,949 from West Germany, and 225 from Hong Kong.

TABLE 2(c).—*Status of 1961 nonquota purchase sugar as of Dec. 31, 1961* [1]

[Short tons, raw value]

Country	January–March, authorized for entry		April–December		
	Further processing	Direct consumption	Authorized for purchase	Authorized for entry	Unfilled balance
Dominican Republic	221,796	0	0	0	0
Peru	203,063	0	299,870	300,674	0
Mexico	191,168	0	398,423	389,792	8,631
Philippines	122,683	0	368,048	269,830	98,218
Nicaragua	14,974	0	9,897	4,604	5,293
China (Formosa)	11,503	0	154,543	154,543	[2] 0
Brazil	11,402	0	295,000	295,000	[2] 0
Federation of the West Indies and British Guiana	10,152	0	255,755	255,693	62
Colombia	6,007	0	40,000	40,042	0
Ecuador	5,989	0	30,000	30,000	0
El Salvador	2,000	0	10,000	9,467	533
Guatemala		1,991	15,000	7,618	7,382
Costa Rica		1,161	24,774	24,754	20
Panama		970	4,515	[3] 2,188	2,327
Netherlands		1,450	4,388	[3] 4,388	0
Canada		1,265	0		
United Kingdom		1,034	0		
Haiti	429		36,572	36,572	0
Belgium		357	1,092	[3] 1,092	0
Hong Kong		6	19	[3] 11	8
French West Indies			75,000	75,000	0
Australia			90,000	90,055	0
Paraguay			5,000	3,557	1,443
India			175,000	170,946	4,054
Total	801,166	8,234	2,292,896	2,165,826	127,971

[1] Authorizations exclude 1st 10 tons from Brazil, Colombia, Ecuador, El Salvador, Guatemala, Australia, French West Indies, Paraguay, and India.
[2] Held in customs custody for 1962 release: Brazil 1,712 tons and China 8,899 tons.
[3] All for direct consumption.

COST

As has been pointed out, the objectives of the Sugar Act have been attained at a minimum of cost to the consumer and the taxpayer. The program is financed by a tax of one-half cent per pound raw value on all sugar processed in the United States and on all imported refined sugar. This tax has offset by more than $450 million, the total of all payments to domestic producers plus the cost incurred by the Department of Agriculture in administering the Sugar Act. Table 3 shows the total of such collections by years since the enactment of the Sugar Act in 1937. It is to be noted that the collections do not include tariff duties, which amount to approximately $37.5 million per year, but only collections from the tax above referred to. Table 4 shows the payments which have been made under the act to the various domestic areas.

TABLE 3.—*Sugar Act tax collections, 1938 to date*

Fiscal year	Sugar tax collections [1]			Fiscal year	Sugar tax collections [1]		
	Excise tax [2]	Import tax [3]	Total		Excise tax [2]	Import tax [3]	Total
1938	$30,569,130	$2,680,298	$33,249,428	1950	$71,188,029	$4,091,155	$75,279,184
1939	65,414,058	3,494,627	68,908,685	1951	80,191,884	3,613,479	83,805,363
1940	68,145,358	5,456,207	73,601,565	1952	78,473,191	3,621,210	82,094,401
1941	74,834,839	4,859,760	79,694,599	1953	78,129,860	5,005,959	83,135,819
1942	68,229,803	4,088,963	72,318,766	1954	73,885,000	4,498,368	78,383,368
1943	53,551,777	3,520,064	57,071,841	1955	78,512,000	4,177,097	82,689,097
1944	68,788,910	5,097,940	73,886,850	1956	82,894,000	4,806,321	87,700,321
1945	73,293,966	3,522,414	76,816,380	1957	86,091,000	4,305,501	90,396,501
1946	56,731,986	3,231,592	59,963,578	1958	85,911,000	4,957,798	90,868,798
1947	59,151,922	5,115,447	64,267,369	1959	86,378,000	5,683,187	92,061,187
1948	71,246,834	3,284,502	74,531,336	1960	89,856,000	5,099,473	94,955,473
1949	76,174,356	4,698,867	80,873,223	1961	91,818,000	[4] 2,800,000	94,618,000

[1] Imposed at a rate of 0.465 cent per pound on sugar testing 92 sugar degrees and for each additional sugar degree 0.00875 cent per pound additional (equivalent to 0.50 and 0.535 cent per pound on sugar testing 96 and 100 sugar degrees, respectively). On sugar testing less than 92 sugar degrees the rate is 0.5144 cent per pound of the total sugar content.
[2] Collected by the Internal Revenue Service on all sugar processed or refined in the United States.
[3] Collected by the Collector of Customs on direct-consumption sugar imported into the United States.
[4] Estimate.

TABLE 4.—*Sugar Act payments, by areas, 1937 to date* [1]

Crop year	Sugar beet	Mainland cane	Hawaii	Puerto Rico	Virgin Islands	Total
1937	$17,136,667	$5,355,774	$4,174,800	$9,502,122		$36,169,363
1938	22,073,345	6,311,779	8,594,431	8,871,084		45,850,639
1939	21,371,789	5,448,583	8,975,615	10,617,743		46,413,730
1940	23,262,539	3,887,750	8,851,542	9,566,735		45,568,566
1941	18,991,929	4,561,504	8,594,533	11,231,588		43,379,554
1942	29,770,909	6,955,080	8,147,494	13,122,990	$26,320	58,022,793
1943	17,602,914	7,392,119	8,250,816	12,214,038	56,362	45,516,249
1944	18,632,477	6,646,061	8,210,656	13,061,033	41,380	46,591,607
1945	22,911,916	6,839,763	8,065,079	13,271,249	56,027	51,144,034
1946	27,735,230	6,536,104	6,574,448	15,060,552	66,758	55,973,092
1947	32,259,930	6,260,340	8,109,124	15,492,292	43,684	62,165,370
1948	23,206,938	7,202,755	7,628,611	17,667,677	64,142	55,770,123
1949	26,581,945	7,087,424	8,437,619	17,531,629	65,586	59,704,203
1950	33,744,012	7,826,663	8,471,294	17,148,914	138,510	67,329,393
1951	25,899,661	6,467,908	9,143,041	18,928,168	97,776	60,536,554
1952	24,735,741	7,977,490	9,398,138	16,960,951	145,120	59,217,440
1953	29,974,245	8,607,186	10,155,590	16,698,919	170,844	65,606,684
1954	33,224,656	8,051,294	9,932,469	16,220,824	127,750	67,556,993
1955	29,101,754	7,607,634	10,535,921	15,953,468	135,758	63,334,535
1956	31,287,969	7,330,693	10,179,146	14,683,659	167,144	63,648,611
1957	36,355,435	7,258,246	10,052,121	13,516,077	193,311	67,375,190
1958	36,216,238	7,397,473	7,430,289	14,873,728	124,999	66,042,677
1959	38,906,856	7,892,899	9,292,790	14,207,621	163,872	70,464,038
1960	[2] 40,377,521	8,167,759	9,779,433	[2] 15,535,968	124,897	72,985,573

[1] Includes abandonment and deficiency payments.
[2] Estimate.

PRICES

An outstanding feature of the U.S. sugar program is the price stability it has brought to our domestic sugar market. Although there are fluctuations, they are within a rather narrow range—reducing uncertainties and inventory problems for consumers. Industrial users of sugar are not compelled to carry excessive sugar stocks as a hedge against a sudden large price rise, nor do they fear that the value of the working stocks they have on hand will suddenly shrink. Similarly, the American housewife can reach for sugar on her grocer's shelf with confidence not only that it will be there but also that the cost will continue to be a negligible item in the family food budget. Both the industrial user and the housewife know that the price of sugar in the United States is not only stable, but it is also reasonable by any fair standard of measurement.

This has not always been the case, as is demonstrated by table 5, which shows the retail price of refined sugar from 1913 until shortly after the effective date of the 1937 Sugar Act. In June 1920, sugar reached a price of 26.7 cents per pound, and the whole period 1913–20 was marked by steady increases in sugar prices, combined with violent fluctuations. Fluctuations continued during the 1920's with a generally descending trend in prices but with prices for the first 7 years substantially above a reasonable level, as compared to the general price structure and the price of other foods. It will be noted also that even in the depression years of the early 1930's, sugar prices did not respond downward along with all other prices and the price of sugar was relatively high compared both to the general price level and consumer income.

TABLE 5.—*Refined sugar, retail price per pound, by months, 1913–40*

[Cents per pound]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average
1913	5.8	5.5	5.4	5.4	5.4	5.3	5.5	5.6	5.7	5.5	5.4	5.4	5.5
1914	5.2	5.2	5.1	5.0	5.0	5.1	5.2	7.9	8.0	7.2	6.2	6.1	5.9
1915	6.0	6.5	6.6	6.7	6.8	6.9	7.0	6.7	6.5	6.1	6.6	6.8	6.6
1916	6.7	6.9	7.5	8.0	8.6	8.7	8.8	8.5	7.7	8.2	8.6	8.3	8.0
1917	8.0	8.1	8.8	9.6	10.1	9.4	9.2	10.0	9.9	9.8	9.6	9.5	9.3
1918	9.5	10.6	9.2	9.1	9.1	9.1	9.2	9.3	9.6	10.6	10.8	10.8	9.7
1919	10.8	10.7	10.6	10.6	10.6	10.6	10.9	11.1	11.0	11.4	12.5	14.5	11.3
1920	17.8	18.8	18.7	20.2	25.4	26.7	26.5	22.9	18.3	13.9	12.8	10.5	19.4
1921	9.7	8.9	9.7	9.7	8.4	7.8	7.1	7.5	7.3	6.9	6.7	6.5	8.0
1922	6.2	6.4	6.5	6.7	6.6	7.1	7.6	8.1	7.9	7.9	8.1	8.3	7.3
1923	8.1	8.5	10.0	10.3	10.9	10.9	10.3	9.4	9.4	10.4	10.0	10.2	9.9
1924	10.0	10.1	10.2	9.7	9.0	8.1	8.2	8.0	8.4	8.6	8.6	8.5	9.0
1925	7.9	7.5	7.4	7.3	7.0	6.9	6.8	6.8	6.8	6.6	6.4	6.6	7.0
1926	6.5	6.6	6.5	6.5	6.6	6.8	6.8	6.8	6.8	7.0	7.0	7.1	6.8
1927	7.4	7.3	7.3	7.1	7.1	7.2	7.2	7.1	7.1	7.1	7.0	7.0	7.2
1928	7.0	7.0	7.0	7.0	7.1	7.1	7.1	6.9	6.9	6.8	6.7	6.6	6.9
1929	6.6	6.5	6.3	6.3	6.3	6.2	6.3	6.5	6.6	6.6	6.6	6.5	6.4
1930	6.5	6.4	6.3	6.2	6.2	6.0	6.0	5.9	5.8	5.7	5.8	5.8	6.1
1931	5.8	5.8	5.7	5.6	5.5	5.4	5.5	5.6	5.6	5.5	5.5	5.4	5.6
1932	5.3	5.3	5.2	5.0	4.9	4.8	4.9	5.0	5.0	5.1	5.0	5.0	5.0
1933	5.0	4.9	5.0	5.0	5.2	5.3	5.4	5.6	5.6	5.6	5.6	5.5	5.3
1934	5.4	5.4	5.4	5.4	5.4	5.4	5.7	5.7	5.7	5.7	5.6	5.5	5.5
1935	5.4	5.4	5.4	5.4	5.6	5.7	5.8	5.8	5.8	5.8	5.9	5.8	5.7
1936	5.7	5.6	5.5	5.5	5.6	5.6	5.7	5.7	5.6	5.6	5.5	5.5	5.6
1937	5.6	5.7	5.7	5.7	5.7	5.6	5.5	5.5	5.7	5.8	5.6	5.6	5.6
1938	5.5	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.1	5.1	5.2	5.2	5.3
1939	5.2	5.1	5.1	5.1	5.1	5.2	5.2	5.2	6.4	6.2	5.8	5.6	5.4
1940	5.4	5.3	5.3	5.3	5.2	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.2

Table 6 shows the price behavior of sugar since the effective date of the 1937 Sugar Act. Prices shown here are wholesale prices for refined sugar in New York. Column 1 shows the actual cash price of refined sugar which increased from 4.48 cents per pound in 1938 to 9.21 cents per pound in 1961. Columns 2 and 3 show the index of prices of all foods and of per capita disposable income, respectively, and it will be noted that both of these categories have increased substantially more than the price of sugar. Column 4 shows that in comparison to the price of all foods, and of disposable income, sugar is substantially cheaper today than it was at the start of the sugar quota program. Related to the price of all foods, sugar was 4.82 cents per pound in 1939 and only 4.15 cents per pound in 1961. Related to

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disposable personal income, sugar was 4.57 cents per pound in 1938 and was down to 2.38 cents per pound in 1961.

TABLE 6.—*Wholesale prices of sugar (actual and adjusted), prices of all goods, per capita disposable income, and sugar distribution*

Year	(1) Sugar price, net cash, New York (cents per pound)	(2) Prices of all foods (wholesale) (index numbers, 1935–39=100)	(3) Per capita disposable income (index numbers, 1935–39=100)	(4) Sugar prices adjusted for change in—		(5) Sugar distribution	
				Prices of all foods (cents per pound)	Per capita disposable income (cents per pound)	Total (1,000 short tons, raw value)	Per capita (pounds, raw value)
1938	4.48	93	98	4.82	4.57	6,643	102
1939	4.58	89	105	5.15	4.36	6,868	105
1940	4.33	90	112	4.81	3.87	6,891	104
1941	4.92	105	136	4.69	3.62	8,069	[1] 121
1942	5.45	126	169	4.33	3.22	5,466	[1] 81
1943	5.49	135	190	4.07	2.89	6,335	93
1944	5.46	133	206	4.11	2.65	7,147	103
1945	5.39	134	209	4.02	2.58	6,041	86
1946	6.34	165	221	3.84	2.87	5,621	80
1947	8.12	206	230	3.94	3.53	7,448	103
1948	7.60	222	251	3.42	3.03	7,343	100
1949	7.81	202	247	3.87	3.16	7,580	102
1950	7.84	207	266	3.79	2.95	8,279	109
1951	8.21	232	287	3.54	2.86	7,737	100
1952	8.45	229	296	3.69	2.85	8,104	103
1953	8.55	219	308	3.90	2.78	8,485	106
1954	8.55	218	308	3.92	2.78	8,207	101
1955	8.42	212	323	3.97	2.61	8,399	102
1956	8.59	212	339	4.05	2.53	8,904	106
1957	8.97	218	351	4.11	2.56	8,734	102
1958	9.08	230	355	3.95	2.56	9,030	104
1959	9.14	219	371	4.17	2.46	9,181	104
1960	9.24	223	379	4.14	2.44	9,261	103
1961	9.21	222	387	4.15	2.38	9,595	105

[1] Unusually large distribution during 1941 resulted in building up of the "invisible" supply carried over in 1942 and a considerable amount of sugar distributed during 1941 was actually consumed during 1942.

A comparison of recent retail prices in the United States with those in other countries points up the fairness of sugar prices to American consumers and the effectiveness of our program under the Sugar Act. Such a comparison of prices is included in a study recently published by the Food and Agriculture Organization of the United Nations in its Monthly Bulletin of Agricultural Economics and Statistics for January 1960. This report shows that the average retail price of sugar in the United States—11 cents a pound in 1957, when the study was begun—is nearly 5 cents below the median price in 121 nations around the globe.

Measuring the retail price of sugar on the basis of wage rates, sugar prices in the United States are the lowest in the world. Two independent studies, one by the National Industrial Conference Board and one by the FAO, referred to above, show that an American workman needs to spend less time at his job than a workman in any other nation in order to earn enough money to buy a pound of sugar. Table 7 is from the study conducted by the FAO. It shows that in 1946, a bricklayer in the United States needed to work only 4 minutes to buy 1 kilogram (2.2 pounds) of sugar. In contrast, a kilo of sugar took 20 minutes' work in the United Kingdom, 24 minutes in France, 34 minutes of work in the Netherlands, and 82 minutes of work in Italy. Not shown on the table is the U.S.S.R., where it takes an estimated 324 minutes of work to buy a kilogram of sugar.

TABLE 7.—*Sugar—Worktime cost of sugar and order of consumption, worktime cost and money cost, in specified countries, 1956*

Countries	Currency	October 1956		Worktime cost (minutes)	Consumption order [1]	Worktime cost order	Money cost order (U.S. (dollars)
		Hourly wage for bricklayers	Retail price of sugar in national currency				
United States	Dollars	3.65	0.233	4	53	1	38
Canada	do	2.26	.205	5	50	2	27
Sweden	Krona	9.74	1.18	7	49	3	40
Union of South Africa	Pence	88.50	11.02	8	42	4	8
Denmark	Ore	678.00	106.50	9	56	5	13
Norway	Krone	7.20	1.18	10	51	6	17
Iceland	do	21.89	3.59	10	57	7	33
Australia	Pence	113.00	20.13	11	54	8	21
Israel	Prutot	1,178.00	270.00	13	30	9	11
Malta	Pence	22.00	5.04	13	38	10	1
New Caledonia	Franc	75.00	16.00	13	45	11	41
Netherlands Antilles	Florin	1.50	.40	16	36	12	26
Uruguay	Peso	2.15	.56	15	40	13	10
New Zealand	Pence	72.20	19.47	16	52	14	35
Switzerland	Franc	3.17	.94	18	47	15	34
Ireland	Pence	51.50	15.43	18	48	16	16
British Guiana	Cent	49.00	16.53	20	43	17	3
United Kingdom	Shilling	4.29	1.43	20	55	18	28
Chile	Peso	120.00	43.60	22	29	19	2
Argentina	do [2]	10.00	4.00	24	33	20	6
France	Franc [3]	252.00	100.60	24	26	21	46
Fiji	Pence	23.00	98.92	26	35	22	5
Belgium	Franc	23.58	10.85	27	28	23	30
Cyprus	Piaster	28.30	13.04	28	21	24	23
Trinidad	Cent [2]	44.00	21.40	29	37	25	7
Malaya	do	113.00	58.00	31	25	26	22
Germany, West	Mark	2.31	1.24	32	27	27	47
Morocco	Franc	175.00	94.00	32	34	28	43
Jamaica	Shilling [2]	2.41	1.33	33	31	29	19
Netherlands	Florin	1.37	.78	34	46	30	24
Finland	Markka	164.00	100.40	37	44	31	57
Grenada	Cent	50.00	32.00	38	32	32	20
Lebanon	Piaster	100.00	65.00	29	18	33	29
Guatemala	Centavo	25.00	17.40	42	23	34	15
Mauritius	Cent	66.00	46.00	42	41	35	4
Tunisia	Franc	116.20	92.00	47	20	36	42
Austria	Schilling	7.45	5.96	48	39	37	36
Taiwan	Dollar	5.50	4.50	49	12	38	25
Hong Kong	do	1.10	.97	53	24	39	14
French West Africa	Franc	59.40	53.50	54	9	40	48
Spain	Peseta	12.00	11.00	55	13	41	45
Portugal	Escudo	5.44	5.30	58	16	42	18
St. Lucia	Cent	27.50	26.50	58	22	43	12
Paraguay	Guarani	13.80	14.00	60	15	44	9
Nigeria	Pence	18.00	18.74	62	1	45	31
Sierra Leone	do	18.30	19.86	65	6	46	37
Japan	Yen [3]	125.00	137.33	66	14	47	52
Italy	Lire	193.00	263.00	82	17	48	55
Vietnam	Piaster	9.87	14.50	88	5	49	54
Madagascar	Franc	41.00	60.00	88	7	50	51
Cameroons (French administration).	do	38.00	60.00	95	2	51	50
Belgian Congo	do	6.60	11.00	100	3	52	32
Pakistan	Rupee [2]	.69	1.21	105	10	53	44
Greece	Drachma	6.42	11.56	108	11	54	53
French Equatorial Africa	Franc	35.00	74.00	127	4	55	56
Thailand	Baht	2.15	4.63	129	8	56	39
Ceylon	Rupee [4]	.57	1.48	156	19	57	49

[1] Including noncentrifugal sugar at 60 percent of the actual weight for Malaya, Guatemala, Taiwan, Japan, Vietnam, Pakistan, and Thailand.
[2] Carpenters.
[3] Transport drivers.
[4] The relation of bricklayers' wages to other wages in Ceylon seems to be different from those in almost all other countries; this makes the data questionable.

THE WORLD MARKET AND WORLD PRICE OF SUGAR

With the recent interest that has focused on the Sugar Act, there is an awareness that the domestic raw cane sugar price has normally been much higher than the so-called world market price for that commodity. Actually the terms "world price" and "world market" do not relate to a price or to market conditions typically prevailing throughout most of the world. On the contrary, these terms relate to the price and conditions under which residual quantities of sugar are traded. Only about 17 percent of the world's sugar production is traded on the "world market" and since this is essentially "surplus" or "homeless" sugar, it does not establish a true world price nor reflect the actual value of sugar.

World consumption of sugar now amounts to about 57.5 million tons a year. Of this amount, about 40 million tons are consumed in the countries where it is produced. In nearly all instances, as in the United States, because of the essentiality of the product, it is produced under some kind of national control, bounty, or subsidy system. This leaves about 17.5 million tons to be consumed outside the countries of production. Published world sugar trade statistics show exports to be 19 million tons, but these figures include substantial reexports of sugar previously imported into several European countries for refining. Of the 17.5 million tons moving outside the countries or areas where produced, some 8 million tons move from French and Portuguese oversea areas to the mother countries, or they are traded under the preferential terms and provisions of the Commonwealth Sugar Agreement and the U.S. sugar program. This leaves not quite 10 million tons for trading in the so-called world market. Roughly half of that total is Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

Thus, the world free market, exclusive of Cuban bartering with the bloc, is a 5-million-ton residual. Since world production usually tends to exceed world consumption, the world market is normally a very depressed market. However, because of the very character of this so-called world market, it is an extremely volatile market reacting sharply to international tensions or to changes in supply and demand. For example, during the disturbed situation brought on by the Suez crisis and the events in Hungary 5 years ago, the price on this market nearly doubled in 60 days. Throughout the latter half of 1950 and almost all of 1951, this so-called world price was higher than the price of sugar destined for the United States, reaching a differential above the U.S. price of 1.85 cents per pound in June 1951. A similar situation prevailed in the 1957 period above referred to when the world price went from $2.07 per hundred pounds below the U.S. price in October 1956 to $1.34 above the U.S. price in April 1957.

The assumption, therefore, that the United States could import a large part of its sugar requirements at the present, very low world market price is not necessarily valid. Since we would not buy from an unfriendly Cuban regime with which we maintain no diplomatic relations, the supply of foreign sugar available to us would be limited not only under our own program, whatever exact form that would take, but also by the actually available supply. In other words, there would be a realinement of markets and the combination of the nonbloc world market with the U.S. import market might result in a price level higher than the present world market price.

The excess of world sugar production in most recent years has resulted in generally increasing world inventories with substantial interruptions due to special demand situations, described above, and crop reverses in major producing areas. The changes in inventories are large, indeed, in relation to the restricted "world market" demand and their effect on "world" prices is correspondingly acute. Table 8 indicates the level and fluctuations in world inventories.

TABLE 8.—*Centrifugal sugar (raw value): Stocks beginning of new grind, in 40 selected countries, average 1950–51 through 1954–55, annual 1955–56 through 1960–61*

[Thousand short tons]

County	Date [1]	Sugarmaking season						
		Average, 1950–51 through 1954–55	1955–56	1956–57	1957–58	1958–59	1959–60	1960–61 [2]
Argentina	May 1	[3] 82	219	107	62	24	163	356
Indonesia	do	[3] 19	39	29	25	22	88	61
Brazil	June 1	207	255	180	441	424	622	670
Fiji	do	2	1	3	2	3	26	65
Mauritius	do	----------	3	5	4	1	7	----------
Paraguay	do	----------	4	0	0	4	12	5
Union of South Africa	do	43	46	50	34	74	116	50
Australia	July 1	130	135	163	195	157	179	211
British Guiana	Aug. 1	----------	12	5	6	16	4	4
Finland	do	9	33	38	37	46	79	55
Italy	do	138	208	566	257	105	252	700
Canada	Sept. 1	58	56	82	76	62	89	66
Hungary	do	41	94	26	28	28	----------	----------
United Kingdom	do	846	917	651	629	506	479	518
Venezuela	do	20	23	101	117	58	57	66
Belgium	Oct. 1	42	21	24	15	24	40	21
Costa Rica	do	----------	7	6	9	14	21	11
Denmark	do	24	15	21	25	33	127	74
France	do	110	225	103	78	88	147	203
Germany, West	do	147	174	187	275	187	593	363
Ireland	do	[4] 28	[4] 49	[4] 37	----------	17	35	32
Japan	do	[5] 97	[5] 32	[5] 28	124	150	149	136
Netherlands	do	55	24	34	89	78	161	69
Philippines	do	46	173	148	82	98	274	312
Sweden	do	105	134	129	85	92	165	160
United States and insular areas	do	----------	1,597	1,338	1,183	1,183	1,548	1,275
Dominican Republic	Nov. 1	53	103	158	20	93	231	226
El Salvador	do	----------	9	8	6	2	2	1
Guatemala	do	----------	----------	9	13	13	6	----------
India	do	246	689	663	550	397	169	540
Mexico	do	165	347	150	295	336	503	553
Taiwan	do	59	71	176	116	83	155	60
British East Africa	Jan. 1	[6] 10	10	25	27	20	23	18
Cuba	do	1,357	1,786	703	750	603	1,347	1,209
Federation of West Indies	do	----------	78	8	6	15	19	51
Haiti	do	2	5	3	1	3	8	1
Nicaragua	do	3	3	----------	----------	4	8	----------
Panama	do	2	----------	1	----------	[7] 1	[7] 2	1
Peru	do	101	87	143	95	128	106	84
Thailand	do	[8] 33	9	20	13	[9] 21	[9] 10	[9] 24
Total [10]	----------	5,440	7,700	6,128	5,806	5,213	8,063	8,272

[1] All stock carryover dates, except for Jan. 1, apply to the 1st year mentioned at the head of each column.
[2] Preliminary.
[3] 2-year average, 1953–54, 1954–55.
[4] Sept. 1.
[5] Jan. 1.
[6] 4-year average, 1951 through 1954.
[7] Feb. 1.
[8] 3-year average, 1951 through 1953.
[9] Nov. 1.
[10] Includes estimates for all countries shown in years when stocks are not reported.

NOTE.—Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign sources materials, reports of U.S. agricultural attachés and Foreign Service officers, results of office research, and related information.

THE "QUOTA PREMIUM"

The difference between the so-called world price and the U.S. price has on occasions been called the quota premium, or more popularly the subsidy in our sugar program. This approach is carried even further to say that the amount of protection or subsidy involved in the American sugar program is the amount of the difference between the two prices, multiplied by the amount of sugar purchased. This is an exaggerated statement of the protection afforded by the Sugar Act and is such an oversimplification of a basically complicated economic situation as to be misleading. It is obvious that the amount of the quota premium is not accurately measured by the difference between the U.S. price and the so-called world price with the Sugar Act in effect. The amount of the quota premium could more nearly be measured by calculating the difference between the price received by supplying areas now shipping to us under our quota program and the price they would receive in sales to us if we had no quota program.

Even under the orderly marketing situation brought about by our Sugar Act, the so-called quota premium has not been a one-way street. Through mid-1960, Cuba was the principal foreign beneficiary of the "quota premium" and, in turn, during that period the supplies needed from Cuba were made available without interruption. Table 9 shows this relationship on a yearly average basis from 1934 through 1947. Table 10 shows the same relationship, in slightly different form, by months for the years 1948–61.

During the war and immediate postwar years of the 1940's, the United States purchased virtually the entire Cuban sugar production. As is indicated by the last column on table 9, we obtained this sugar (and also the sugar purchased from domestic producing areas) at substantially less than the world price. Table 10 shows the months during the Korean conflict and during the Suez incident when the world price was higher than the U.S. price.

TABLE 9.—*Quota premiums and discounts: Comparison of Cuban price, per pound, of sugar for shipment to United States and world market, annual average, 1934–47*

[Cents]

Year and month	U.S. price c.i.f. basis New York	Freight and insurance, Cuba to New York	Price for shipment to— United States	Price for shipment to— World market	Difference, U.S. price from world price
1934	1.50	0.13	1.37	0.91	0.46
1935	2.33	.12	2.21	.88	1.33
1936	2.69	.13	2.56	.88	1.68
1937	2.54	.19	2.35	1.13	1.22
1938	2.04	.14	1.90	1.00	.90
1939	1.91	.17	1.74	1.43	.31
1940	1.89	.22	1.67	1.11	.56
1941	2.48	.39	2.09	1.46	.63
1942	2.99	.51	2.48	2.69	−.21
1943	2.99	.53	2.46	2.69	−.23
1944	2.99	.40	2.59	2.69	−.10
1945	3.00	.35	2.65	3.14	−.49
1946	3.86	.44	3.42	4.24	−.82
1947	5.46	.49	4.97	5.03	−.06

TABLE 10.—*Quota premiums and discounts—Comparison of price of raw sugar for shipment to the United States and to world markets*

FOR SHIPMENT TO UNITED STATES [1]

[Cents per pound]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Monthly average
1948	4.68	4.57	4.50	4.45	4.25	4.44	4.79	4.87	4.78	4.77	4.80	4.75	4.64
1949	4.78	4.72	4.77	4.73	4.89	4.97	4.96	5.05	5.20	5.21	5.12	4.94	4.94
1950	4.91	4.76	4.70	4.68	4.87	4.95	5.22	5.39	5.40	5.41	5.38	5.39	5.09
1951	5.12	4.95	4.92	4.86	5.38	5.56	5.29	5.03	5.02	4.94	4.98	4.78	5.07
1952	4.82	4.79	5.18	5.33	5.29	5.53	5.61	5.58	5.67	5.72	5.55	5.17	5.35
1953	5.19	5.31	5.45	5.45	5.46	5.52	5.56	5.55	5.59	5.57	5.29	5.15	5.43
1954	5.15	5.18	5.29	5.28	5.22	5.28	5.32	5.23	5.14	5.11	5.25	5.02	5.21
1955	5.01	5.00	4.91	4.91	5.04	5.10	5.08	5.06	5.02	5.03	4.94	4.87	5.00
1956	4.93	4.94	5.01	5.01	5.01	5.01	5.10	5.10	5.11	5.31	5.34	5.34	5.10
1957	5.31	5.07	5.15	5.12	5.41	5.59	5.52	5.24	5.30	5.36	5.27	5.30	5.30
1958	5.31	5.31	5.18	5.35	5.41	5.41	5.43	5.42	5.52	5.59	5.46	5.55	5.41
1959	5.27	5.13	4.97	5.01	5.38	5.41	5.41	5.51	5.65	5.68	5.53	5.23	5.35
1960	4.95	5.06	5.14	5.20	5.14	5.31	5.54	5.53	5.65	5.58	5.60	5.52	5.35
1961	5.47	5.42	5.37	5.34	5.53	5.53	5.43	5.09	5.10	5.23	5.33	5.44	5.36
FOR SHIPMENT TO WORLD [2]													
1948	3.96	4.24	4.26	4.43	4.27	4.06	4.10	4.41	4.39	4.32	4.27	4.03	4.23
1949	4.00	3.95	4.17	4.09	4.04	4.08	4.13	4.20	4.19	4.33	4.33	4.39	4.16
1950	4.62	4.47	4.44	4.37	4.21	4.21	4.89	5.83	5.88	5.84	5.58	5.36	4.98
1951	5.22	4.96	5.48	5.57	6.62	7.41	6.75	5.61	5.52	5.28	4.83	4.84	5.67
1952	4.54	4.38	4.30	4.30	4.24	4.17	4.16	4.05	4.00	4.01	4.00	3.84	4.17
1953	3.55	3.52	3.27	3.38	3.65	3.62	3.60	3.53	3.29	3.15	3.10	3.27	3.41
1954	3.30	3.39	3.28	3.36	3.32	3.27	3.13	3.18	3.21	3.25	3.26	3.19	3.26
1955	3.17	3.17	3.22	3.31	3.38	3.26	3.22	3.22	3.27	3.28	3.19	3.16	3.24
1956	3.26	3.28	3.34	3.31	3.36	3.36	3.40	3.34	3.24	3.24	3.92	4.77	3.48
1957	5.83	5.80	6.17	6.46	6.02	6.12	5.27	4.13	4.55	4.03	3.63	3.87	5.16
1958	3.74	3.55	3.42	3.45	3.47	3.42	3.50	3.46	3.48	3.41	3.42	3.64	3.50
1959	3.27	3.11	3.05	2.88	2.94	2.81	2.66	2.78	3.09	3.10	2.96	3.00	2.97
1960	2.97	3.02	3.05	3.04	3.05	2.97	3.26	3.31	3.25	3.25	3.25	3.25	3.14
1961	3.03	2.97	2.97	3.14	3.35	3.20	3.05	2.80	2.69	2.73	2.53	2.46	2.91
DIFFERENCE, U.S. PRICE FROM WORLD PRICE [3]													
1948	+0.72	+0.33	+0.24	+0.02	−0.02	+0.38	+0.69	+0.46	+0.39	+0.45	+0.53	+0.72	+0.41
1949	+.78	+.77	+.60	+.64	+.85	+.89	+.83	+.85	+1.01	+.88	+.70	+.55	+.78
1950	+.29	+.28	+.26	+.31	+.66	+.74	+.33	−.44	−.48	−.43	−.20	+.03	+.11
1951	−.10	−.01	−.56	−.71	−1.24	−1.85	−1.46	−.58	−.50	−.34	+.15	−.06	−.60
1952	+.28	+.41	+.88	+1.03	+1.05	+1.36	+1.45	+1.53	+1.67	+1.71	+1.55	+1.33	+1.18
1953	+1.64	+1.79	+2.18	+2.07	+1.81	+1.90	+1.96	+2.02	+2.30	+2.42	+2.19	+1.88	+2.02
1954	+1.85	+1.79	+2.01	+1.92	+1.90	+2.01	+2.19	+2.05	+1.93	+1.86	+1.99	+1.83	+1.95
1955	+1.84	+1.83	+1.69	+1.60	+1.66	+1.84	+1.86	+1.84	+1.75	+1.75	+1.75	+1.71	+1.76
1956	+1.67	+1.66	+1.67	+1.70	+1.65	+1.65	+1.70	+1.76	+1.87	+2.07	+1.42	+.57	+1.62
1957	−.52	−.73	−1.02	−1.34	−.61	−.53	+.25	+1.11	+.75	+1.33	+1.64	+1.43	+.14
1958	+1.57	+1.76	+1.76	+1.90	+1.94	+1.99	+1.93	+1.96	+2.04	+2.18	+2.04	+1.91	+1.91
1959	+2.00	+2.02	+1.92	+2.13	+2.44	+2.60	+2.75	+2.73	+2.56	+2.58	+2.57	+2.23	+2.38
1960	+1.98	+2.04	+2.09	+2.16	+2.09	+2.34	+2.28	+2.22	+2.40	+2.33	+2.35	+2.27	+2.21
1961	+2.44	+2.45	+2.40	+2.20	+2.18	+2.33	+2.38	+2.29	+2.41	+2.50	+2.80	+2.98	+2.45

[1] Prices for 1948–60 represent spot prices for sugar in bags under contract No. 6 rolled back to Cuba (minus freight and insurance). Prices for 1961 are spot prices for sugar in bulk under contract No. 7 minus duty (0.625 cent)), computed freight, insurance, and unloading charges, and with the bag allowance of 0.04 cent added.

[2] Spot prices for 1948–60 were spot prices for bagged sugar f.a.s. Cuba, contract No. 4. Prices for 1961 are spot prices under No. 8 contract which is also for bagged sugar but f.o.b. and stowed at Greater Caribbean ports (including Brazil).

[3] Differences between prices for shipment to United States and for shipment to world.

BENEFITS TO DOMESTIC PRODUCERS

Table 11 shows the details of the manner in which the Sugar Act has achieved one of its three basic objectives—that of assuring, as a matter of national security, the production of a substantial portion of our sugar requirements in domestic areas. This table shows, by areas, for the years 1955 through 1959 the acreage, production, and deliveries of sugar, the extent to which the various areas have filled their assigned quotas, and the rate of Sugar Act payments to producers in those areas.

TABLE 11.—*Selected data for domestic sugar producing areas, on acreage, production, quotas and payments, 1955–61*

[All tons are raw value]

Domestic area and crop year	Acreage harvested for sugar[1]	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota		Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
					Basic	Adjusted		
	1,000 tons	*Tons*	*1,000 tons*	*Tons*	*Tons*	*Tons*	*1,000 tons*	
Sugar beet:								
1955	744	2.33	1,730	1,797,327	2,673	2,673	1,628	$16.82
1956	789	2.50	1,971	1,955,252	0	149	1,547	15.87
1957	882	2.51	2,213	2,065,687	0	5,007	1,529	16.43
1958	895	2.47	2,214	2,239,852	0	52,636	1,669	16.36
1959	898	2.56	2,303	2,241,164	0	26,501	1,638	16.89
1960	962	2.57	2,474	2,164,692	102,609	350,253	1,696	16.32
1961 (estimated)	1,090	2.26	2.458	2,608,000	0	1,170	2,005	16.47
Mainland sugarcane:								
1955	267	2.14	572	498,797	1,203	1,203	396	13.30
1956	233	2.39	557	601,369	0	327	465	13.16
1957	259	2.05	531	635,685	0	1,487	346	13.67
1958	254	2.28	578	680,552	0	40,253	244	12.80
1959	296	2.08	615	577,595	51,204	120,188	140	12.83
1960	304	2.07	630	619,047	78,623	154,826	177	12.97
1961 (estimated)	331	2.54	840	750,000	0	0	185	13.14
Puerto Rico:								
1954–55	361	3.23	[2] 1,166	1,079,562	438	438	163	13.91
1955–56	353	3.26	[2] 1,152	1,134,769	5,484	6,329	138	13.85
1956–57	362	2.73	990	912,571	224,416	7,429	44	14.83
1957–58	328	2.85	934	823,034	343,341	0	6	14.47
1958–59	344	3.16	1,087	957,853	234,645	12,022	7	13.68
1959–60	328	3.11	1,019	895,784	427,327	0	12	13.94
1960–61 (estimated)	340	3.26	1,110	980,000	290,865	0	24	14.00
Hawaii:								
1955	106	10.75	1,140	1,052,004	0	0	6	9.24
1956	107	10.28	1,100	1,091,282	0	23	49	9.25
1957	107	10.14	1,085	1,036,763	50,610	23,237	14	9.26
1958	84	9.11	765	630,175	484,304	69,825	18	9.71
1959	110	8.86	975	976,845	163,617	1,125	114	9.53
1960	104	9.00	936	844,788	420,587	95,656	78	9.38
1961 (estimated)	110	9.93	1,092	1,045,000	170,410	0	122	9.32
Virgin Islands:								
1955	5	2.14	10	9,942	2,058	558	----------	13.28
1956	5	2.69	13	12,535	0	0	----------	12.97
1957	5	3.05	15	14,753	796	0	----------	12.80
1958	4	1.36	6	6,093	9,812	7	----------	20.89
1959	4	2.98	12	12,302	3,959	103	----------	13.06
1960	4	1.57	7	6,954	11,089	1,664	----------	17.92
1961 (estimated)	5	3.68	17	16,184	1,146	1,146	----------	13.07
All domestic areas:								
1955	1,483	3.11	4,618	4,437,632	6,368	6,368	2,193	13.77
1956	1,487	3.22	4,793	4,795,207	6,293	6,203	2,199	13.54
1957	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958	1,565	2.87	4,497	4,379,706	531,794	154,687	1,937	14.38
1959	1,652	3.02	4,992	4,765,759	255,741	159,939	1,892	14.25
1960	1,702	2.98	5,066	4,531,265	1,040,235	600,235	1,963	14.14
1961 (estimated)	1.876	2.94	5,517	5,399,184	0	0	2,336	14.04

[1] National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 850 (823); 1957, 950 (912); 1958, 935 (927); 1959, 925 (921); 1960, 985 (960); mainland cane sugar area (for sugar and seed)—1955, 299 (285); 1956, 259 (253); 1957, 296 (284); 1958, 292 (276); 1959, 314 (314); 1960, 336 (336).

[2] Individual farm proportionate share established in hundredweight of sugar totaled 1,214,000 tons for 1954–55 crop and 1,222,000 tons for 1955–56 crop.

The Department of Agriculture, which administers the Sugar Act, has prepared and revised from time to time an excellent description and analysis of the U.S. sugar program from the earliest efforts toward such a program up to the present time. It explains in detail the provisions and the operations of the Sugar Act of 1948, as amended. Most of the following discussion is from that document. Briefer discussions of the sugar program are available in the November 1961 issue of "Sugar Reports" issued by the Department of Agriculture and as a separate leaflet of the Agricultural Stabilization and Conservation Service of the Department (BI–No. 19, December 1961).

THE SUPPLY AND DISTRIBUTION SYSTEM

Since the end of sugar rationing in the fall of 1947, sugar deliveries for consumption in the continental United States have tended to increase with the population growth and to be stable on a per capita basis. While annual per capita deliveries fluctuated from 94 to 102 pounds of refined sugar in response to such extraneous factors as the Korean conflict and the Hungarian and Suez crises, the 3-year moving average rate of annual deliveries fluctuated only between 96 and 97 pounds.

Total annual distribution averaged about 8.9 million short tons, raw value,[1] during the latest 3-year cycle; this is equal to about 8.3 million tons of refined sugar. The domestic areas, in total, have been accorded the right to supply approximately 53 percent of the requirements of the continental United States. Until 1960 Cuba furnished about one-third of our needs and the Philippines about 11 percent. About 3 percent is imported from other foreign countries. More than half of the domestically produced sugar is supplied by the mainland cane and beet areas. The remainder comes from Hawaii, Puerto Rico, and a small fraction from the Virgin Islands.

Our supply areas are sufficiently scattered to assure, in the aggregate, a dependable source of supply. There is seldom a year when drought or other natural disaster causes serious crop damage in more than one or two of these areas. This wide dispersion of our sources of supply would also be a protection in case of war.

In the continental United States, sugar beets are produced in 22 Western and North Central States. The most important beet producing States are California, Colorado, and Idaho. Sugarcane is grown in a number of Southeastern and South Central States, but only Louisiana and Florida produce cane for the manufacture of sugar. Cane produced elsewhere is used to make sugarcane sirup.

Most sugar from cane goes through two stages of processing to produce the refined sugar commonly used in American households. The first process, that of extracting, boiling, and otherwise processing the cane juice, is conducted in the producing area in raw canesugar mills. The products obtained are raw sugar, usually in crystalline form and various byproducts such as blackstrap molasses and bagasse. Raw sugar and blackstrap molasses can be used directly without further refining—raw sugar for curing tobacco, for instance, and molasses for cattle feed and the manufacture of ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of cane, is used principally as fuel in the cane mills and as raw material in the manufacture of building board, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. It is put through the second process—the refining process—in refineries, most of which are located in large port cities. A few refineries, however, are located in producing areas and some are located at interior points of con-

[1] "Raw value" is the term used in the Sugar Act for expressing in a common unit the various types of raw and refined sugars that move in commerce. One tone of refined sugar equals 1.07 tons of sugar, raw value.

sumption. Refined sugars, refiners' sirups, and refiners' blackstrap molasses result from this second process.

In contrast to cane sugar, refined sugar from beets is processed in a single plant. The principal byproducts are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used as an ingredient in cattle feed, and in the manufacture of yeast and citric acid. A substantial quantity of beet molasses is put through the Steffen's process for additional extraction of sugar. The resultant Steffen's waste is used to produce monosodium glutamate, a condiment.

In the domestic areas, 64 beet sugar factories, 108 cane sugar mills, and 33 refineries were in operation in 1958; 13 of the latter were operated as part of or in connection with cane sugar mills. These establishments represent an investment in land, plant, and equipment of approximately two-thirds of a billion dollars. Approximately 63,000 workers are employed in the plants.

About 45,000 domestic farms grow cane or beets. About 220,000 farmworkers are required, mostly on a seasonal basis, to cultivate and harvest the cane and beets. During the early years of this decade, about 300,000 farmworkers were required.

OUR NATIONAL SUGAR POLICY, ITS HISTORY AND DEVELOPMENT

Since the passage of the first Sugar Act in 1934, the sugar policy of the United States has been to maintain a healthy domestic industry of limited size; to promote our general export trade; and to assure adequate sugar supplies to consumers at reasonable and stable prices. This policy did not take shape overnight but emerged after 145 years of congressional decisions and actions affecting the course of the sugar industry.

Tariff for revenue, 1789 to 1890

The foundation of the present-day U.S. sugar program was laid down shortly after this country gained its independence. In 1789 the new Nation, seeking means of supporting its Government, imposed the first tariff on raw sugar,[2] to help raise revenue. At that time and through most of the next century, import duties and domestic excise taxes were the major source of Government receipts. The sugar "tariff for revenue" yielded close to 20 percent of all import duties. This duty remained on sugar continuously until 1890, holding at about 2.5 cents a pound during most of the period but ranging from 1 to 3.5 cents.

Although the purpose of the first sugar tariff was to produce money for the Treasury, it also provided considerable market protection to sugarcane growers in Louisiana after that area became a U.S. territory in 1803. The Louisiana industry had reached significant size by 1830. Later, the same protection was granted to Hawaii under the terms of the Reciprocal Treaty of 1876 between the United States and the Kingdom of Hawaii. Under that treaty, Hawaiian sugar was admitted duty free. With this market advantage, and a climate ideally suited to growing sugarcane, Hawaii rapidly expanded sugar production. By the 1890's the production of sugar had become

[2] The tariff discussion is confined to the tariff on raw sugar, since most of the sugar imported is in raw form. Generally, refined sugar tariffs have been higher than raw sugar tariffs.

Hawaii's most important industry dependent principally on market outlets in this country for its prosperity.

The sugar bounty, 1890-94

In 1890, with a surplus in the Treasury, the need to maintain a raw sugar tariff to produce revenue was no longer pressing and the duty, then 2.25 cents a pound, was repealed. The placing of raw sugar on the free list reduced the cost of sugar to consumers but removed tariff protection to domestic producers. Protection, however, was continued in the form of a 2-cent bounty on each pound of sugar domestically produced.

Removal of the tariff and the inauguration of the bounty had an important effect in two producing areas—Hawaii and Cuba. Production in Cuba was stimulated when removal of the tariff further opened the U.S. market. On the other hand, Hawaii was hurt badly, since it lost its preferred position in the American market when the sugar duty was repealed. The price of Hawaiian sugar fell sharply. Hawaiian sugar producers did not receive the bounty. General unrest followed leading to revolt against the monarchy of Queen Eiliuokalani in 1893 and the establishment of the Republic of Hawaii in 1894.

Tariff for protection, 1894 to 1934

In 1894, the bounty system was discontinued and a new tariff levied on sugar. However, the primary purpose of the new tariff was not to produce revenue as was formerly the case but to protect the domestic industry which had reached significant size under the first tariff and the bounty. An additional motive was to return Hawaii to its preferred status in our market.

The second sugar tariff program remained in force from 1894 to 1934. The history of the sugar industry during that period is a a sequence of stable earnings, wild prosperity, severe but short-lived depression, temporary recovery, and prolonged depression, in that order.

As a result of the Spanish-American War, three potentially heavy sugar-producing areas were added to the areas receiving protection in our market. Free trade was extended to our new possessions, Puerto Rico and the Philippine Islands, and a preferred status was granted to Cuba. Puerto Rico received free trade status in 1901. Tariff aid was given more gradually to the Philippines, but by 1913 Philippine sugar was granted unlimited free entry. Cuba was granted a 20-percent tariff preferential under the Convention of Commercial Reciprocity of 1902.

Production expanded rapidly in these areas with the granting of protection. Cuba and Puerto Rico, like Hawaii, became specialized one-crop areas directly dependent upon the continuation of our protective policy for the livelihood of their people. Sugar also became a mainstay of the Philippine economy, but the industry never reached as dominant a position there as it did in the other areas.

Our beet industry, which got its start under the "tariff for revenue" and the bounty system, also flourished with tariff protection. By the time of World War I, the beet area was supplying almost one-fifth of the sugar marketed in this country.

At the turn of the century slightly more than half of our sugar came from foreign countries other than Cuba. But by 1913 the increase in sugar supplied in the continental United States, in our territories, and in Cuba had pushed practically all other foreign sugar from our market.

In World War I, the Government placed rigid controls on sugar distribution and on prices of refined sugar. In addition, a price guarantee was placed on Cuban sugar and domestic sugarbeets to encourage production. The beet area responded to wartime price incentives only to maintain production; but Cuba, where sugar offered the principal means of participating in wartime expansion, greatly increased its production.

After World War I, with the lifting of controls and the prospect of short supplies, sugar became one of the speculative leaders in the worldwide inflationary boom of 1920. The world price of raw sugar reached a monthly average peak of more than 19 cents a pound in May 1920. The bubble soon burst and the price of world sugar dropped to an average of less than 5 cents a pound in December 1920. The depression in world sugar lasted through most of 1922. Toward the end of the year, however, sugar prices began to advance and by 1923 reached a second, but much lower postwar peak of slightly more than 6.5 cents a pound and ranged between 5 and 6 cents a pound for more than a year.

Many believed that the sugar industry both in this country, and generally throughout the world, had recovered its prewar order and prosperity. Americans especially showed their confidence in the future of sugar by pouring large sums of money into Cuban sugar production.

But the international sugar industry was in for a rude shock. World sugar production began outstripping world demand in 1925. Surpluses accumulated and prices dropped below 1922 levels. The trend in world production continued upward even in the face of mounting surpluses and unprofitable prices. This was partly because of artificial stimulation of beet-sugar production in countries which had historically imported sugar but which desired to become self-sufficient. In addition, there were tremendous improvements in methods of cultivating and processing sugarcane during the 1920's and early 1930's. Except for a slight upturn in 1927, world sugar prices did not improve between 1925 and 1928. In 1929 prices began to decline once more. The situation worsened each year from 1929 to the bottom of the general depression in 1932–33.

The depression in world sugar, in both the early and late 1920's, was felt by domestic producers as well as by producers in the large exporting countries as U.S. prices generally moved with world prices. In 1921, the U.S. price was lower than at any time since 1916, and Congress raised the sugar tariffs. The duty on sugar from Cuba, our principal foreign competitor, was increased in 1921 from 1 to 1.60 cents a pound, and in 1922 to 1.7648 cents a pound. The duty on other foreign sugar was also increased each time so that the Cuban tariff preferential was maintained.

As the world price was firm, these increased duties solved the immediate price problems of domestic producers. In fact, when the world price strengthened in 1923 and 1924, consumers complained that the tariffs were forcing the U.S. price too high.

When the world depression in sugar became serious in late 1928 Congress was asked for still higher tariffs to offset world price reductions. As a result, in 1930 the duty on Cuban sugar was raised to 2 cents a pound and the duty on other foreign sugar was raised to 2.5 cents. However, the bottom was falling out of the world sugar market. By May 1932, the world price of raw sugar dropped to less than 1 cent a pound. The U.S. price followed the world price downward reaching the depression low of less than 3 cents a pound in 1932—the 2-cent duty on Cuban sugar plus the world price and the cost of freight from Cuba.

Although the domestic sugar price was quite low compared with prices in previous years, the duty did hold the price at an irreducible minimum—a guarantee that other agricultural enterprises did not have. The duty-paid price actually permitted production to increase in Hawaii, Puerto Rico, the Philippine Islands, and the beet area.

The increase in production in the beet area was not due to the fact that returns from sugar were high at the going price but only that competing crops promised even lower returns at that time. Technological progress and the effort to offset low prices by increased output caused production to climb in the islands.

It was generally agreed that domestic producers needed higher prices if they were to realize fair returns. On the surface at least, the tariff promised to give sufficient protection to our sugar producers if it were raised high enough. But in the severe depression years of 1932 and 1933 it became clear from two important standpoints that further increases in the tariff would not be a solution to the sugar problem.

First, the stimulus of high tariff protection was already causing overproduction in certain domestic areas, thus offsetting the price benefits of the protection. It was apparent that if the tariff were raised enough to afford adequate returns to growers in the highest cost areas, production in other areas would have been excessively stimulated and our market further crowded.

Second, Cuba's income from sugar had fallen so drastically that changes were needed that would help improve her economy and her trade with the United States. A 20-percent duty preference since 1903 had made Cuba the source of more than 98 percent of the foreign sugar entering the United States. After 1930, imports of sugar from Cuba fell to less than 30 percent of our supply from both domestic and foreign sources and the value of our annual exports to Cuba fell to a low of about 25 millions of dollars after having averaged well over 150 millions for the decade ending in 1930. Tariff increases all over the world had encouraged production in importing countries, reducing the demand for Cuban sugar in other countries, also. As a consequence, Cuba was compelled to cut production substantially. The one crop on which Cuba's livelihood primarily depended was almost unsalable.

During the early months of 1933, the U.S. Tariff Commission made a careful appraisal of the prevailing sugar situation and recommended a program emphasizing supply controls rather than the traditional tariff method of assistance. In a letter to the President of the United States, dated April 11, 1933, the Chairman of the Commission noted the failure of the tariff to solve the sugar problem. He pointed out that the price had declined to disaster levels for both American and Cuban producers; that both the domestic industry and that of Cuba required price relief; that prices should be raised by limiting, through a quota system, the supply of sugar offered for sale in this country; and that if some type of quota system were instituted by this country, the duty on Cuban sugar might be reduced to help restore the purchasing power of Cuba.

The first attempt to develop a new sugar program was made in 1933 by representatives of the sugar industry under authority of the Agricultural Adjustment Act. That act empowered the Secretary of Agriculture to raise farm prices and restore farmers' purchasing power by two methods: (1) By restricting production of "basic" farm commodities and making benefits payments in return for restriction; and (2) by restricting sales of farm products through voluntary marketing agreements with distributors and processors. Since sugar was not classed as a basic commodity in 1933 (it was a basic commodity from 1934 to 1936), the Secretary asked the various segments of the industry to meet in Washington and work out a plan for improving and stabilizing sugar prices under the voluntary marketing agreement authority of the Agricultural Adjustment Act.

During the summer of 1933, numerous conferences were held by representatives of the industry to develop a marketing agreement for sugar. Many of the sessions were quite stormy owing to the difficulties in settling the differences of the conferees. Any plan that would increase the price of sugar involved cutting supplies placed on the market, and naturally, each area was interested in having the other area do most of the cutting. In September, a plan was submitted to the Secretary of Agriculture for his approval. The plan was called the stabilization agreement and was designed to accomplish stabilization in four ways: (1) The fixing of minimum prices for raw sugar; (2) the limiting of total deliveries of sugar to the U.S. market and the allocation of a share of the market to each domestic and foreign producing area through a quota system; (3) the limiting of production in each domestic area to fit the marketing quotas; and (4) the prohibition of so-called unfair methods of competition, such as secret rebates, concessions, and price discounts, among the distributors of sugar.

After considering the stabilization agreement the Secretary concluded that the plan was unworkable on the grounds that it would tend to increase rather than remove the disparity in agriculture's purchasing power. The Government further indicated that "no effective control of production was contemplated" under the plan. Another objection to the plan was that it did not provide for a reduction in the Cuban tariff nor, the Government believed, adequate sharing of our market with Cuba.

The Sugar Stabilization Agreement did not go into effect. But its formulation made possible the later enactment of the first sugar legislation, the Jones-Costigan Act. In developing the plan the industry had, for the first time, gotten together, thrashed out its problems, and agreed on such controversial matters as the need for balancing supplies with demand and of assigning under a quota system a portion of the market needs to each area.

When the stabilization agreement was rejected, the Government used the plan as a starting point and drafted a new set of proposals. These proposals were recommended by the President to Congress for legislative action in early 1934. On May 9 of that year, the President approved the Jones-Costigan Act which included most of the President's recommendations. Succeeding sugar legislation has carried forward the basic philosophy underlying the Jones-Costigan Act.

THE SUGAR ACTS, 1934–62

The Jones-Costigan Act, an amendment to the Agricultural Adjustment Act, contained six principal features for dealing with the sugar problem. These were (1) the determination each year of the quantity of sugar needed to supply the Nation's requirements at prices reasonable to consumers and fair to producers; (2) the division of the U.S. sugar market among the domestic and foreign supplying areas by the use of quotas and subordinate limitations on offshore direct consumption sugar; (3) the allotment of these quotas among the various processors in each area; (4) the adjustment of production in each area to the established quotas; (5) the levying of a tax on the processing of sugarcane and sugarbeets, to proceeds of which to be used to make payments to producers to compensate them for adjusting their production to marketing quotas to augment their income; and (6) the equitable division of sugar returns among beet and cane processors, growers, and farmworkers.

The act remained unchanged until early 1936 when the Supreme Court ruled that a tax on processors of agricultural commodities was unconstitutional when used as a device to control production. In view of this decision, Congress repealed the provisions of the act permitting the imposition of processing taxes and the making of production control contracts between the Government and growers. But the quota and allotment system remained in effect.

The repeal of the processing tax and payment provisions of the Jones-Costigan Act was considered crippling to the sugar program by the Government and others interested in the program because it removed the incentive to growers for holding production in line with quotas. Therefore, in the following year, the President recommended that Congress enact new legislation embodying, in general, the principles of the earlier legislation. This recommendation resulted in the enactment of the Sugar Act of 1937. To meet the objections of the Supreme Court to the old processing tax, the new excise tax was not related to Government payments to growers. The new act authorized the Secretary of Agriculture to make such payments out of the Treasury from funds appropriated for this purpose.

The Sugar Act of 1937 was originally scheduled to expire in 1940. However, it was extended to 1941, then from 1941 to 1944, from 1944 to 1946, and again from 1946 through December 31, 1947. The quota limitations were lifted by Presidential proclamation from September 11 to December 31, 1939. because of scare buying after the outbreak of war in Europe. They were again lifted by the President from April 1942 through 1947 during this country's war emergency.

The Sugar Act of 1948 superseded the 1937 act and extended the sugar program through December 31, 1952. The new legislation did not change the basic objectives of the Sugar Act of 1937 but it did change the method of establishing quotas. In the 1937 act, a fixed percentage of the estimated requirements was assigned to each domestic and foreign area. The Sugar Act of 1948, however, assigned fixed quantities to domestic areas and the Philippines and variable quotas to Cuba and "other foreign countries" by distributing the balance of our requirements to these countries on a percentage basis. This gave the benefit of our increased consumption largely to Cuba.

Also, it was known that the Philippines would have large sugar deficits for several years, and 95 percent of these were assigned to Cuba.

This country felt obliged to help Cuba to market its record crop in the face of anticipated decline in world demand. We had strongly urged Cuba to increase production during World War II to help make up the loss of Philippine sugar and to supply the needs of our war emergency. Cuba responded to the request, and marketed a large part of its output to this country at prices far below those prevailing in the world free market.

In 1951, Congress again reviewed the sugar program and the need for continuing protection for the domestic industry through special legislation after December 31, 1952, when the Sugar Act of 1948 was due to expire. In September 1951, the Sugar Act of 1948 was amended and extended from January 1, 1953, to December 31, 1956.

Amendments to the act primarily concerned quotas. The Puerto Rican quota was increased from 910,000 tons to 1,080,000 tons and the Virgin Islands quota from 6,000 to 12,000 tons. Participation of Cuba and other foreign countries in the overall variable quota was changed somewhat. Other foreign countries were granted 4 percent of the overall variable quota instead of 1.36 percent as provided in the unamended act. Cuba's share was set at 96 percent. A liquid sugar [3] quota was assigned to the British West Indies in addition to the quotas previously allotted to Cuba and the Dominican Republic. In addition, some revisions were made in the method of reassigning among other areas the unfilled portion or deficit in the quota of a particular area.

In May 1956, the Sugar Act of 1948 was again amended and extended to December 31, 1960. The amendment restores to the domestic areas participation in the growth of our sugar market. Beginning in 1956 market growth in excess of 8,350,000 tons is shared 55 percent by domestic areas and 45 percent by foreign countries. The first 165,000 tons of increased quotas for domestic areas are assigned 51.5 percent to the domestic beet area and 48.5 percent to the mainland cane area; the next 20,000 and 3,000 tons are assigned to Puerto Rico and the Virgin Islands, respectively, and increases in excess of 188,000 tons are apportioned among all domestic areas on the basis of quotas then in effect for each domestic area. The increase in quotas for foreign countries other than the Republic of the Philippines resulting from market growth in excess of 8,350,000 tons is assigned in the ratio of 43.2 percent to Cuba and 1.8 percent to all other such foreign countries in 1956, and 29.59 percent and 15.41 percent, respectively, in 1957 and each subsequent year. The quota for the Republic of the Philippines remains unchanged throughout the extension of the act. Deficits in that part of any domestic area quota which pertains to sugar requirements in excess of 8,350,000 tons are prorated to the other domestic areas only. As in the past, Cuba shares in the proration of domestic area deficits resulting from the inability of any domestic area to market the portion of its quota pertaining to sugar requirements up to 8,350,000 tons. In addition to other amendments of an administrative or technical nature, there

[3] Liquid sugar is defined as noncrystalline sugar containing nonsugar solids (excluding any foreign substances that may have been added or developed in the product) equal to not more than 6 percent of total soluble solids. This is exclusive of sirup of cane juice produced from sugarcane grown in the continental United States.

are also some changes in the provisions for the limitation of direct consumption sugar entry within the offshore quotas. Two short-term extensions provided for continuation of the Sugar Act through June 30, 1962, with significant amendments first effective in July 1960. The amendments and their effects are described in the following sections titled "Establishing Quotas" and "Deficits in Quotas."

The aims of sugar legislation

The preamble of the Sugar Act of 1948, as amended, states that its purpose is "to regulate commerce among the several States, with the territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States: and for other purposes." Stated more directly, the act is designed to maintain a healthy and competitive domestic sugar industry of limited size; to assure adequate sugar supplies to consumers at reasonable prices; and to promote our general export trade. Previous legislation had the same basic purposes.

How the act works

Determining the sugar needs of consumers.—Title II of the act, called "Quota Provisions," requires the Secretary of Agriculture to determine how much sugar will be needed to fill U.S. requirements during each calendar year. The Secretary must make his determination in December for the following year, but he may revise it up or down during the year if the needs change. The sugar determination establishes the quantity of sugar in short tons, raw value, that may be marketed in the United States during the year under consideration.

In making his initial estimate the Secretary uses as a starting point the quantity of sugar distributed during the 12-month period ended October 31 next preceding the calendar year for which the determination is being made. Then he must make allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population, and demand conditions. When the Secretary has arrived at a tentative figure, using the standards outlined above, he must then consider the price that this quantity of sugar would likely bring on a wholesale refined basis. If the estimated sugar price will be excessive to consumers or too low to protect the welfare of the domestic industry, the Secretary is authorized to increase or decrease the determination of the quantity of sugar that may be marketed to achieve a fair and reasonable price.

Since the war, the Secretary has held a public hearing each year at which all interested persons—industrial users, and other consumers, distributors, refiners, beet and cane processors, and growers—may present views or arguments on the matter. This meeting is usually held in November each year, a few weeks before the requirements determination in December. Written statements may also be submitted for the Secretary's consideration.

The Secretary must also determine requirements for local consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be the same in all American markets.

Establishing quotas for domestic and foreign producing areas.—After the Secretary has determined overall requirements, each domestic and foreign producing area supplying the United States with sugar is assigned a quota representing its share of the market as specified by the act.

Under amendments enacted in July 1960 and March 1961, the President determines, notwithstanding any other provisions of title II, the quota for Cuba for the period ending June 30, 1962, in such amounts less than would be provided in title II as he finds to be in the national interest, and causes or permits to be imported from other sources a quantity of sugar not in excess of the reductions in quotas made under this new provision. The quantities thus provided for under the proclamations of the President are called "allocations" and "authorizations" of "nonquota purchase sugar" to distinguish them from the quotas established under the longstanding provisions of the act. (See p. 27.)

Under the quota provisions, the domestic sugar-producing areas are assigned a base of 4,444,000 short tons, raw value,[3] plus 55 percent of requirements in excess of 8,350,000 tons. Specific quantities of the domestic share of the increment between 8,350,000 tons and 8,691,818 tons are allocated to individual domestic areas. The domestic share of requirements in excess of 8,691,818 tons is prorated among domestic areas on the basis of their quotas at that level.

The quota for the Republic of the Philippines is fixed at 952,000 tons of sugar (currently 980,000 tons, raw value). Quotas for Cuba and "other foreign countries" (the latter are sometimes called "full-duty countries" to distinguish them from Cuba and the Philippines) vary each year, the exact amount depending on the tonnage set by the Secretary's sugar requirements determination.

The proration to the various domestic and foreign supply areas at the specified levels of proration is shown in table 12. Most of the quotas for the domestic offshore and foreign supply areas may be filled only with raw sugar, which is defined as sugar which is to be further refined or improved in quality on the mainland. Other sugar is called "direct-consumption sugar," and includes primarily white refined and other types of sugar familiar in home consumption.

Prior to 1960, about 650,000 tons of direct-consumption sugar were entered from offshore domestic and foreign areas each year. In 1960 the quantity was somewhat smaller and in 1961 only one-half as large because of discontinuing such imports from Cuba. Unrestricted imports of refined sugar would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the United States.

[3] "Raw value" is the term used in the Sugar Act to express in a common unit the various types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.

TABLE 12.—*Proration of quotas*

[Short tons, raw value]

Area	Quotas when total quotas are 8,350,000 tons (1)	Quotas of domestic areas when total quotas are 8,691,818 tons (2)	Percentage proration for total quotas in excess of basic levels shown in cols. (1) or (2) (3)
Domestic:			
Domestic beet sugar	1,800,000	1,884,975	22.3821
Mainland cane sugar	500,000	580,025	6.8871
Hawaii	1,052,000	1,052,000	12.4914
Puerto Rico	1,080,000	1,100,000	13.0613
Virgin Islands	12,000	15,000	.1781
Total domestic	4,444,000	4,632,000	55.0000
Foreign:			
Philippines	980,000		0
Cuba	2,808,960		29.5900
Full-duty countries	117,040		15.4100
Peru	50,062		4.3300
Dominican Republic	29,482		4.9500
Mexico	11,259		5.1000
Nicaragua	8,001		.5739
Haiti	4,820		.2090
Netherlands	3,000		.0696
China (Formosa)	3,000		.0594
Panama	3,000		.0594
Costa Rica	3,000		.0587
Canada	631		0
United Kingdom	516		0
Belgium	182		0
British Guiana	84		0
Hong Kong	3		0
Total, foreign	3,906,000		45.0000
Grand total	8,350,000		100.0000

Nonquota purchase sugar.—Sugar to replace a Presidential reduction of the quota for Cuba is directed in the act to be apportioned as follows:

(1) Any foreign country with a quota between 3,000 and 10,000 short tons, raw value, shall be permitted to enter a total of 10,000 tons during the calendar year;

(2) Fifteen percent of the remainder shall be purchased from the Republic of the Philippines;

(3) The balance, including any unfilled balances from allocations already provided, shall be purchased from foreign countries having quotas other than those provided in (1) above, prorated according to the quotas established, except that any amount which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased;

(4) Any additional amounts needed may be purchased from any foreign country without regard to allocation, except that for the period April 1961–June 1962 special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

To the extent that the President finds that raw sugar is not reasonably available, direct-consumption sugar may be permitted or caused to be imported. Of the total replacement of Cuban sugar in 1960, about 967,000 short tons, raw value, were authorized for purchase under the formula outlined in items 1, 2, and 3, above, about 233,000 tons were authorized under item 4 by the Secretary of Agriculture with the concurrence of the Secretary of State, as provided in the proclamation of the President, and 236,000 tons were not allocated. In 1961 the three corresponding quantities were about 1,874,000 tons, 1,243,000 tons, and 180,000 tons, respectively.

The distribution of our total sugar supply in 1959, the last year in which Cuba's quota was established in the traditional manner, and for 1960 and 1961 is shown in table 13. The adjusted quotas shown for Hawaii and Puerto Rico and in 1959 and 1960 for the Virgin Islands show "deficits." Those for the other domestic areas and for Cuba (1959 only) include their shares of the deficits. The domestic area quotas were not entirely filled in 1959 (by about 155,000 tons) or in 1960 (by about 600,000 tons). Fairly substantial shortfalls in 1961 foreign authorizations were in prospect late in the year. Thus, the supplies actually becoming available within the total quotas and authorizations were about 9,245,000 tons for 1959, 9,520,000 tons for 1960, and about 9,700,000 tons for 1961.

TABLE 13.—*Sugar quotas and nonquota purchase authorization, 1959–60 (final); 1961 in effect Nov. 20*

[Short tons, raw value]

Area	1959	1960	1961
Domestic beet	2, 267, 665	2, 514, 945	2, 609, 170
Mainland cane	697, 783	773, 873	715, 000
Hawaii	977, 970	940, 444	1, 030, 000
Puerto Rico	960, 875	893, 620	980, 000
Virgin Islands	12, 405	8, 618	17, 330
Republic of the Philippines	980, 000	1, 156, 426	1, 470, 731
Cuba	3, 215, 457	2, 419, 655	0
Peru	95, 527	273, 827	636, 377
Dominican Republic	81, 457	452, 814	333, 880
Mexico	64, 809	400, 437	685, 000
Nicaragua	14, 027	41, 766	43, 368
Haiti	7, 014	35, 672	45, 273
Netherlands	3, 731	10, 556	10, 000
China (Formosa)	3, 624	10, 476	170, 028
Panama	3, 624	10, 476	10, 000
Costa Rica	3, 616	10, 460	30, 250
Canada	631	2, 288	1, 897
United Kingdom	516	1, 871	1, 550
Belgium	182	660	1, 635
Hong Kong	3	11	30
Federation of the West Indies and British Guiana	84	92, 849	266, 007
El Salvador	0	6, 000	12, 000
Guatemala	0	6, 000	17, 000
Brazil	0	100, 347	306, 474
Ecuador	0	0	36, 000
Colombia	0	0	46, 000
French West Indies	0	0	75, 000
Australia	0	0	90, 000
Paraguay	0	0	5, 000
India	0	0	175, 000
Subtotal	9, 400, 000	10, 164, 100	[1] 9, 820, 000
Not authorized for purchase	------------	235, 900	180, 000
Total	9, 400, 000	10, 400, 000	10, 000, 000

[1] Of this quantity approximately 14,900 tons were not imported by Mar. 31, 1961, and cannot be authorized for importation after that date.

Deficits in quotas.—If the Secretary finds that any domestic area or Cuba cannot supply its quota, he must allocate the deficit among the rest of these areas in proportion to their quotas, except that Cuba does not share in any deficit of a domestic area quota after mid-1960 nor prior to that time in any deficit in that part of the quota resulting from sugar requirements in excess of 8,350,000 tons. For example, in 1961, Hawaii and Puerto Rico were able to supply less than the quotas provided for within an 8,350,000 ton total. In this year the entire deficits were shared by the domestic beet and mainland cane sugar areas, including 69,542 tons that would have been Cuba's share as provided in the act prior to 1960.

Deficits in the quotas for the Republic of the Philippines, under pre-1960 provisions, were allocated 96 percent to Cuba and 4 percent to other foreign countries. A deficit in an individual other foreign country proration is allotted among the remaining countries of the "other foreign countries" group. Cuba is assigned any deficit in the overall quota for this group.

If any area is unable to fill the deficit assigned to it, the deficit may be reapportioned to such other areas as the Secretary determines is necessary to obtain the sugar.

A deficit determination does not deprive any area or country of the right to supply its full quota if it later finds itself able to do so. This does not apply, however, to nonquota purchase allocations which may be withheld or withdrawn from authorization.

Establishing marketing allotments.—One important function of the sugar program is to promote orderly marketing. The establishment of quotas may in itself accomplish this, but sometimes quotas are not enough. This is particularly true when supplies in the producing areas materially exceed quotas. If, for example, a domestic area has more sugar available for marketing than its quota, each of the various processors is likely to rush sugar to market to make sure that he disposes of his supply before the quota is filled. This tends to bring about a temporarily oversupplied market and panicky sellers and usually causes an unwarranted decline in price.

If the Secretary finds that the pressure of supplies in an area is likely to cause disorderly marketing, he must allot the quota fairly among the processors. The allotment is based on past marketings of sugar by the various processors, their ability to market sugar during the season for which the allotment is being made, and on their sugar processings from beets or cane to which "proportionate farm shares" pertain. In 1961, only the quota for the domestic beet sugar area was allotted.

Assigning proportionate shares.—As pointed out above, the Sugar Act requires the Secretary to divide the U.S. sugar market among domestic and foreign areas and, if necessary, for orderly marketing, to divide quotas among processors and importers.

For domestic areas, the act also requires the Secretary to divide the market among individual farms. In dividing the market among farms, however, the Secretary is dealing with a different total quantity of sugar than when determining quotas and allotments. He must allow for enough sugar to provide a normal carryover as well as the amount of sugar represented by the quota. Because of the time it takes to grow and process a crop of sugar beets or sugarcane, the "proportionate shares" must be determined long before the quota is finally established to regulate the marketing of sugar made from that crop.

The Secretary must determine the quantity of sugar each domestic area may carry over into the following year. Then he makes allowances for deficiencies or surpluses in the current stocks in the respective areas and adds to or subtracts from the quota sufficiently to assure a normal carryover into the next year. The resultant amount, which represents the total quantity of sugar that may be produced in the area, is then divided among farms. Each farm's allotment, known as its "proportionate share," may be expressed in acres, tons of sugarcane or beets, or in tons of sugar, raw value, which can be normally produced from cane or beets.

For many years, proportionate shares in the several domestic areas were simply determined as the beet or cane acreages actually grown or, in the offshore domestic areas, as the tonnage of raw sugar actually processed from the sugarcane grown. In recent years, however, it was necessary to determine restrictive proportionate shares in some of the areas in order to prevent the accumulation of sugar stocks in excess of marketing quota and normal carryover needs. Such restrictions were in effect on an acreage basis in the mainland cane area for crop years 1954 through 1958 and were established but later rescinded for the 1959 crop. In the domestic beet area such restrictions have applied to the 1955 through 1960 crops. Restrictive proportionate shares were in effect in Puerto Rico on a sugar tonnage basis for the crop years 1953 through 1956. No such restrictions applied in any domestic area for the 1961 and 1962 crops.

The purpose of assigning specific shares to farms in a particular area is to adjust crop output to the area's quota and normal carryover and to assure that each farm will share in this adjustment equitably. In determining the proportionate share for a farm the Secretary may consider past production and the ability of the farm to produce beets or cane during the year for which the determination is being made. The act requires the Secretary to protect the interests of small and new producers and producers who are tenants and sharecroppers in assigning shares and to consider the interest of producers in any local producing area where past production has been seriously affected by abnormal and uncontrollable natural conditions.

In actual practice, proportionate shares are not made restrictive unless production in an area has exceeded or promises to exceed the quota and normal carryover, and marketing allotments have failed to bring about a balance between production and allowable area marketing. Marketing allotments are applied when excessive production and disorderly marketing first become problems. Because of the administrative detail involved and the complicating fact that the harvest season in most areas does not coincide with the calendar year—i.e., the quota year—plans for assigning specific proportionate shares must be made well in advance of the crop year for which they will be in effect. Thus, when it appears that there will be a reasonable balance between an area's production and its quota or when an area clearly will not be able to produce enough to fill its quota, proportionate shares are not made restrictive. For instance, the 1957 proportionate share determination for Puerto Rico stated that the share for each farm is "the amount of sugar, raw value, commercially recoverable from the sugarcane grown thereon and marketed (or processed by the producer) during the 1956–57 crop season for the extraction of sugar or liquid sugar."

Producers are not required to stay within their assigned proportionate share if they do not wish to do so. However, in order to receive "conditional payments" from the Governments, growers must abide by the proportionate share determination. Since these payments are an important part of their income, the growers comply with this determination. If all the sugar processed from beets or cane in excess of a grower's proportionate share is used for livestock feed or for the production of livestock feed, he will receive conditional payments on his proportionate share.

Assuring fair division of the benefits of the sugar program.—The principal way in which the domestic industry derives benefits from the sugar program is through the stabilization of raw and refined sugar prices at reasonably profitable levels. But the framers of the Jones-Costigan Act did not leave solely to competitive forces the carrying of these benefits through retailers, wholesalers, refiners, and importers, to beet and sugarcane processors, growers, and farmworkers. They provided in that act for a system of grower payments to assure that this sharing would take place. This system was carried forward in succeeding legislation though, as pointed out earlier, handled in a different manner. Under the present act, these payments are called conditional payments.

Conditional payments are appropriated annually by the Congress and financed out of the general fund of the Treasury. However, a tax on sugar provides funds for the Treasury which more than offset the total of all conditional payments plus the costs incurred by the Department of Agriculture in administering the Sugar Act. The basic rate is 0.5 cent a pound, raw value, on all sugar domestically manufactured, paid principally by beet processors and cane sugar refiners, and on importers of direct-consumption sugar. The provision for this tax is incorporated in the Internal Revenue Code. The tax is refunded on sugar used for livestock feed and on sugar exported.

As indicated in the section on proportionate shares, conditional payments act as an incentive to growers to adjust their production to the quota and carryover needs. But this payment system also has three other objectives. These other objectives are (1) to help provide adequate incomes to growers; (2) to assure growers and fieldworkers a fair sharing of returns to the industry; and (3) to prevent the employment of child labor in fieldwork.

The first objective is accomplished by augmenting grower income through conditional payments. The second and third objectives are achieved by requiring growers to observe certain conditions in order to receive conditional payments. These conditions are in addition to the requirement that growers comply with their proportionate share determination. They are as follows:

(1) Growers, who are also processors, are required to pay fair prices for cane or beets purchased from other growers. Fair prices are determined annually by the Secretary for each domestic area after public hearings and after investigation of the economic position of growers and processors. The fair price determinations fix the minimum levels of prices to be paid to growers by processors who are growers. In addition, they affect the level of prices paid to growers by processors who are not growers. Processors who are not growers pay about the same prices as grower-processors.

(2) Growers must pay fieldworkers in full for work performed on cane or beets and at rates not less than those determined by the Secretary of Agriculture to be fair and reasonable. Each year the Secre-

tary determines fair and reasonable wages for fieldworkers in each domestic area. These wages are established after investigation and public hearings at which all interested parties may testify.

(3) Growers must not employ children under the age of 14 years or permit them to work on sugarbeets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. The children of growers who own at least 40 percent of the crop they are cultivating are exempted from these conditions. If these conditions are not observed by a grower he is penalized by a deduction of $10 from his payment for each child and for each day or part of a day during which such child was employed or permitted to work.

The rates of conditional payments vary with the volume of sugar produced from the cane or beets grown on a farm and are graduated downward from small to large production. The basic rate of $0.80 a hundred pounds of sugar, raw value, is paid on the first 350 short tons of commercially recoverable sugar contained in the beets or cane produced on a farm. This rate is reduced progressively to a minimum of $0.30 a hundred pounds on all sugar produced in excess of 30,000 short tons from the beets or cane on a farm. Including the crop deficiency and abandonment payments discussed below, the 13-year (1948–60) average rate of payment was $0.68 a hundred pounds, ranging from $0.46 in Hawaii where most of the production is on large farms to $0.83 in the beet area. Payments in the mainland cane area, Puerto Rico, and the Virgin Islands averaged $0.68, $0.69, and $0.69 a hundred pounds, respectively, during the same period.

The average payment rate for all domestic areas exceeds the tax rate—an apparent paradox in view of the fact that total tax receipts exceed the cost of the program. The explanation is that the tax is imposed on all sugar (foreign and domestic) manufactured or imported for direct consumption; but payments are made on domestic production only.

Compensation for disaster losses.—The sugar program provides limited benefits for growers in the form of special conditional payments for crop deficiency or abandonment caused by drought, flood, storm, freeze, disease, or insects. For a farmer to be eligible for these payments, natural disasters must cause damage to all or a substantial part of the crop throughout the local producing area in which he is located. In the case of a crop deficiency, the regular conditional payment is made on the farmer's actual yield and an additional payment is made sufficient to raise the total to the amount that would have been paid had he obtained 80 percent of the normal yield of commercially recoverable sugar. In the case of a bona fide crop abandonment, payments are made on one-third of the normal yield of abandoned acreage.

Payments for reduced yield are commonly known as deficiency payments and payments for abandoned crops are called abandonment payments. Both, however, are technically conditional payments and are covered by the conditional payment provisions of the act.

From 1948 through 1960, deficiency and abandonment payments averaged about $837,000 a year in the beet area, $136,000 a year in the mainland cane area, and $218,000 a year in Puerto Rico. During that period only $94,000 were paid out in Hawaii (in 1955 and 1960) and only $89,000 in the Virgin Islands (in 1958 and 1960).

Administrative procedures.—All regulations issued by the Agriculture Department under the authority of the Sugar Act are first publicized through an Agriculture Department press release, are published in the Federal Register a few days after issuance, and are codified as "Title 7, Chapter XIII, of the Code of Federal Regulations."

Certain regulations must be preceded by public hearings. These are marketing allotment orders, the determination of processes and qualities which distinguish raw sugar and direct-consumption sugar, and fair price and fair wage determinations. The rules governing the procedures for the issuance of these regulations form parts 801 and 802 of the code.

Other sugar regulations may be issued without prior public hearings. However, as noted earlier, it has become customary to conduct a hearing in November of each year, prior to the issuance of the initial sugar requirements determination for the following year. Informal public hearings are also conducted before restrictive proportionate share regulations (acreage allotments in the mainland areas) are issued.

Hearing notices, notices of proposed rulemaking, notices of recommended decisions, and notices of tentative decisions are also publicized through Agriculture Department press releases and, except for notices of informal public hearings on proportionate shares, are published in the Federal Register.

RESULTS OF THE SUGAR PROGRAM

Growth of the domestic industry (first curtailed, then increased moderately)

The imposition of sugar quotas and of production controls and the drought in 1934 caused a sharp cut in sugar production in the domestic areas. Between 1923 and 1933, production in the domestic areas (excluding the Philippines) increased from 2,046,000 to 4,036,000 tons. In 1934 domestic production was cut to 3,580,000 tons. The following year, 1935, domestic production was cut further to 3,420,000 tons. The effect of the sugar program was even more striking if the Philippine Islands are included as a domestic area, which they were in the pre-World War II period. In the 10 years before quota restrictions, our entries from the Philippines rose from 238,000 to 1,249,000 tons—an increase of more than 400 percent. In 1935, entries from the Philippines were only 917,000 tons within a quota of 982,000 tons. Production in that country was also cut substantially as the United States was its principal market. Considered together, domestic production and Philippine imports were lowered 18 percent the first 2 years of quota legislation.

By 1936, as the market expanded with increased population and improved demand, the quota totals were increased. Under the Sugar Act of 1937, any expansion in the U.S. market was shared proportionately by both domestic and foreign areas. The 1937 act allotted the quota for each domestic and foreign area in terms of a specific percentage of overall sugar requirements. For domestic areas, these percentages totaled 55.59 percent, and for the Commonwealth of the Philippines, Cuba, and other foreign countries, 44.41 percent. This quota relationship existed from 1937 to 1947, after which time the 1937 act was replaced by the Sugar Act of 1948.

The Sugar Act of 1948 established fixed quotas for domestic areas and the Republic of the Philippines and flexible quotas for other foreign countries. The domestic quotas remained unchanged through 1955 except for the increase in the Puerto Rican and Virgin Island quotas which were enacted in 1951 and became effective January 1, 1953. These increases permitted a 4-percent growth in total domestic quotas during the 8-year period, 1948 through 1955. Therefore, most increases in sugar requirements over that period were filled by imports from Cuba and other foreign countries.

In 1956, the Sugar Act of 1948 was again amended and extended through 1960, and the participation of the domestic areas in the growth of our sugar market was restored. Since then, the domestic areas have shared 55 percent of all market growth in excess of 8,350,000 tons.

Economic status of the domestic industry

Processors and refiners.—In general sugarcane and beet processors have had stable and adequate earnings under the sugar program. Only a few companies have gone out of business because of unprofitable operations. In contrast, when sugar prices were so erratic in the 1920's and so depressed in the early 1930's, many failed to weather the financial storms.

Refiners, like sugarcane and beet processors, have generally operated profitably under the sugar program. However, their plight never became as serious in the 1920's and early 1930's as that of the sugarcane and beet processors. One of the principal benefits the refiners enjoy under sugar legislation accrues from the limitation the act places on imports and shipments from domestic offshore areas of sugar in refined form. Unrestricted imports of refined sugar naturally would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the continental United States.

Growers.—Growers' gross income has increased substantially since the program began in 1934. This larger income is the result not only of the influence of generally higher and more stable prices for sugar but also of an increase in the growers' share of sugar returns. Processors generally have operated profitably and at the same time have been able to pass on a higher proportion of total sales returns to growers. This increased return to growers has been possible through improvements in manufacturing efficiency on the part of the processors. In addition, the fair price determinations issued under sugar legislation have assured an equitable share of returns going to growers and have bolstered the bargaining position of growers who sell to processors who are not growers.

Growers income per ton of sugarcane and sugarbeets has risen at a higher rate than the price of refined sugar. The farmer is now receiving a larger percentage of the sugar dollar than he did before 1940. During World War II and the early postwar period returns from sugarbeets and sugarcane were affected by subsidy and price support programs under other legislation aimed at providing supplies at controlled prices.

In recent years growers' income per ton of sugarbeets and sugarcane has been well over twice as much as during 1935–39. Refined sugar prices also increased over this period but less than growers' income. This indicates that the growers' share in the sugar dollar has increased, also.

Before 1940 sugar-beet processors received a slightly larger share of the sugar dollar than did the growers. Since then the growers' share has increased substantially. The greatest increase took place from 1945 to 1946. Since 1945 the growers' share of net sales proceeds has typically been 58 percent. In addition, growers have received Sugar Act payments and, in most years from 1943 through 1947, Commodity Credit Corporation price support payments.

Growers in the domestic cane areas likewise have enjoyed a larger share of sugar returns than formerly. In Louisiana, for example, growers averaged about 62 percent of the total returns (excluding Government payments) from sugar and molasses during the 1953–57 period whereas they averaged only about 55 percent from 1936 through 1940.

During the war years the price received by beet growers expressed as a percentage of the parity price [4] reached very high levels in view of the price support payments disbursed by the Commodity Credit Corporation during that period. In spite of these payments, beet acreage and production during the war years 1943–45 were greatly reduced.

Since 1948 the price received by mainland sugarcane growers, expressed as a percentage of parity price, has fluctuated more than the corresponding price received by sugarbeet growers. This is to be expected, because the sugarcane price is related to the average raw cane-sugar price either during the week of sale or during the sugarcane marketing season. By contrast, the sugarbeet price depends on net returns from refined beet-sugar sales throughout the year. For mainland sugarcane the returns as percentage of parity vary considerably, the lowest in the 1948–60 period applying to the 1948 crop, the highest to the 1956 crop. Sugarbeet and sugarcane prices for the years since 1950 would have been a lower percentage of parity, if the old formula for calculating parity had remained in effect.

Farmworkers

The standard of living of sugar beet and cane fieldworkers today is greatly improved over the living standards of fieldworkers in 1934. Early minimum wage rates established under the Sugar Acts tended to become the rates actually paid. In more recent years, average wages paid have tended to exceed the minimums determined, enough so in Hawaii and Puerto Rico that determination of specific rates for these areas has been discontinued. For the other areas, minimum rates established for the 1961 crops were 340.7 percent higher than those prevailing in 1934. On the other hand, the cost of food and clothing increased by only 154 percent.

Sugar utilization

From the early 1820's to 1926, annual per capita distribution of refined sugar in the United States increased steadily from 9 to 110 pounds. Per capita sugar deliveries during the period 1925–30 averaged 106 pounds. During the depression years, 1932–34, per capita sugar deliveries averaged only 95 pounds. The wholesale price of sugar declined during that period to the lowest levels since the mid-1890's, but the decline was less than the decline in the general price level.

[4] The parity price for a farm commodity is a legal and statistical concept expressing a past price level for the commodity, adjusted to reflect changes in the level of farmers' production and family living expenses.

Per capita distribution recovered somewhat in 1935 and remained at about 97 pounds through 1940. (See Sugar Reports 90, table 3, p. 12.) During the war, supplies were inadequate. Since 1947, distribution has fluctuated rather widely from year to year, but was rather constant by 3-year periods averaging 96 to 97 pounds a year. In 1947, 1950, 1953, and 1956 industrial users accumulated stocks and in 1948, 1951, 1954, and 1957 they reduced stocks. Per capita sugar distribution during 1947–58 averaged 96.5 pounds, about 0.7 pound less than during 1935–40. The utilization of corn sweeteners increased from 7 pounds in 1936 to 15 pounds in 1947 but declined subsequently. It remained at about 12 pounds through 1957 and has been rising since the beginning of 1958.

In the last quarter of 1941, quota restrictions were virtually lifted when the sugar determination was increased to 9 million tons; from 1942 through 1947 all quota restrictions on sugar were suspended. During the World War II emergency period, the U.S. sugar supply situation was tight. Imports from the enemy-held Philippines were completely cut off and shipping space for sugar from other offshore areas was limited. Total sugar distribution was lowest during 1942 because of the loss of the Philippines and a sharp drop in imports from Cuba. But the large quantity carried over from the 1941 supply buildup helped ease the situation for consumers. The postwar shortage was most acute in 1946. Because of short supplies in the previous year, stocks had been depleted, while sugar distribution on a per capita basis reached the lowest point in over 40 years.

Prices

The Sugar Act is a price-influencing mechanism but it leaves ample room for price fluctuation. Since World War II domestic sugar prices have been far more stable than world prices. Also, domestic prices have been far more stable since World War II than they were following World War I. During World War II sugar prices were stabilized by price controls and consumer subsidies. The Commodity Credit Corporation imported sugar from Cuba, duty free, sold it at a loss, and absorbed costs to keep prices down to consumers. In 1946 and 1947, when the subsidy programs were brought to an end and costs of obtaining sugar rose, ceiling prices were increased. Except for this one sharp price change and a temporary price peak in the fall of 1939, sugar prices have been remarkably stable under the Sugar Acts.

In relation to the price of other foods, the price of sugar in the United States has declined greatly over the last century. After declining sharply in the 20 years immediately following the Civil War, the price of sugar has remained at moderately low levels except during the post-World War I inflation period in 1920. Since 1940, the index of the wholesale price of all foods has increased considerably more than the wholesale price of refined sugar.

In 1961 the index of the wholesale price of all foods was 247 percent of the 1940 level, whereas the wholesale price of sugar was only 213 percent of the 1940 level. When price controls were instituted in the wake of the Korean conflict the Office of Price Stabilization exempted sugar from price control on February 12, 1951, because inflationary pressures had been warded off by the large distribution during 1950 and it was apparent that the Sugar Act would be able to deal with the inflation problem as it related to sugar.

Imports of sugar

Since 1903 Cuba has been our most important foreign source of sugar. Imports from Cuba first exceeded 1 million tons in 1903, 2 million tons in 1913 and 3 million tons in 1919.

In the early 1930's imports fell sharply. In 1933, we imported only 1,573,000 tons from Cuba—less than in any year since 1909. The volume of imports increased after 1933 and averaged about 2 million tons from 1936 through 1940. With the virtual lifting of quota restrictions in the latter part of 1941 and the suspension of the quotas from 1942 to 1947, our imports from Cuba increased substantially, averaging 2,800,000 tons and reaching a high of 3,943,000 tons in 1947. From 1948 through 1958 an annual average 3 million tons of sugar was imported from Cuba.

The value of Cuban sugar imports increased even more than the quantity. Due to the increase in the level of sugar prices and reduction in the U.S. tariff, Cuban sugar producers received about 11 times as much income from their exports to this country in 1958 as they did in 1933. In 1933, raw sugar exports to the United States yielded 1.1 cents a pound to Cuban producers, in 1958, 5.3 cents.

Imports from full-duty countries were 4 percent or less of total imports during the period 1937 through 1956 except in 1941. In the latter year 190,000 tons were imported from full-duty countries. Otherwise until 1953, the quantity exceeded 100,000 tons only in 1943 and 1944.

When the Sugar Act amendment of 1951 trebled the basic full-duty country quota beginning in 1953 these countries responded with annual average shipments of 119,000 tons of sugar during the 1953–56 period. Imports from these countries increased to 5 and 6 percent in 1957 and 1958 as a result of the 1956 amendment to the Sugar Act. It will be recalled that the quota of these countries amounts to 117,040 tons plus 15.41 percent of our sugar requirements above 8,350,000 tons. Our quota imports from these countries averaged 258,000 tons in 1957–59. As a result of the cessation of imports from Cuba in mid-1960, the imports from full-duty countries rose to about 1,631,000 tons in 1960 and to about 3,339,000 tons in 1961.

Changes in sugar tariff rates

While the sugar acts have been in effect, tariff rates on sugar have been cut 75 percent (see table 13). The institution of the sugar quota system for regulating sugar imports and domestic marketings placed tariffs in a secondary role in protecting and maintaining the American sugar industry. It became possible to reduce tariff rates without jeopardizing the industry's economic position.

The United States-Cuban Convention of Commercial Reciprocity of 1902 and the act carrying it into effect, approved in 1903, established preferential rates for Cuba. The treaty and the act specified that the tariff on Cuban sugar must be at least 20 percent below the tariff levied on sugar imported from the full-duty countries. In 1903, the Cuban rate was established at 1.348 cents a pound and the full-duty rate at 1.68 cents a pound. Thse rates were subsequently lowered and then increased, reaching a peak in 1930 under the Smoot-Hawley Act of 2 cents per pound for Cuban sugar and 2.5 cents a pound for full-duty sugar.

TABLE 14.—*U.S. sugar tariff, 1930–62*

[Cents per pound, 96°]

Date effective	Cuban sugar	Sugar from full-duty countries	Philippine sugar
June 18, 1930	2.00	2.5000	Free
June 8, 1934	1.50	1.8750	
Sept. 3, 1934	.90		
Sept. 11, 1939	1.50		
Jan. 1, 1940	.90		
Jan. 5, 1942	.75		
July 29, 1942		.9375	
Jan. 1, 1948	.50	.6875	
June 6, 1951		.6250	
Jan. 1, 1956			0.025
Jan. 1, 1959			.050
Jan. 1, 1962			.100

The first reduction was 0.5 cent a pound and was announced with, and made a part of, the total action in approving the Jones-Costigan Act of May 9, 1934. In this action the tariff on Cuban sugar was reduced to 1.5 cents a pound, effective June 8, 1934. The action was by Presidential proclamation under the "flexible" tariff provisions of the Tariff Act of 1930 (table 13).

Subsequently, sugar tariff rates were reduced under the Reciprocal Trade Agreements Act of 1934 and its periodic extensions and amendments. Under the terms of the exclusive agreement with Cuba concluded in connection with the General Agreement on Tariffs and Trade, the tariff on Cuban sugar has amounted to 0.5 cent a pound since 1948, while the full-duty rate has been 0.625 cent a pound since 1951. These reductions in tariff rates were made possible by the existence of programs under the several sugar acts.

The Philippine quota entered duty free until January 1, 1956, when it became subject to 5 percent of the Cuban duty rate. For the years 1959–61, it was dutiable at 10 percent of the Cuban rate. This rate will be increased by 3-year periods (to 20 percent beginning with the year 1962 and then successively to 40, 60, and 80 percent) to 100 percent of the Cuban duty rate from January 1 to July 3, 1974, and to the full-duty rate beginning July 4, 1974.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

SUGAR ACT OF 1948, AS AMENDED

* * * * * * *

TITLE II—QUOTA PROVISIONS

ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power, [shall take into consideration the relationship between the prices at wholesale for refined sugar that would result from such determination and the general cost of living in the United States as compared with the relationship between prices at wholesale for refined sugar and the general cost of living in the United States obtaining during 1947–49 as indicated by the Consumers' Price Index as published by the Bureau of Labor Statistics of the Department of Labor.] *shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term "parity index" as used herein shall mean such index as determined under section 301* *of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers.*

PRORATION OF QUOTAS

SEC. 202. [Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

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

[Area	Short tons, raw value
Domestic beet sugar	1, 800, 000
Mainland cane sugar	500, 000
Hawaii	1, 052, 000
Puerto Rico	1, 080, 000
Virgin Islands	12, 000

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

[(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as specified in section 211 of the Philippine Trade Act of 1946.

[(c) (1) For the calendar year 1956, for foreign countries other than the Republic of the Philippines, by prorating among such countries an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section, on the following basis:

[Country	Per centum
Cuba	96
Foreign countries other than Cuba and the Republic of the Philippines	4

[Ninety-five per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines shall be prorated among such countries on the basis of the average amount imported from each such country within the quotas established for the years 1948, 1949, and 1950, except that a separate proration need not be established for any country which entered less than two per centum of the average importations within the quotas for such years. The amount of the quota not so prorated may be filled by countries not receiving separate prorations, but no such country shall enter an amount pursuant to this subsection in excess of one per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines.

[(2) For the calendar year 1957 and for each subsequent calendar year, for foreign countries other than the Republic of the Philippines, (A) by prorating to Cuba 96 per centum and to other foreign countries 4 per centum of the amount of sugar, raw value, by which eight million three hundred and fifty thousand short tons, raw value, or such lesser amount as determined pursuant to section 201 exceeds the sum of four million four hundred and forty-four thousand short tons, raw value, and the quota established pursuant to subsection (d) of this section; and (B) by prorating 45 per centum of the amount of sugar, raw value, by which the amount determined pursuant to section 201 exceeds the sum of eight million three hundred and fifty thousand short tons, raw value, as follows:

[Country	Per centum
Cuba	29. 59
Peru	4. 33
Dominican Republic	4. 95
Mexico	5. 10
Other countries	1. 03
	45. 00

The above proration of 1.03 per centum to foreign countries other than Cuba, the Republic of the Philippines, Peru, the Dominican Republic, and Mexico shall be apportioned to such other countries whose average entries within the quotas during 1953 and 1954 exceeded one thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

[(3) For the calendar year 1957 and for each subsequent calendar year, the proration of 4 per centum under paragraph (2)(A) of this subsection for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954; second, by assigning to each such foreign country whose average entries within the quotas during 1953 and 1954 were not less than one thousand nor more than two thousand short tons, raw value, a proration of three thousand short tons, raw value; third, by assigning to each foreign country whose average entries within the quotas during 1953 and 1954 were more than two thousand and less than three thousand short tons, raw value, a proration equal to the average entries from each such country within the quotas during 1953 and 1954, plus two thousand short tons, raw value; fourth, by assigning to each foreign country whose average entries within the quotas during 1953 and 1954 were not less than three thousand nor more than ten thousand short tons, raw value, a proration equal to the average entries from each such country within the quotas during 1953 and 1954; and, fifth, by prorating the balance of such proration to such foreign countries whose average entries within the quotas during 1953 and 1954 exceeded ten thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

[(d) Notwithstanding the other provisions of this title II, the minimum quota established for Cuba, including increases resulting from deficits determined pursuant to section 204(a), shall not be less than the following:

[(1) 28.6 per centum of the amount of sugar determined under section 201 when such amount is seven million four hundred thousand short tons or less; and

[(2) two million one hundred and sixteen thousand short tons, when the amount of sugar determined under section 201 is more than seven million four hundred thousand short tons.

The quotas for domestic sugar-producing areas, established pursuant to the other provisions of this title II, shall be reduced pro rata by such amounts as may be required to establish such minimum quota for Cuba.

[(e) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.] *Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—*

(a)(1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

Area	*Short tons, raw value*
Domestic beet sugar	*2, 650, 000*
Mainland cane sugar	*895, 000*
Hawaii	*1, 110, 000*
Puerto Rico	*1, 140, 000*
Virgin Islands	*15, 000*
Total	*5, 810, 000*

(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under para-

graph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

Country	*Per Centum*
Cuba	*52.84*
Peru	*7.04*
Dominican Republic	*7.04*
Mexico	*7.04*
Brazil	*6.69*
British West Indies	*3.52*
Australia	*1.76*
Republic of China	*1.58*
French West Indies	*1.41*
Colombia	*1.23*
Nicaragua	*1.06*
Costa Rica	*1.06*
India	*1.06*
Ecuador	*1.06*
Haiti	*0.88*
Guatemala	*0.70*
Argentina	*0.70*
South Africa	*0.70*
Panama	*0.53*
El Salvador	*0.35*
Paraguay	*0.35*
British Honduras	*0.35*
Fiji Islands	*0.35*
Netherlands	*0.35*
Mauritius	*0.35*
Total	*100.00*

(B) for the 6-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962 and for the calendar year 1963, any

such quantity as is authorized for purchase and importation under this paragraph (4) shall be allocated on the following basis:

(i) Country	*Per centum*
Republic of the Philippines	*10*
Peru	*10*
Dominican Republic	*10*
Mexico	*10*
Brazil	*10*
British West Indies	*10*
Australia	*10*
Republic of China	*10*
India	*6.67*
South Africa	*6.67*
Mauritius	*6.66*

(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for purchase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secertary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the

objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.

* * * * * * *

PRORATION OF QUOTA DEFICITS

SEC. 204. [(a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other such areas on the basis of the quotas then in effect: *Provided*, That any deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under the provisions of section 202(a)(2) shall first be prorated to other domestic areas on the basis of the quotas then in effect. If the Secretary finds that the Republic of the Philippines will be unable to market the quota for such area, he shall revise the quotas for Cuba and foreign countries other than Cuba and the Republic of the Philippines by prorating an amount of sugar equal to the deficit so determined, as follows:

[To Cuba, 96 per centum; and

[To foreign countries other than Cuba and the Republic of the Philippines, 4 per centum.

[If the Secretary finds that foreign countries other than Cuba and the Republic of the Philippines cannot fill the quota for such area, he shall increase the quota for Cuba by an amount equal to the deficit.

[Whenever the Secretary finds that any area will be unable to fill its proration of any such deficit, he may apportion such unfilled amount on such basis and to such areas as he determines is required to fill such deficit; except that in the case of proration of any such deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under and by reason of section 202(a)(2), the Secretary shall apportion the unfilled amount on such basis and to such other domestic areas as he determines is required to fill such deficit, and if he finds that no domestic area will be able to supply such unfilled amount, he shall add it to the quota for Cuba.

[(b) Whenever the Secretary finds that any country will be unable to fill the proration to such country of the quota for foreign countries other than Cuba and the Republic of the Philippines established under section 202(c), or that any part of such proration has not been filled on September 1 of the calendar year, he may apportion such unfilled amount on such basis and to such countries as he determines is required to fill such proration.

[(c) The quota or applicable proration for any domestic area, the Republic of the Philippines, Cuba, or other foreign countries as established under the provisions of section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under the provisions of subsections (a) and (b) of this section.]

(a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: Provided, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: Provided, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.

ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prvent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugarbeets or sugarcane, *limited in any year when proportionate shares were in effect to processings* to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made.

SEC. 206. [Subject to the provisions of sections 207 and 408 relating to the suspension of quotas, sugar quotas shall be established pursuant to this Act for the calendar year 1948 within ten days after effective date of this Act.] *The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: Provided, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United*

States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.

AMOUNT OF QUOTA TO BE FILLED BY DIRECT-CONSUMPTION SUGAR

SEC. 207. [(a) Not more than twenty-nine thousand six hundred and sixteen short tons, raw value, of the quota for Hawaii for any calendar year, plus an amount equal to the same percentage of twenty-nine thousand six hundred and sixteen short tons, raw value, that the increase in the quota for Hawaii under section 202 is one million fifty-two thousand short tons, raw value, may be filled by direct-consumption sugar.

[(b) Not more than one hundred and twenty-six thousand and thirty-three short tons, raw value, of the quota for Puerto Rico for any calendar year may be filled by direct-consumption sugar which shall be principally of crystalline structure, plus an amount equal to the same percentage of one hundred twenty-six thousand and thirty-three short tons, raw value, that the increase in the quota for Puerto Rico under section 202 is of one million eighty thousand short tons, raw value, which latter amount may be filled by direct-consumption sugar whether or not principally of crystalline structure.

[(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

[(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as specified in section 211 of the Philippine Trade Act of 1946.

[(e) Not more than three hundred and seventy-five thousand short tons, raw value, of the quota for Cuba for any calendar year may be filled by direct-consumption sugar.

[(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

[(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

[(h)(1) For the calendar year 1956, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar only to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided*, That each such country shall be permitted to enter an amount of direct-consumption sugar not less than the average amount entered by it during the years 1948, 1949, and 1950.

[(2) For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided*, That such limitation shall not apply to countries receiving prorations under section 202(c) of seven thousand short tons or less. The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202(c) of more than seven thousand short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954.] *(a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.*

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: Provided, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958 and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant

to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

LIQUID SUGAR QUOTAS

SEC. 208. [Quotas for liquid sugar for foreign countries for each calendar year are hereby established as follows:

[Country	In terms of wine gallons of 72 per centum total sugar content
Cuba	7,970,558
Dominican Republic	830,894
British West Indies	300,000
Other foreign countries	0]

A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest.

PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota *or proration* has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugarbeets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotments of any quota, direct-consumption portion of any quota, or proration *or allocation* of any quota, made to them pursuant to the provisions of this Act[.]*;*

(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

EXPORTATION OF SUGAR

SEC. 211. (a) [The raw-value equivalent of any sugar or liquid sugar in any form, including sugar or liquid sugar in manufactured products, exported from the continental United States under the provisions of section 313 of the Tariff Act of 1930 shall be credited against any charges which shall have been made in respect to the applicable quota or proration for the country of origin. The country of origin of sugar or liquid sugar in respect to which any credit shall be established shall be that country in respect to importation from which drawback of the exported sugar or liquid sugar has been claimed.] Sugar or liquid sugar entered into the continental United States under an applicable bond established pursuant to orders or regulations issued by the Secretary, for the express purpose of subsequently exporting the equivalent quantity of sugar or liquid sugar as such, or in manufactured articles, shall not be charged against the applicable quota or proration for the country of origin.

(b) Exportation within the meaning of sections 309 and 313 of the Tariff Act of 1930 shall be considered to be exportation within the meaning of this section.

(c) [The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugar beets or sugarcane grown in such area: *Provided, however*, That any sugar or liquid sugar admitted free of duty from the Virgin Islands under the Act of Congress, approved March 3, 1917 (39 Stat. 1133), may be admitted within the quota for the Virgin Islands.] *The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area.*

* * * * * * *

TITLE III—CONDITIONAL-PAYMENT PROVISIONS

CONDITIONS OF PAYMENT

SEC. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

(a) That no child under the age of fourteen years shall have been employed or permitted to work on the farm, whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed; and that no child between the ages of fourteen and sixteen years shall have been employed or permitted to do such work, whether for gain to such child or any other person, for a longer period than eight hours in any one day, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed. The Secretary is authorized to make payments, notwithstanding a failure to comply with the conditions provided in this subsection, but the payments made with respect to any crop shall be subject to a deduction of $10 for each child for each day, or a portion of a day, during which such child was employed or permitted to work contrary to the foregoing provisions of this subsection.

(b) That there shall not have been marketed (or processed), except for livestock feed, or for the production of livestock feed, as determined by the Secretary, an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugar cane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate of foreign commerce, [in excess of the proportionate share for the farm, as determined by the Secretary] *in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary*, pursuant to the provisions of section 302, of the total quantity of sugar beets or sugarcane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carryover inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(c) * * *

ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share [for the farm, as determined by the Secretary] *for the farm, if farm proportionate shares are determined by the Secretary*, of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b) [In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets and sugarcane marketed (or processed) within the proportionate share for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane, and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or share croppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.] *Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In* *determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).* For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale of rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(c) * * *

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PRESIDENTIAL QUOTA ACTIONS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section.

(b) [Notwithstanding the provisions of title II of this Act, for the period ending June 30, 1962:

[(1) The President shall determine notwithstanding any other provisions of title II, the quota for Cuba for the period ending June 30, 1962, in such amount or amounts as he shall find from time to time to be in the national interest: *Provided, however,* That in no event shall such quota at any time exceed such amount as would be provided for Cuba under the terms of title II in the absence of the amendments made herein, and such determinations shall become effective immediately upon publication in the Federal Register of the President's proclamation thereof:

[(2) For the purposes of meeting the requirements of consumers in the United States, the President is thereafter authorized to cause or permit to be brought or imported into or marketed in the United States, at such times and from such sources, including any country whose quota has been so reduced, and subject to such terms and conditions as he deems appropriate under the prevailing circumstances, a quantity of sugar, not in excess of the sum of any reductions in quotas made pursuant to this subsection: *Provided, however,* That any part of such quantity equivalent to the proration of domestic deficits to the country whose quota has been reduced may be allocated to domestic areas and the remainder of such quantity (plus any part of such allocation that domestic areas are unable to fill) shall be apportioned in raw sugar as follows:

[(i) There shall first be purchased from other foreign countries for which quotas or prorations thereof of not less than three thousand or more than ten thousand short tons, raw value, are provided in section 202(c), such quantities of raw sugar as are required to permit importation in such calendar year of a total of ten thousand short tons, raw value, from such country;

[(ii) There shall next be purchased from the Republic of the Philippines 15 per centum of the remainder of such importation;

[(iii) The balance, including any unfilled balances from allocations already provided, shall be purchased from foreign countries having quotas under section 202(c), other than those provided for in the preceding subparagraph (i), in amounts prorated according to the quotas established under section 202(c); except that any amount which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased: *Provided*, That if additional amounts of sugar, including any amounts which would otherwise be purchased from any such country with which the United States is not in diplomatic relations, are required the President may authorize the purchase of such amounts from any foreign countries, without regard to allocation except that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities;

[(3) If the President finds that raw sugar is not reasonably available, he may, as provided in (2) above, cause or permit to be imported such quantity of sugar in the form of direct-consumption sugar as may be required.] *In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.*

(c) *In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appro-*

priate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.

* * * * * * *

TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on [June 30], *December 31,* [1962] *1966,* except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1962] *1966* and previous crop years.

[EFFECTIVE DATE

[SEC. 413. The provisions of this Act, except where an earlier effective date is provided for herein, shall become effective January 1, 1948. As provided in section 513 of the Sugar Act of 1937, the powers vested in the Secretary under that Act shall terminate on December 31, 1947, except that the Secretary shall have power to make payments under title III of that Act under programs thereunder applicable to the crop year 1947 and previous crop years.]

INTERNAL REVENUE CODE OF 1954

CHAPTER 37

Subchapter A—Sugar

SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the following rates:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein.

The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured.

(b) IMPORT TAX.—In addition to any other tax or duty imposed by law, there is hereby imposed, under such regulations as the Secretary or his delegate shall prescribe, a tax upon articles imported or brought into the United States as follows:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein;

(3) on all articles composed in chief value of manufactured sugar, 0.5144 cent per pound of the total sugars therein.

(c) TERMINATION OF TAX.—No tax shall be imposed under this subchapter on the manufacture, use, or importation of sugar or articles composed in chief value of sugar after [December 31, 1962] *June 30, 1967.* Notwithstanding the provisions of subsection (a) or (b), no tax shall be imposed under this subchapter with respect to unsold sugar held by a manufacturer on [December 31, 1962] *June 30, 1967,* or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

SEC. 6412. FLOOR STOCKS REFUNDS.

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(d) SUGAR.—With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under section 4501(b) has been paid and which, on [December 31, 1962] *June 30, 1967,* are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar, if claim for such refund is filed with the Secretary or his delegate on or before [March 31, 1963] *September 30, 1967.*

OPPOSING VIEW OF PAUL FINDLEY

The Sugar Act is an example of supply management, the Government-control approach which has already been established in varying degrees in tobacco, cotton, rice, peanuts, and wheat. It is now being advocated by the administration for other commodities, notably feed grains.

Supply management can take various forms. Of these, our sugar control arrangement should qualify as the prototype for complexity, extent of Government power, and absence of competitive conditions.

Government control is so deeply imbedded in sugar production and marketing that even a gap of 1 month between the expiration of the present Sugar Act and the enactment of a new one is unthinkable.

Supply management in sugar has been succesful in stabilizing prices and supplies, but this has been achieved at a tremendous cost:

Prices to consumers are artificially high.

Consumers fork over the difference between low world-market prices and high U.S. prices.

A bureaucracy is established to administer the controls, and this payroll becomes a fixed burden.

An excise tax of one-half cent per pound is paid by the taxpayer. This, plus the tariff on imports, finances the program.

Almost nobody is happy. Only the favored few can share the sugar-quota pie, and these squabble endlessly because each wants a bigger cut. This is true of quota countries abroad and the tightly controlled circle of domestic producers and processors.

Those not cut in on the pie consider themselves unfairly treated. And so they are.

The right to grow and process acquires an artificial value and becomes capitalized into the land and business enterprise. Trade channels become rigid. This makes it difficult—if not impossible—ever to cast off supply management in favor of the competitive marketplace system.

Quotas are such rich prizes they are used as instruments of foreign policy and become tempting plums for influence peddlers.

The $22 million claim against the United States in behalf of the Dominican Republic is a case in point. The claim arises because the United States did not pay the full premium price for some of the sugar it purchased from the Dominican Republic in 1960–61. The price paid was above the world market, but still not sweet enough to satisfy an appetite long accustomed to easy money.

All this may appear to be an unbelievable chamber of horrors to those who believe in a competitive marketplace.

Be assured, it's a reality, and has been since 1934.

Through successive Sugar Acts (such as the one now before us), Congress specifies what countries will share in the sugar pie, how big each piece will be, and also the price of sugar to consumers.

The piece of the pie set aside for U.S. producers is subdivided by means of Federal licenses to sugar mills. Each mill contracts for supplies from individual farmers. Acreage allotments were used until the last few years, and authority for them remains. This bill would reimpose allotments beginning next year.

U.S. sugar production has always been artificially supported, as sugar can be produced more economically in the tropics.

Until 1934, a simple tariff encouraged domestic production. Under this arrangement, all nations had equal access to the U.S. sugar market, by the tariff route, and all U.S. farmers had equal access within the tariff walls.

Under supply management, there is no such thing as equal access inside or outside the tariff walls. The right to market is apportioned arbitrarily by the U.S. Government to certain favored nations and within the United States to certain favored mills.

The supply management approach, whether it be applied to sugar or to corn, is clearly contrary to the goal of free trade. It also clearly breeds ill will among nations and heaps new burdens on U.S. consumers and taxpayers.

Rather than extend this rigid and costly system for another 5 years and thus make it all the more difficult to return to a marketplace system, we should begin to phase out quotas, and establish a means of protecting domestic sugar production more in accord with the competitive private enterprise system.

PAUL FINDLEY.

SEPARATE VIEWS OF HON. DELBERT L. LATTA

U.S. taxpayers are presently paying approximately $3 million per day to store and handle surplus agricultural commodities while at the same time American farmers are being forced to reduce their production and their income.

Sugar is not in surplus and must be imported. Both sugarbeets and sugarcane can be and are being grown in the United States. The committee bill grants only a very modest increase in the amount of sugar being produced in this country while at the same time substantially increasing the quotas of almost every other country (excluding Cuba) which has in the past furnished the U.S. market with sugar. In addition, many countries will for the first time be entitled to market sugar in the United States under the bill. It is interesting to note that domestic producers of beet sugar according to current estimates will produce in 1962 a total amount of sugar in excess of the domestic quota being established under the bill for 1963 and subsequent years.

Rather than give our own farmers and taxpayers a break by granting a meaningful and substantial increase in the American farmers' share of the American market, thereby cutting down on the production of surplus crops while increasing farm income, the majority of the committee has adopted legislation which will result in only 50,000 tons (approximately 20,000 acres) of the annual growth needs being allocated to new producers in the whole United States each year. This 50,000 tons seems less than a gesture when you consider the fact that our annual domestic consumption of sugar is approximately 9,700,000 tons.

Northwestern Ohio presently has three beet plants and our farmers have been producing beets for years. It seems very unfair to me to prevent these farmers and their neighbors from increasing their production of sugarbeets at a time when they are faced with the administration program of sharp cuts in the production of wheat, corn, oats, barley, grain sorghum, or rye.

DELBERT L. LATTA.

SEPARATE VIEWS

REVISION OF SUGAR ACT OF 1948

While we voted to pass the bill out of committee and recognized that taking all considerations into account, this bill is probably the best that could be done at this time, we feel it our responsibility—in view of the sugarbeet growing areas we represent—to point out some of the bill's shortcomings.

Since the Cuban quota was suspended, we believe beet growers in the United States have properly expected that a fair proportion of the sugar formerly supplied by Cuba would accrue to the benefit of our domestic sugar industry.

We would have preferred that the Cuban reserve be 2 million tons rather than the 1,500,000 tons. This would preserve a more equitable balance between the amount of the old Cuban quota distributed to domestic areas as compared to the amount distributed to foreign countries.

While it is not our desire to object to any increase in domestic production, we feel it is only fair to point out that the bill provides disproportionate quota increases to the beet producers as compared to the domestic cane industry. The adjusted basic quota for domestic beet sugar in 1962 would be increased from 2,400,000 tons to 2,650,000 tons—an increase of about 10 percent. The adjusted basic quota for mainland cane sugar for 1962 would be increased from 750,000 tons to 895,000 tons—an increase of about 20 percent.

While the formula for domestic beet participation in our domestic increase in sugar consumption has been raised a few percentage points, it is apparent that if technological increases in our productive ability continue at their present rate, total increased acreage of sugarbeets during the life of this bill will be very modest. We point this out because we feel many beet growers are anticipating a greater growth in sugarbeet acreage than is actually being provided for.

While the U.S. Department of Agriculture anticipates 1,183,000 acres of sugarbeets will be planted in 1962, the domestic beet quota for 1963 under the bill would be 2,720,875 tons. If average yields are achieved in 1963, including the normal increase in actual sugar yield per acre, only 1,146,000 acres would be required to produce the 1963 quota.

The provision in the bill providing for new processing plants in new areas would reserve about 20,000 acres each year out of the national sugarbeet acreage quota. Since the figures in the previous paragraph indicate that a somewhat smaller acreage from year to year may be required to produce the same amount of sugar, it is apparent that as 20,000 acres are set aside each year for new areas, some cut in acreage may have to be applied to the old growers. To explain further, it should be mentioned that the beet sugar producers portion of our domestic increase in consumption would be about 70,000 tons per year. The 20,000 acres set aside each year for new plants in new areas is the equivalent of approximately 50,000 tons of sugar per year, therefore the remaining 20,000 tons per year would only be about half enough to absorb the average technological increase in yields per acre.

A change incorporated in this new sugar bill which will preclude to some degree increase in production of sugarbeets that has been possible under the old law is the provision that domestic deficits in production will be filled by foreign suppliers. Formerly domestic beet and mainland cane producers were permitted to supply Hawaiian and Puerto Rican deficits. We believe this is somewhat unfair to these domestic sugar producers.

While we would like to have seen the provisions of the bill relating to the purchase of our surplus agricultural commodities strengthened, and while we also agree with much of what Congressman Quie has said in his report, we have addressed our remarks to domestic provisions of the bill because of our immediate concern for the welfare of the domestic sugarbeet industry.

Despite the shortcomings of the bill, which we here set out, we think it is most important that consideration of long-term sugar legislation get underway promptly by Congress.

Don L. Short.
Catherine May.

OPPOSING VIEWS OF HON. ALBERT H. QUIE

I am opposed to H.R. 12154 for the following reasons:

1. It denies flexibility in administration of the Sugar Act and prohibits the President from exercising his responsibilities in our foreign policy;
2. It reduces the Cuban quota too far;
3. It gives permanent quotas to countries outside of the Western Hemisphere;
4. It gives permanent quotas to countries within the Western Hemisphere who already have a financial relationship with a nation outside the hemisphere to sell for premium prices; and
5. It provides for continual increases in the permanent quotas to foreign countries through a share in U.S. consumption increases.

I have a particular interest in sufficient quotas for domestic producers. It is important to understand that the domestic beet industry has not received any real increase in allowable production under the provisions of this bill.

As some of my colleagues have pointed out, growers of sugarbeets appraise growth in terms of total acres. Under this bill any increase from present levels in planted acres appears highly unlikely. The U.S. Department of Agriculture estimates that 1,183,000 acres are being planted to sugarbeets this year. Under average yields this crop would produce more than 2,800,000 tons of sugar. The major portion of this amount would be marketed in 1963 when, under the growth factor provision, the best area quota would be 2,720,000 tons. This excess in production over the allowable marketing quota would be added to inventories and would not result in an excessive carryover. Under normal conditions, however, acreages required to produce beet quotas in the remaining years of this act could be less than planted acreages of 1962.

Even though I would like to have seen higher domestic quotas, I am not objecting to the legislation for this reason: The sugar industry made the agreement on the domestic quotas which they will receive, and I do not wish to upset it. I will elaborate on my reasons for objecting to the bill.

GLOBAL QUOTAS

Other than to countries in the Western Hemisphere and the Republic of China and the Philippines, all of which are nations that we feel a financial obligation toward, I believe it would be unwise for the United States to continue to pay the high premium prices which amount to more than $50 a ton for its imports of sugar. If any nation were to sell to a country other than the United States, with the exception of certain preferential market nations, all the sugar could be secured at the world market price. It has been claimed by many that the premium price is necessary in order to secure adequate supplies of sugar from other countries of the world and thereby keep our sugar price to the consumer stable.

Quoting from Secretary Freeman's testimony before this committee, he stated—

> From the standpoint of the sugar economy, I would like to say that the so-called global quota would restore security of supply to a degree we have not known since Cuba became a Communist country. The administration has recommended global quotas, which would be secured by the imposition of an import fee, which would be variable depending on the world price of sugar.

In his testimony before the House Committee on Agriculture on May 16, 1962, the Secretary had this further to say about global quotas:

> At present, this part of our total sugar supply—about 2.5 million tons under the proposed bill—is broken up into a number of small compartments, each reserved for an individual country. A natural disaster in any one of them, a strike or other economic emergency, or a miscalculation as to production interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen. With a global quota, our refiners have many countries from which to obtain their supplies. If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere. The situation reverts in essence to what it was when Cuba maintained a large reserve available on short notice when and as needed. I have heard it said that the so-called global quota will adversely affect security of our foreign sugar supplies. In fact, for the reasons I have stated, the reverse is true.
>
> I have also heard it said that the import fee system might cause a flood of sugar to appear in our ports at the beginning of a year or at some other time during the year. I believe that there need be no such fear. The very nature of the flexible import fee eliminates the danger. If the flow of such supplies increases unduly, it means that the world price of sugar is falling and the fee should and would be increased to compensate. On the other hand, if the flow of supplies wanes, it means that the world price of suagr is rising and the fee should and would be reduced correspondingly.
>
> Sugar users would gain no price advantage through the use of the system, but they would have much greater assurance of supplies. On the other hand, domestic producers need not fear adverse effect upon their interests. They would continue to receive the income protection which is inherent in the sugar program. Furthermore, for the long pull the sugar program and the income protection imparted to our domestic producers by reason of that program would be on a sounder footing than it has been at any time since Castro came to power in Cuba.

CONGRESS ASSUMES RESPONSIBILITY OF THE EXECUTIVE

When sugar is purchased from countries outside the United States, a certain amount of flexibility in administration is necessary, since it cannot be determined at the beginning of the year, the adequacy of supplies of any specific country, as was pointed out previously. I think it is undesirable for the Congress to attempt to administer laws, as it is for the Executive to try to write our laws, which is constitutionally the responsibility of the Congress. In this case, I think the Congress is overstepping its bounds in attempting to allocate on a quota basis, either permanent or temporary, the country where every pound of sugar should be purchased. A realization of this is the provision in H.R. 12154 that each year the temporary quota shall be reallocated. Again the Congress will have to sit with the experts in the executive branch of the Government and find out from them where the sugar is available and where it is most desirable to purchase it. Then decisions should be made from the study of experts who have knowledge of the complete foreign sugar situation. Under our system of government, a decision needs to be made by the head of a department when foreign policy is involved and the great details must be considered before determining the country where sugar should be purchased, rather than compromising between the interests of the various Members of the Congress.

CUBA

As I pointed out earlier, I feel that the domestic quota is too small, that the potential of domestic production is so tremendous that we could produce all of our domestic needs in this country, and that this would be a great benefit to many of our own depressed agricultural counties, but that I am not objecting for this reason. However, in the bill introduced by the chairman for the administration, Cuba would have been allocated a permanent quota of 2,586,000 tons. H.R. 12154 has cut this to 1,500,000 tons. When the domestic sugar growers' organizations made their agreement as to the permanent quota which they will receive, an assumption was made that an agreement had been reached and the permanent quota allocated for Cuba would not be less than 2 million tons. In the event we should resume diplomatic relations with Cuba some time in the future, her quota should not be less than 2 million tons. As the Secretary of Agriculture stated in his testimony, "This change reserves for Cuba a market for a substantial quantity of the sugar crop when we resume diplomatic relations."

I also want to quote from our committee hearings from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

> Finally, and I hope that the committee will give special consideration to this factor, we must be prepared for the day when Cuba returns to the West. At that time, Cuba must have the opportunity to sell sugar in the U.S. market. If we continue to distribute the Cuban quota with the premium price to other countries, vested interests in the new and larger quotas would become entrenched. It would be extremely difficult to reduce these quotas so as to provide a market for Cuba's major export commodity. It also would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc. Making the Cuban quota available now to all friendly countries on a nondiscriminatory

basis would diminish the buildup of vested interests and still provide Cuba the opportunity to reenter our market.

Cuba, under the expiring legislation, has a permanent quota of 3,100,000 tons, and as the Secretary of Agriculture pointed out in his testimony, "Cuba's proration has been reduced sufficiently to accommodate the increases in domestic quotas." I think the permanent quota of 1,500,000 tons is too small if we are going to hold out an inducement to Cuba. However, it should also be pointed out that in all fairness, if the Congress decides to reduce Cuba's permanent sugar quota below 2 million tons, which was presumed to be the floor by the domestic sugar growers, these domestic sugar growers should share in the permanent reallocation of these quotas.

COUNTRIES OUTSIDE THE WESTERN HEMISHPERE

In the past, the United States has given permanent sugar quotas only to Western Hemisphere nations with the exception of the Republic of the Philippines, with which we have a treaty agreement, and the Republic of China whom we have been assisting ever since the Communists pushed them off the mainland—and for some reason which is hard to determine, a small quota was given to Canada and several Western European countries. Under this proposed bill, it is proposed to give substantial permanent quotas to the Union of South Africa, the Island of Mauritius, the Fiji Islands, Australia, India, and the Netherlands. It surely seems unwise to me that the United States should begin allocating permanent quotas to countries for which we feel no financial responsibility. I believe that any permanent quotas, outside the Western Hemisphere, in the future should be limited to the Republic of the Philippines and the Republic of China.

WESTERN HEMISPHERE

Under the expiring sugar legislation, certain countries in the Western Hemisphere have received permanent sugar quotas. In the past, no permanent quotas have been allocated to countries which have some financial arrangement for premium prices to be paid on sugar purchased by nations outside of the Western Hemisphere. This bill provides that French West Indies, British West Indies, and British Honduras would receive permanent sugar quotas from the United States, even though they already have sugar arrangements with the British Commonwealth or France, who in turn would have a demand which could be filled from sugar purchases from Cuba at the world price. We have had a ban on imports of sugar from Cuba for some time, and have been concerned about the possibility of transshipments through other countries. This surely looks like an indirect transshipment.

CONSUMPTION INCREASES

H.R. 12154 provides, as did the administration bill, that the increases in consumption in the United States each year will be allocated 63 percent to domestic producers and 37 percent to foreign sources. Although I do not agree that 63 percent is a sufficient amount to allocate to our domestic producers with this great production potential, it is not the reason for my objection to H.R. 12154. An agreement has been reached by the domestic sugar industry to accept this figure. I disagree with the allocation of 37 percent of the annual increase in sugar consumption to the permanent quota countries whose quotas, if H.R. 12154 is passed, will have been substantially increased. If the Congress is to make the decision from time to time as to what permanent quotas should be allocated to any country for which we feel a financial obligation—as I pointed out—this should be limited to the Western Hemisphere, with the exception of the two countries, the Philippines and the Republic of China. No further increase in permanent quotas should automatically be allocated to them because of increased domestic consumption. I believe that this 37 percent should be secured on a global quota basis, that is, purchased from any country with whom we have diplomatic relations in the world.

I quote from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

> This fee would be approximately equal to the amount by which our domestic sugar price exceeds the foreign market price for sugar, except that for countries now having basic quotas, the fee would be imposed in five equal steps over the life of the act. It would eliminate substantially all this subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market. In the absence of this price subsidy, the need for individual country quotas disappears. Within the limitations of an overall global quota, the market can then be opened to all friendly countries on a completely nondiscriminatory basis. The funds collected from the import fee would be deposited in the Treasury of the United States.

When the bill is considered on the floor of the House, I intend to offer a series of amendments which would:

1. Set the Cuban drawback at 2 million tons, rather than at 1.5 million tons as provided under the committee bill.
2. Set smaller quotas for fewer nations than is proposed by the committee bill. Only Western Hemisphere nations not connected with the United Kingdom and France along with the Philippines and the Republic of China should share in permanent quotas.
3. Establish a global quota system for the 2,160,000 tons not allocated to specific countries, rather than tying down every pound of sugar as the committee bill does.
4. Delete the authority in the bill for repaying Dominican Republic sugar interests some $22.8 million withheld by our Government from certain Dominican sugar imports in 1960 and 1961.

A comparison of present quotas, the committee bill, and my substitute follows:

	Present quota	Committee bill		Quie substitute, permanent only
		Permanent	Temporary	
Domestics	5,810,000	5,810,000	-------------	5,810,000
Cuba	3,100,000	1,500,000	-------------	2,000,000 (global quota)
Philippines	980,000	1,050,000	150,000	1,000,000
Peru	122,000	200,000	150,000	150,000
Dominican Republic	111,000	200,000	150,000	150,000
Mexico	95,000	200,000	150,000	150,000
Brazil	0	190,000	150,000	150,000
British West Indies	0	100,000	150,000	0
Australia	0	50,000	150,000	0
French West Indies	0	40,000	-------------	0
Nicaragua	17,000	30,000	-------------	20,000
Costa Rica	4,000	30,000	-------------	10,000
Republic of China	4,000	45,000	150,000	20,000
Ecuador	0	30,000	-------------	10,000
Colombia	0	35,000	-------------	10,000
Haiti	8,000	25,000	-------------	20,000
Guatemala	0	20,000	-------------	10,000
Argentina	0	20,000	-------------	10,000
India	0	30,000	100,000	0
South Africa	0	20,000	100,000	0
Panama	4,000	15,000	-------------	10,000
El Salvador	0	10,000	-------------	5,000
Paraguay	0	10,000	-------------	5,000
British Honduras	0	10,000	-------------	0
Fiji Islands	0	10,000	-------------	0
Netherlands	4,000	10,000	-------------	0
Mauritius	0	10,000	100,000	0
				730,000
Unallocated amounts for additional global quota	-------------	-------------	-------------	160,000
Total	-------------	9,700,000	1,500,000	9,700,000

ALBERT H. QUIE.

MINORITY VIEWS OF CONGRESSMAN RALPH F. BEERMANN

Item: I think it well to point out to the House the confinement inherent in the permanent assignment of quotas to foreign countries of 50 percent of the Cuban fallback (3,100,000). One million tons could have been assigned with the remaining 2 million tons retained for an influencing factor in Cuba's rejoining the free world nations.

Item: I question the wisdom of permanent assignment of quotas to countries outside the Western Hemisphere.

Item: I am alarmed because I believe there is a strong possibility the administration will use the supply management aspects of sugar legislation, dealing with a commodity in short domestic supply, as a means of "selling" Congress the same philosophy in other farm legislation.

I could see much more merit in this bill if it contained a provision (as one draft did) under which U.S. surplus farm crops could be exchanged for sugar on an equal dollar value basis. When the committee failed to include this provision I believe it missed a golden opportunity to help agriculture, the taxpayers, and U.S. farm income.

Item: This bill contains a provision under which the Dominican Republic would be paid $22 million, withheld from previous sales to keep the money from falling into the hands of a Dominican dictator. This $22 million is now the subject of litigation in the U.S. Court of Claims. For the committee to anticipate the decision of that tribunal is tantamount to bypassing established legal processes and amounts to an assumption of judicial power.

Item: To be more effective the provisions of the bill penalizing countries expropriating American property should be retroactive to January 1, 1962. Instances of expropriation have occurred since that date and just compensation has not been made to injured parties.

Item: Since this bill will probably be reported under a closed rule, I believe it would be well to point out that it was conceived and executed in some haste under the pressure of meeting a deadline. Because of that haste members of the committee have not had sufficient time to examine its ramifications. In addition this haste prevented an adequate assessment of the bill in its final form. A closed rule would further prohibit the House from exploring or amending the bill to its satisfaction.

Item: This bill allocates far too little of the domestic need to the domestic producers. Had the domestic producers been given larger allocations, it would have enhanced farm income, presented new opportunities for capital investment, and permitted a shift from producing crops in surplus to crops not in surplus.

ADDITIONAL MINORITY VIEWS OF CONGRESSMAN BOB DOLE

The Sugar Act Amendments of 1962 are very complex and it should be clearly understood that the measure now under consideration would extend the Sugar Act of 1948 from June 30, 1962, to December 31, 1966. Hearings on most phases of the bill have been extensive and the objections are laudable; however, I feel one or two areas deserve special comment.

First, I would point out that an amendment was offered to this bill by the chairman, Mr. Cooley, which in effect required our Committee on Agriculture to function as a jury in cases now pending before the U.S. Court of Claims involving the South Puerto Rico Sugar Co. which has sued our Government for approximately $6,800,000, the Dominican Sugar Co., which has filed suit for approximately $14 million, and the third importer which has not yet instituted suit but which will benefit by receipt of approximately $1,900,000, if the Cooley amendment remains in this bill.

The legality of any claims now pending in the U.S. Court of Claims or of any future claims depends upon imposition of a fee on nonquota sugar imported from the Dominican Republic during the period July 1, 1960, to March 31, 1961, and for the information of the Members I direct their attention to a report submitted to our committee by the U.S. Department of Agriculture.

[Submitted to House Committee on Agriculture by the U.S. Department of Agriculture]

Statements Concerning Fee Imposed on Nonquota Sugar Imported From the Dominican Republic During the Period July 1, 1960 to March 31, 1961

The Sugar Act of 1948 controls the supply of sugar for the U.S. market and, as a result, the price of sugar here is usually substantially higher than in the world market. The price difference is commonly referred to as the quota premium. The benefits of this quota premium to producers of sugar manufactured in foreign countries is a direct result of the operation of the Sugar Act.

Prior to July 6, 1960, Cuba supplied about one-third of the continental U.S. sugar requirements or, stated in another way, about three-fourths of the sugar imported into this country. On July 6, 1960, Public Law 86–592, 74 Stat. 330, was enacted which amended section 408 of the Sugar Act of 1948 to add a new subsection which provides in part that: "Notwithstanding the provisions of title II of this Act (title II pertains to the sugar quotas for domestic areas and foreign countries), for the period ending March 31, 1961:

"(1) The President shall determine notwithstanding any other provision of title II, the quota for Cuba for the balance of calendar year 1960 and for the 3-month period ending March 31, 1961, in such amount or amounts as he shall find from time to time to be in the national interest * * *."

"(2) For the purpose of meeting the requirements of consumers in the United States, the President is thereafter authorized to cause or permit to be brought or imported into or marketed in the United States, at such times and from such sources, including any country whose quota has been so reduced, and subject to such terms and conditions as he deems appropriate under the prevailing circumstances, a quantity of sugar, not in excess of the sum of any reduction in quotas made pursuant to this subsection: * * *."

Section 408(b)(2) then, in brief, provides that to the extent the President determines that supplies of sugar are needed to meet the requirements of consumers in replacement of the Cuban quota, Cuba's share in any deficits in domestic area quotas which forms a part of the reduction in Cuba's quota shall be allocated to domestic areas; that the remainder of the quantity needed shall be apportioned in raw sugar under a system of priorities to certain foreign countries; and that to meet the requirements of consumers the President may authorize the purchase from any foreign country of quantities of sugar which priority countries cannot supply.

It is generally recognized that the provisions of Public Law 86-592 were enacted as a consequence of the unfavorable actions and attitude of Cuba toward the interests of the nationals and the Government of the United States. By Proclamation No. 3355 effective July 8, 1960, the President reduced the Cuban quota for 1960 by 700,000 short tons.

Effective December 21, 1960, the President by Proclamation No. 3383 determined that the quotas for Cuba for the 3-month period ending March 31, 1961, should be zero.

In Proclamations No. 3355 and No. 3383 the President delegated to the Secretary of Agriculture the authority vested in the President by section 408(b)(2), such authority to be exercised with the concurrence of the Secretary of State. The quantities of sugar which may be authorized for entry under section 408(b)(2) are referred to as "nonquota purchase sugar" and are distinct from and in no way affect the quantities of sugar authorized to be entered under quotas pursuant to the provisions of title II of the Sugar Act of 1948, as amended.

By regulation published in the Federal Reigster (25 F.R. 9197) and effective September 26, 1960, the Secretary of Agriculture with the concurrence of the Secretary of State authorized the purchase and importation during 1960 of 321,897 short tons, raw value, of nonquota purchase sugar from the Dominican Republic. That regulation provided that as a condition for the importation of any nonquota purchase sugar a fee of $0.02 per pound raw value should be paid to the United States. This condition was imposed as an appropriate means of carrying out the advice of the Department of State that under the prevailing circumstances attending the foreign policy of the United States, it was in the national interest that the nonquota sugar authorized to be purchased from the Dominican Republic should be purchased at prices which were lower than those then current in the United States, and which would reflect approximately the world market price.

By regulation of January 1, 1961 (25 F.R. 13864) the Secretary of Agriculture with the concurrence of the Secretary of State authorized the purchase and importation during the 3-month period ending March 31, 1961, of 222,723 short tons, raw value of nonquota purchase sugar from the Dominican Republic, and a fee of $0.0225 per pound, raw value, payable to the United States was required as a condition for importation of any such sugar. The imposition of such condition was based upon the same considerations as are stated above with respect to the fee of $0.02 per pound.

These fees applied to nonquota purchase sugar and did not apply to other sugar imported from the Dominican Republic under quotas established pursuant to title II of the act.

In both instances the amount of the fee, while approximating the quota premium, did not exceed the then quota premium which existed during the period nonquota purchase sugar was imported from the Dominican Republic. During the months of September through December 1960, the monthly average quota premium ranged from slightly under to slightly over $0.0225 per pound and for the months January to March 1961, it ranged from $0.0240 to $0.0245 per pound.

The South Puerto Rico Sugar Co. Trading Corp., entered about 30 percent of the total nonquota purchase sugar from the Dominican Republic during the last half of 1960 and the first quarter of 1961; the Porcella Vicini Co., about 8 percent and Trujillo affiliated interests about 62 percent.

The Sugar Act was again amended by Public Law 87-15 in March 1961, to relieve the President of the requirement to authorize the purchase of any nonquota purchase sugar from the countries with which the United States is not in diplomatic relations. No further nonquota purchase sugar was authorized from the Dominican Republic until the present year by which time diplomatic relations had been resumed.

The South Puerto Rico Sugar Co. Trading Corp. and the Dominican Sugar Corp. have brought action in the Court of Claims to recover the fees each paid as a condition for importing nonquota purchase sugar during the last half of 1960 and the first quarter of 1961. The South Puerto Rico Sugar Co. Trading Corp. seeks recovery of $6,885,861.79 and the Dominican Sugar Corp., $13,948,171.78. It is the opinion of the responsible legal authorities of the Government that the fee was properly and legally imposed.

It is clear as stated by the USDA the fee was properly and legally imposed, which opinion is shared by the Department of Justice as indicated by the following letters:

JUNE 14, 1962.

Hon. ROBERT J. DOLE,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DOLE: With reference to the request by telephone of your Mr. Katz, there is enclosed herewith a copy of the memorandum of telephone conversation between you and Mr. John B. Miller, in relation to the Dominican sugar matter.

Sincerely yours,

JOSEPH D. GUILFOYLE,
Acting Assistant Attorney General.

JUNE 13, 1962.

Mr. JOSEPH D. GUILFOYLE,
Acting Assistant Attorney General, Civil Division.
JOHN B. MILLER,
Chief, Court of Claims Section.

DOMINICAN SUGAR CASES

I spoke with Congressman Robert J. Dole (code 180, extension 2715) on the telephone this morning about 10 o'clock with regard to a proposed amendment to the Sugar Import Act pending before the House Agricultural Committee, of which he is a member, which would authorize the refund of some $22,750,000 collected in import fees on sugar imported from the Dominican Republic in the fall of 1960 and the spring of 1961. These import fees, you will recall, were imposed because this Government did not want the Trujillo government of the Dominican Republic to realize additional profit from the difference between world market prices and the higher prices paid on the American market for sugar imported over and above their regular import quota. The regular import quota for the Dominican Republic and other sugar-producing countries was increased to make up the deficit resulting from the embargo on Cuban sugar which was imposed about that time due to the activities of the Castro regime. The South Puerto Rico Sugar Co. is suing for return of these fees in an amount of about $6,800,000, and the Dominican Sugar Co., for an amount around $14 million. There is a third importer which paid fees of some $1,900,000, but who has not yet instituted suit.

Congressman Dole wanted to know if the Department of Justice had valid defenses to the suits and if it intended to assert them. I pointed out to him that we did consider that we had valid defenses and that we had already asserted them in our answer. He said he had read our answer and knew its contents. He said that his position is that when a matter is pending in court, the Congress should not interfere and should let the court make the decision, but before taking that position before the committee he wanted to be certain that the Department had not already indicated to other sources that there was no defense to the cases or that the cases would not be defended. I assured him that the Department, to my knowledge, had not so stated and that there would be no proper basis for that kind of statement. I also mentioned to the Congressman that it was my understanding that the State Department was not sponsoring the amendment, and he said he himself had been informed that the State Department was in fact opposed to it.

Mr. Katz, Congressman Dole's administrative assistant, called about 11 a.m. to ask for a letter based on our telephone conversation. I suggested that he write to the Department making that request, and he said he would do so.

It is strange our committee, or this Congress, would have any reason to interfere in this legal controversy. Certainly we will recognize our moral obligations, if any, to the present Dominican Government and the private companies involved; however, this is not the issue. The issue is whether or not a last minute, complex amendment authorizing payment of some $22,755,153.67 adopted without full and complete hearings should be presented in this manner. There is no apparent legal justification why Congress should preempt the executive and judicial branches of Government in this instance.

MEASURE LACKS IMPORTANT PROVISION

Nearly everyone talks about, speculates about, and frets about surplus agricultural commodities. An excellent method of insuring disposal of surpluses would have been to provide in this legislation that any sugar-producing nation receiving an allocation of sugar would receive it with the understanding the dollar credits would be used for purchase of surplus agricultural commodities in this country. No such provision is contained in this legislation and there is only a brief reference to such exchanges in the majority report.

On May 21, 1962, Clifford R. Hope, a former distinguished Member of Congress from the State of Kansas for many, many years, a former chairman of the Committee on Agriculture and now president of Great Plains Wheat, Inc., a market developing corporation supported by wheatgrowers in Colorado, Kansas, Nebraska, North and South Dakota, appeared before our committee and made the following statement:

[Partial Statement of Clifford R. Hope]

It is with this thought in mind that Great Plains Wheat has for the past 2 years been working on the idea of devising a procedure, legislative or otherwise, which would enable a sugar-producing nation to receive an allocation of sugar with the understanding that the dollar credits so generated would be used for the purchase of surplus agricultural commodities in this country.

Thanks to this committee, under the leadership of its distinguished chairman and other members, and to the Finance Committee in the Senate, the extension of the Sugar Act on March 31, 1961, contained a provision stating that in making allocations under the act, "* * * special consideration be given to countries in the Western Hemisphere and those countries purchasing U.S. agricultural commodities." But the committee did not stop there. On more than one occasion, it expressed itself vigorously on the subject. In particular, it adopted a committee resolution on September 7, 1961, which reads as follows: "That the President be requested to instruct those in charge of administering the program that it is the clear intent of Congress that in making any such purchases of sugar for the calendar year 1962, clear preference is to be given those countries which offer to buy a reasonable quantity of U.S. agricultural commodities in return for the purchase of their sugar."

On February 12, 1962, a press release from the Department of Agriculture announced that (and I quote) "Subject to market conditions and other factors, some importations of sugar would be authorized from countries agreeing to purchase additional commodities," and that "Such authorizations will be in addition to any other quota a country may have under the U.S. Sugar Act, and are authorized by the provisions of the Sugar Act of 1948, as amended on March 30, 1961, Public Law 87–15."

Since then, pursuant to the legislation and in accord with the tenor and intent of the committee resolution of September 7, 1961, allocations of sugar quotas for 1962 have been made to a number of countries on the basis of agreements by such countries to purchase U.S. agricultural commodities. The countries involved, the amount of sugar allocated, and the agricultural commodities agreed to be purchased are as follows: Brazil, 50,000 short tons of sugar and an agreement to purchase wheat; India, 50,000 short tons and an agreement to purchase cotton; Republic of China (Formosa), 29,000 short tons, cotton and tobacco; Fiji Islands, 5,000 short tons, rice and flour; Ireland, 5,000 short tons, corn and grain sorghum; El Salvador, 5,000 short tons, wheat and yellow corn; Colombia, 5,000 short tons and Wheat; Guatemala, 5,000 short tons, item to be purchased, yellow corn. The total allocations amount to 154,000 short tons.

It seems to me that deals like this make sense. They not only tend to compensate for our lost agricultural outlets in Cuba, but if used extensively, open up important new dollar markets for agricultural commodities in many parts of the world. They contribute also to the stability of the developing countries by giving them assurances of more stable food supplies for their increasing population and an outlet for one of their principal surplus commodities. It also constitutes a foundation for future commerce in the normal channels of trade and shifts a part of our aid program to a trade program.

I am disappointed that the pending bill, H.R. 11730, does not contain language making possible sugar-agricultural commodity transactions as provided by the 1961 extension to which I have made reference, and on behalf of Great Plains Wheat desire to recommend that a similar or an even stronger provision be included in this measure.

In addition, the organization which I represent believes that even more can be accomplished in trade promotion and development if provisions are included in the bill which would provide allocations of sugar for the full period covered by the bill to countries which would agree to purchase U.S.

agricultural commodities. This, of course, would require amendment of the pending bill to provide for specific allotments to sugar producing countries for the full 5-year period rather than the global allotment as provided in the bill.

As an illustration of the possibilities both for the United States and foreign sugar-producing countries, I would like to bring to your attention the situation in Brazil. During the past 2 years, Great Plains Wheat has conducted extensive market development studies in that country. Early in the course of this activity, it appeared that sugar-wheat transactions offered possibilities for both countries.

Brazil is one of the world's largest sugar producers and in a position to expand its output if market outlets can be secured. It is also one of the world's greatest potential markets for wheat. As is well known, the population of Brazil is approximately half of that of South America and is increasing at an extremely rapid rate. As to the consumption of wheat, Brazil has a very low per capita consumption, approximately 32 kilos in 1960, the latest year for which I have figures. This compares with 74 kilos in the United States and much higher figures in such countries as Argentina and Chile where supplies are ample. In some areas, particularly the poverty stricken northeastern part of the country, the consumption is about 10 kilos per capita. As a matter of fact, Brazil's per capita consumption in 1960 was less than in 1953 and declined steadily from 1955 to 1960. The same thing is true of total consumption.

In the main, this has been due to a smaller supply of wheat. Domestic production, never a too important factor, has declined. Over the years, Argentina has been the principal supplier but has fallen down on its commitments during the past 2 years and has now suspended exports for this year. Our country has filled the gap to some extent with Public Law 480 shipments which have increased markedly. Brazil also has a bilateral agreement with Russia calling for imports at the rate of 200,000 metric tons through 1964, but this is a very small part of even the present low consumption.

The national target for the past few years has been a supply of 2,400,000 metric tons, but this has not been met for several years. This, of course, is low as indicated by per capita consumption. Careful studies indicate that under conditions of free purchases, Brazil would consume 3 million metric tons in 1962–63 with annual increases leading up to a figure of 4 million metric tons by 1970.

While Public Law 480 assistance helps it is not the whole answer because Brazil, like other countries, does not know when such supplies may be discontinued or curtailed. It cannot afford to expand imports even under 480 unless there is a cushion somewhere to fall back on. The answer lies in more trade, and with our need for sugar and Brazil's need for wheat, and with ample supplies of each in the respective producing countries, it is not surprising that wheat producers in this country and sugar producers in Brazil have been attempting to work out a practical solution of the matter.

Over the past several months, conferences have been held between representatives of the Brazilian Sugar and Alcohol Institute and representatives of Great Plains Wheat. Government officials in both countries have known of these conferences and have been kept informed of what was being discussed.

The principal spokesman for the Brazilian Sugar and Alcohol Institute has been Ambassador Edmund Barbosa da Silva, president of that organization. Lester L. Mort, until recently director of the Washington office of Great Plains Wheat, has represented our organization. Out of their conferences came an eight-page document which contains much pertinent information with respect to the wheat situation in Brazil. Page 8 contains a formula which in general terms outlines the conclusions and agreements reached between Ambassador da Silva and Mr. Mort. I would like to ask unanimous consent at this time to submit this document for the record as a part of my statement.

Undoubtedly there are many other sugar-producing countries which are comparable to Brazil in the respect that they are willing and able to purchase agricultural commodities from this country providing they can build up dollar balances from the export of sugar. Doubtless the committee will want to give consideration to such cases as may exist.

We had expected before this time to receive assurances that the Brazilian Government looked with favor on the proposals which I have discussed and would be prepared to make a proposal for a sugar-wheat transaction over a period of 5 years, providing that this legislation is passed in a form which would permit sugar allocations for that period. Such assurances have not yet been received, but I have been told they are on their way. I would like to have the consent of the committee to file them as a part of this statement when they are received.

Mr. Chairman, I consider the Sugar Act of 1934 a very wise piece of legislation. It has been extended a number of times and has operated satisfactorily and successfully for 28 years through war and peace, in prosperous times and in depressions. One reason for this is that it has been flexible enough to apply to changing situations.

The greatest change which has occurred has been the emergency of the Castro regime in Cuba. That has called for drastic measures, but it has been possible to take them without impairing the general purposes of the act. *A provision in this bill permitting a definite allotment for the life of the act to countries like Brazil, which are willing to take up the slack in American agricultural exports left by the defection of Cuba, would be in full harmony with the original purpose of the act and would strengthen both us and the recipient country receiving such an allotment.* The extent of the benefits received in terms of economic stability and market development would, in my opinion, depend materially on the length of time for which the allotment was made.

We have missed a golden opportunity to reduce surpluses in all areas by not providing specific language in the bill.

In conclusion, there is little likelihood potential new growers, or old growers, desiring to increase their production of sugarbeets in Kansas and elsewhere in this country will benefit substantially by enactment of this legislation. The provisions for new beet factories are vague and uncertain and it is anyone's guess where and when new factories may be built should this legislation be enacted in its present form. It would again appear the American farmer who is so desirous of raising sugarbeets, a crop obviously not in surplus, must stand in the shadow of foreign sugar interests, with little hope of improving the situation until the expiration of this act, December 31, 1966. If this is "supply management," then heaven help the farmer if the administration's 1962 farm bill should be enacted.

BOB DOLE.

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Reptd. with amendment S. Rpt. 1631 - 26 June
Amended on Sen ate Floor - 27 June
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Senate appoints conferees = 27 June
House " " 27 June
Conference Rpt submitted to House HRpt 1957
Conf. Rpt agreed to by House 30 June
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Hearings on 20 June 1962