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# EXTEND AND AMEND THE SUGAR ACT

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## HEARING BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 12698 and H.R. 12699

SEPTEMBER 29, 1964

Serial CCC

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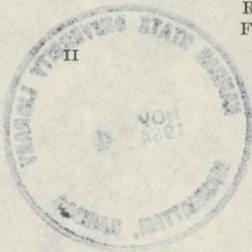
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## EXTEND AND AMEND THE SUGAR ACT

TUESDAY, SEPTEMBER 29, 1964

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Harold D. Cooley, chairman of the committee, presiding.

Present: Representatives Cooley (presiding), Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Hagen of California, Johnson of Wisconsin, Matthews, Stubblefield, Harding, Hagan of Georgia, Purcell, Morrison, Rosenthal, Duncan, Olson, Leggett, Hoeven, Belcher, Teague, Quie, Short, May, Findley, Beermann, and Resident Commissioner Fernós-Isern.

Also present: John J. Heimbürger, general counsel; Francis M. LeMay, staff consultant; Hyde H. Murray, assistant clerk; and Martha Hannah, staff assistant.

The CHAIRMAN. The committee will be in order, please.

Last week I received a communication from the Department proposing a resolution concerning the sugar program, and upon receipt of it I sent a telegram to representatives of all the industry. I would like to recognize Mr. Heimbürger to read the telegram which I sent.

Have you received any answers to the telegram?

Mr. JOHN J. HEIMBURGER (committee counsel). Yes, Mr. Chairman. The CHAIRMAN. Read the telegram.

Mr. HEIMBURGER. We have not as a matter of fact yet received physically a copy of the communication the Department sent up. It was transmitted to the Speaker of the House yesterday and will be sent over to us today. Last Friday, on being informed that the Department was sending up the executive communication, you sent out the telegrams based on it, to find out whether or not this bill which the Department proposed had the unanimous support of the various segments of the sugar industry.

I will read your telegram. I think everybody is familiar with it. This was the telegram which you sent to various segments of the sugar industry on Friday afternoon, September 25:

The Department of Agriculture has forwarded to Congress a bill which would extend the foreign quota provisions of the Sugar Act for 6 months through June 30, 1965, and continue for the same period the import fee at the 1964 level: viz., 100 percent on global quota sugar and 30 percent of the global rate on quota sugar. In view of the probable imminent adjournment of Congress there would appear to be no possibility of enacting this bill unless all important segments of the sugar industry are willing to support it without amendment. So that the

Committee on Agriculture may know your position on this matter, please notify me by Monday noon your answer to the following two questions:

1. Will your organization support enactment of the Department bill without change in both the House and Senate and actively oppose any amendment thereto?

2. Would you support the bill in both House and Senate without any change other than an amendment reducing the global import fee to 30 percent?

HAROLD D. COOLEY,

*Chairman, House Committee on Agriculture.*

The CHAIRMAN. How many answers did you receive?

Mr. HEIMBURGER. We received answers from all of the relevant participants, Mr. Chairman—from the beet industry a combined answer, from Hawaii, Puerto Rico, the cane refiners, the domestic cane sugar industry, and the industrial users. I believe that is it.

The CHAIRMAN. How many responded favorably to these questions? How many have answered "yes"?

Mr. HEIMBURGER. I would say, Mr. Chairman, that all answered "yes" to both questions except the State Department (we sent a telegram also to the Secretary of State), the domestic cane growers, and the beet industry. The State Department answered "yes" to the first question, that they support the bill as submitted by the Department of Agriculture. They felt the question of import fees should not be touched in this bill, but should go over until next year.

The domestic cane industry answered a qualified "yes" or a qualified "no," depending on how you look at it.

Mr. ABERNETHY. Could we have those messages read?

Mr. HEIMBURGER. They are before you, Mr. Abernethy. I shall be glad to read them.

Mr. ABERNETHY. I did not realize that.

Mr. HEIMBURGER. They are before you in mimeographed form.

Mr. ABERNETHY. That is all right.

Mr. HEIMBURGER. The cane people answered a qualified yes or no, depending on the way you look at it, to both questions. With respect to question No. 1 they said, yes, they were in favor of the Department's bill as probably the best that could be obtained at this point but, no, they could not guarantee that some of their friends in Congress would not try to amend it and, by implication, that they would support such amendment. With respect to question No. 2, they answered that they were not in favor of reducing the import fee unless there was some specific provision to provide for the sale of domestic surplus in the same bill.

As I recall, Mr. Chairman, the beet industry did not return a direct answer to the two questions you asked. They said they felt there was still time for Congress to take some action which would relieve domestic sugar producers of the surplus which had been built up in 1963 and 1964 as a result of departmental action.

The CHAIRMAN. The State Department would go along with the Department's recommendation?

Mr. HEIMBURGER. Yes.

The CHAIRMAN. I assume the Department of Agriculture would go along with it since they sent it up.

Mr. HEIMBURGER. There is no question about that.

Mr. CHAIRMAN. Are you sure they are for it?

Mr. HEIMBURGER. Mr. Murphy is here, and he can speak for himself.

Mr. Chairman, to complete the preliminary statement, let me add

that on yesterday, at your instruction, we introduced two bills in the House for you. One of them, H.R. 12698; the other one, H.R. 12699. H.R. 12699 embodies the proposal exactly as submitted by the Acting Secretary of Agriculture. H.R. 12698 embodies the proposal which was postulated by your second question in your telegram—in other words, a 6-month extension with a reduction in the global import fee to 30 percent of the difference between the world and the U.S. price.

(The bills introduced by Mr. Cooley, H.R. 12698 and H.R. 12699, follow:)

[H.R. 12698, 88th Cong., 2d sess.]

A BILL To extend and amend provisions of the Sugar Act of 1948, as amended

*Be it enacted by Senate and House of Representatives of the United States of America in Congress assembled,* That section 202(c) of the Sugar Act of 1948, as amended (relating to quotas for foreign countries), is amended by striking out "1963 and 1964" in each place it appears therein, and inserting in lieu thereof "1963 through the first six months of 1965", and by adding a new subparagraph (7) at the end thereof as follows:

"(7) The quantities established for the first six months of 1965 shall be one-half of the annual quantities provided for in the other subparagraphs of this subsection (c)."

SEC. 2. Section 213 of such Act is amended (1) by deleting the period at the end of the first sentence of section 213(a) and inserting a colon and the following language in lieu thereof: "Provided, That such import fee for sugar imported during the first six months of 1965 shall be 30 per centum of the fee established as provided in subsection (b) of this section."; (2) by striking from section 213(c) the language "during the years 1962, 1963, and 1964, which fee in such year shall be respectively 10, 20 and 30 per centum" and inserting in lieu thereof "during the years 1962, 1963, 1964 and the first six months of 1965, which fee shall be 10 per centum in 1962, 20 per centum in 1963, and 30 per centum in 1964 and the first six months of 1965"; and (3) by striking from section 213(c) the language "during the years 1962, 1963, and 1964 shall be respectively 0.1, 0.2, and 0.3 of 1 cent per pound" and inserting in lieu thereof "during the years 1962, 1963, 1964 and the first six months of 1965 shall be in 1962 0.1 of 1 cent, in 1963 0.2 of 1 cent, and in 1964 and the first six months of 1965 0.3 of 1 cent per pound".

[H.R. 12699, 88th Cong., 2d sess.]

A BILL To extend and amend provisions of the Sugar Act of 1948, as amended

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 202(c) of the Sugar Act of 1948, as amended (relating to quotas for foreign countries) is amended by striking out "1963 and 1964" in each place it appears therein, and inserting in lieu thereof "1963 through the first six months of 1965", and by adding a new subparagraph (7) at the end thereof as follows:

"(7) The quantities established for the first six months of 1965 shall be one-half of the annual quantities provided for in the other subparagraphs of this subsection (c)."

SEC. 2. Section 213 of such Act is amended (1) by striking from section 213(c) the language "during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20 and 30 per centum" and inserting in lieu thereof "during the years 1962, 1963, 1964, and the first six months of 1965, which fee shall be 10 per centum in 1962, 20 per centum in 1963, and 30 per centum in 1964 and the first six months of 1965"; (2) by striking from section 213(c) the language "during the years 1962, 1963, and 1964 shall be respectively 0.1, 0.2, and 0.3 of 1 cent per pound" and inserting in lieu thereof "during the years 1962, 1963, 1964, and the first six months of 1965 shall be in 1962 0.1 of 1 cent, in 1963 0.2 of 1 cent, and in 1964 and the first six months of 1965 0.3 of 1 cent per pound".

The CHAIRMAN. Do you have the answer from the Hawaiian growers?

Mr. HEIMBURGER. It should be in this mimeographed packet which you have, Mr. Chairman. Would you like me to read these responses?

The CHAIRMAN. I do not think that is necessary as long as you have summarized what is in them and we each have copies before us. Without objection, we will insert them in the record at this point.

(The responses to the telegram which was sent by Chairman Cooley are as follows:)

HAWAIIAN SUGAR PLANTERS' ASSOCIATION,  
September 28, 1964.

HON. HAROLD D. COOLEY,  
*Chairman, House Committee on Agriculture,*  
*U.S. House of Representatives,*  
*Washington, D.C.:*

In reply to the two questions you asked in your telegram of September 25, 1964: First question. The Hawaiian Sugar Planters' Association is willing to support the administration bill forwarded to Congress September 25, 1964, extending foreign quota provisions of the Sugar Act for 6 months through June 30, 1964, and continue for same period the import fee at 1964 level; viz, 100 percent on global quota sugar and 30 percent of the global rate on quota sugar provided that all segments of the industry sign a written statement agree as we do any amendments will be actively opposed and provided that the House Agriculture Committee and executive departments concerned will agree to resist any attempt to amend the administration's proposal at this late date. We would assume that if any amendment is made at any stage you and the House leadership would then oppose further consideration of the bill.

Second question. The Hawaiian Sugar Planters' Association would support the bill in both the House and Senate and would actively oppose any amendment thereto, except an amendment to reduce the global import fee to 30 percent, provided you and the executive departments concerned agree upon such reduction, and provided all other segments of the sugar industry and the executive departments similarly agree to support the bill and actively oppose any other amendment. As in reply to the first query above, we would assume that if any other amendment is made at any stage you and the House leadership would then oppose further consideration of the bill.

S. L. PLATT.

WASHINGTON, D.C., September 28, 1964.

HON. HAROLD D. COOLEY,  
*Chairman, Committee on Agriculture,*  
*House of Representatives,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your telegram of September 25.

Under the bill proposed by the Department of Agriculture, any additional sugar which the Secretary of Agriculture may have to authorize for marketing this year would have to come from foreign countries who would be shipping sugar to the United States under the quota presently withheld from Cuba. We believe that if the United States needs additional sugar this year this need should be satisfied with sugar which the Secretary of Agriculture, during a time of sugar scarcity last year, asked domestic producers to produce.

Enactment of this bill is better than no action by Congress at this session. Therefore, we will not oppose it but we cannot guarantee that our Members of Congress will not try to amend it.

Unless the bill is amended to grant domestic producers the right to sell at least part of the additional sugar our Government asked them to produce, we believe our Members of Congress will feel it necessary to actively oppose any amendment to reduce the import fee on sugar which foreign countries sell in the United States under the quota presently withheld from Cuba.

Sincerely yours,

JOSIAH FERRIS,  
*Representing Mainland Cane Sugar Area.*

DEPARTMENT OF STATE,  
Washington, September 28, 1964.

HON. HAROLD D. COOLEY,  
Chairman, Committee on Agriculture,  
House of Representatives,  
Washington, D.C.

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your telegram of September 25. The Department of State fully supports the proposal submitted to both Houses of the Congress by the Department of Agriculture calling for a 6-month extension without change of the foreign quota provisions and the import fee provisions related thereto of the Sugar Act of 1948 as amended.

We believe that further time is required for consideration of the many suggestions that have been made for changes in various provisions of the act. Some change in the import fee may well be called for but we believe this matter should be considered in connection with other important matters, such as quotas, that the Congress will pass on next year.

It is our hope that the legislation as proposed by the Department of Agriculture can be acted upon during the current session of the Congress.

Sincerely yours,

ROBERT E. LEE,

Acting Assistant Secretary for Congressional Relations.

[Telegram]

WASHINGTON, D.C., September 28, 1964.

HON. HAROLD D. COOLEY,  
Chairman, House Committee on Agriculture,  
U.S. House of Representatives, Washington, D.C.:

Reurtel of September 25 and questions therein addressed to me as general counsel American Bakers Association and Thomas F. Baker, executive vice president American Bottlers of Carbonated Beverages, as spokesman for the industrial sugar users group, in answer to question 1 although we would not be disturbed if those provisions expire December 31, 1964, the group would not object to a simple extension of foreign quota provisions of Sugar Act of 1948 through June 30, 1965. We would reluctantly accept continuation of the import fee. Re question 2, we support any action moving toward elimination of global import fee. Our answer to question 2 therefore is affirmative.

Respectfully,

JOSEPH M. CREED,

For and on behalf of Industrial Sugar Users Group.

[Telegram]

SEPTEMBER 28, 1964.

HON. HAROLD D. COOLEY,  
Chairman, House Agriculture Committee,  
Washington, D.C.:

In your telegram of September 25, you ask this association to respond to two questions. Both questions relate to a bill forwarded to the Congress on the above date proposing extension of the foreign quota provisions of the Sugar Act through June 30, 1965, with the import fee for the same period to remain at the 1964 level; namely, 100 percent on global quota sugar and 30 percent of that rate on country quota sugar. Below we restate your questions and record our answers:

Question 1. Will your organization support enactment of the Department bill without change in both the House and Senate and actively oppose any amendment thereto?

Answer. The U.S. Cane Sugar Refiners' Association will support enactment of the Department's bill without amendment in both the House and Senate. It will actively oppose any amendments thereto except the possible amendment discussed in our answer to your second question. This response is conditioned upon all other important segments of the sugar industry and the executive departments concerned similarly agreeing to support the bill and to actively oppose any amendment thereto except the possible import fee amendment. We also assume

that if any amendment is made at any stage (except the possible import fee amendment) you and the leadership will oppose further consideration of the bill.

Question 2. Would you support the bill in both House and Senate without any change other than an amendment reducing the global import fee to 30 percent?

Answer. The U.S. Cane Sugar Refiners' Association would support the bill in both the House and Senate and would actively oppose any amendment thereto except an amendment to reduce the global import fee to 30 percent provided you and the executive departments concerned agree upon such reduction and provided they and all other important segments of the sugar industry similarly agree to support the bill and actively oppose any other amendment thereto. We assume that if any other amendment is made at any stage, you and the leadership will oppose further consideration of the bill.

JAMES H. MARSHALL,

*Chairman, Executive Committee, U.S. Cane Sugar Refiners' Association.*

[Telegram]

SEPTEMBER 28, 1964.

HOUSE AGRICULTURE COMMITTEE,  
*House Office Building, Washington, D.C.:*

In reply to questions raised your telegram regarding sugar legislation we will support either question in both Houses and oppose any amendments thereto. We feel this is the only way to get this important matter solved before Congress adjourns. We appreciate your continued interest in our behalf.

DUDLEY SMITH,

*Vice President, Association of Sugar Producers of Puerto Rico.*

(The reply from the U.S. sugarbeet farmers and beet sugar processors appears with the statement of Robert Shields, see p. 7.)

The CHAIRMAN. I have said many times that personally I was very much in favor of providing the legislative authority for the domestic producers to sell the sugar which they legally produced. Apparently that cannot be done without going further and all segments of the industry are not going to agree on that. It has been my feeling and still is my feeling that if we are to have a sugar program in the days to come, we will have to get back within the framework of the act. I certainly do not look with favor upon unlimited production of sugar any more than I do unlimited production of other price-supported crops. You have no legislative authority to sell the sugar and the program will be ended when we adjourn. So, we should agree, and we have gotten fairly close together here in the final days of the session. I know there has been some concession, but apparently not enough concession on the reduction of domestic beet and cane acreage in 1965 and unless the beet people indicate a willingness to go along with the acreage reduction we cannot pass a bill this session.

This is a controversial resolution, and we might as well find it out right now and make our decision now. We cannot embark upon hearings on a controversial bill because we have only a matter of days left. We are glad to have hearings at any time we receive recommendations from the Department or from the industry, but up to now we have not had any recommendation from the Department, except the one which we have just received and this recommendation is the subject of this hearing.

Without going into any extended hearings to clear the thing up, I would like to call on someone representing the beet producers to state clearly whether you are for the resolution or whether you are not for it. If you are for it, we could pass it out and get it on the road. It is controversial but with unanimity of all the segments of the sugar industry, I am sure we can pass this bill.

Who is here to speak for the continental beet producers? I think we should confine the discussion to the resolution itself and not go into all the ramifications involved, and I hope this will be done.

**STATEMENT OF ROBERT H. SHIELDS, PRESIDENT AND GENERAL COUNSEL, UNITED STATES BEET SUGAR ASSOCIATION, WASHINGTON, D.C.; AND RICHARD W. BLAKE, EXECUTIVE SECRETARY, NATIONAL BEET GROWERS FEDERATION, GREELEY, COLO.**

Mr. SHIELDS. Mr. Chairman and gentlemen, my name is Robert Shields. I represent the United States Beet Sugar Association, all the beet sugar processors in the country. With me is Richard Blake, executive secretary of the National Beet Growers Federation. Between us, this morning, we represent all areas of production and processing in the beet sugar industry.

I agree with you that the time has now come for action and not words, so I shall make my statement very brief.

The members of this committee already know the position of the domestic beet sugar producing industry on the two bills, H.R. 12698 and H.R. 12699, under consideration. This position was presented in a telegram to the chairman yesterday, copies of which I understand have been provided to other members.

(The telegram referred to above follows:)

TEXT OF TELEGRAM SENT MONDAY, SEPTEMBER 28, 1964, TO CHAIRMAN HAROLD D. COOLEY (DEMOCRAT, NORTH CAROLINA) OF HOUSE AGRICULTURE COMMITTEE BY U.S. SUGARBEET FARMERS AND BEET SUGAR PROCESSORS

"Reurtel sugar recommendation submitted September 25 deals with only one phase of sugar problems which need attention this session of Congress and which have been under discussion many months. It ignores completely need of American producers for congressional authority to market additional sugar they have produced in direct response to Government urging. This important omission is in direct conflict with earlier recommendation of President himself.

"Undoubtedly Congress, if given opportunity, would grant American farmers and producers these morally implied marketing rights. Although time for congressional action is short, believe there still remains time for passage balanced stopgap sugar legislation which deals fairly and realistically with problems affecting the domestic beet and mainland cane sugar producing industries.

"We respectfully urge you give House Agriculture Committee immediate opportunity to act favorably on urgent needs of American sugar producers."

"LOREN ARMBRUSTER,

*"Director, Grower Affairs, Farmers & Manufacturers Beet Sugar Association, Saginaw, Mich.*

"RICHARD W. BLAKE,

*"Executive Secretary, National Beet Growers Federation, Greeley, Colo.*

"ALDRICH C. BLOOMQUIST,

*"Executive Vice President, Western Sugarbeet Growers, Fargo, N. Dak.*

"GORDON LYONS,

*"Executive Manager, California Beet Growers Association, Ltd., Stockton, Calif.*

"JAMES W. WITHERSPOON,

*"Executive Secretary, Texas & New Mexico Sugar Producers Association, Hereford, Tex.*

"ROBERT H. SHIELDS,

*"President and General Counsel, United States Beet Sugar Association, Washington, D.C."*

Mr. SHIELDS. In essence, we believe neither bill is complete because neither bill authorizes the marketing of any of the additional sugar in the domestic beet sugar area and the mainland cane sugar area produced at the request of the Government.

The bills, if enacted, would only preserve or enhance for another 6 months the present preferred position of certain foreign sugar interests in our market, with no regard for the urgent needs of American sugar producers.

The intent of the Government to increase domestic sugar production through various actions taken in the spring of 1963 has been recognized by the members of this committee and is well documented.

With the chairman's permission, I will supply that documentation for the record at this point.

(The information follows:)

#### DOCUMENTATION OF GOVERNMENT URGING FOR MORE BEET SUGAR PRODUCTION

Various actions were taken by the administration early in 1963 to obtain more beet sugar production.

1. On March 14, 1963, the Department of Agriculture announced there would be no acreage restrictions on sugarbeets in 1964. The announcement very clearly said the action was being taken to obtain more production through expansion of existing plants and through building new plants to ultimate capacity immediately. The announcement was made by means of the following press release:

"U.S. DEPARTMENT OF AGRICULTURE,  
Washington, March 14, 1963.

#### "NO SUGARBEET ACREAGE RESTRICTIONS IN 1964"

"Secretary of Agriculture Orville L. Freeman announced today that there will be no acreage restrictions (proportionate shares) on the 1964 crop of sugarbeets.

"The 1963 domestic beet sugar marketing quota is approximately 2,700,000 tons. Stocks of beet sugar on hand January 1, 1963, amounted to 1,368,000 tons and it is anticipated that 616,000 tons will be produced from 1962 crop beets to be harvested in 1963. This provides a supply of 1,984,000 tons of beet sugar to meet requirements until new crop sugar reaches the market next fall. Marketings of beet sugar in the last quarter of the year will be heavy. A larger quantity of old crop sugar would have promoted more orderly marketing throughout the year in accordance with the present quota.

"Production of sugar from the 1962 crop of beets has been estimated at 2,580,000 tons by the beet sugar industry. Even a large increase in 1963 production would not result in excessive reserve supplies.

"The U.S. Department of Agriculture indicated it is too early to determine whether restrictions will be necessary on the 1965 crop. However, it observed that production will have to exceed marketings sufficiently to create safe and reasonable stocks before acreage restrictions could be reimposed.

"It is assumed that the industry will attempt in 1963 to produce at the maximum capacity of its plants. Today's action is expected to encourage plant expansion. First, it should encourage existing plants to modernize and expand their facilities since they can now be assured of at least 2 years of unrestricted operations. Second, new plants under construction for operation in 1963 and 1964 could be expanded immediately to their ultimate capacity so as to take advantage of this opportunity for full production and the building of production and marketing history in excess of the tonnage provided from the national acreage reserve.

"USDA suggests that when acreage restrictions are reimposed, major consideration should be given to production history in the period immediately preceding the resumption of controls. That should provide fair treatment for those who increase production sufficiently to meet prospective marketing quotas and stock requirements."

2. Further incentive to produce more beet sugar was offered on May 6, 1963, when the Department of Agriculture, by issuing the following press release, announced there would be no restrictions on sugarbeet planting in 1965:

"U.S. DEPARTMENT OF AGRICULTURE,  
"Washington, May 6, 1963.

"NO SUGARBEET ACREAGE RESTRICTIONS FOR 1965 CROP

"The U.S. Department of Agriculture announced today that acreage restrictions (proportionate shares) would not be established for the 1965 crop of sugarbeets.

"This announcement was made concurrently with action taken by the Department which increased 1963 domestic sugar requirements (total quotas) from 9,800,000 to 10,400,000 tons. At the same time the 291,537 tons of 1963 quota increase accruing to the beet area was reallocated to the foreign countries because the anticipated supplies of beet sugar available this year make it unlikely that the area would market the additional sugar.

"On March 14, 1963 (USDA 848-63), the Department announced that 1964 crop sugarbeet plantings would not be restricted. At that time, it was observed that beet sugar production would have to exceed marketings sufficiently to create safe and reasonable stock levels before acreage restrictions could be reimposed. Today's action establishing the 1963 requirements at 10,400,000 tons, with accompanying quotas for the beet area of 2,990,127 short tons, reemphasizes the need for additional beet stocks to permit the area to meet future marketing opportunities."

3. Testimony by responsible officials of the Department of Agriculture in late May and early June of 1963 made it abundantly clear that the intent of the acreage actions was to increase beet sugar production. Under Secretary of Agriculture Charles Murphy and the then Director of the USDA Sugar Policy Staff, Lawrence Myers, testified emphatically to this effect before the Senate Finance Committee and before the Consumer Affairs Subcommittee of the House Committee on Banking and Currency. Excerpts from their testimony follow:

"Mr. MURPHY. One of the major objectives of the Department in announcing that restrictions would not be imposed on sugarbeet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction." (From p. 22 of printed record of hearings re "Factors Relating to Recent Sharp Increases in Sugar Prices," before Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, June 5, 1963.)

"Mr. MYERS. Congressman Vanik, under the amendment passed last year, new plants may have assured acreage sufficient out of each year's requirement figure to produce 65,000 tons of sugar. Because of legislative history and other provisions, we have interpreted that to mean that there should be not less—not over 50,000 tons per one plant. And as the committee report said, that would allow one new plant each year and a fourth plant every third year.

"That does give these new plants a base, so to speak, for such future times as we may reestablish quotas.

"Now, in the meantime, if a plant greatly expands its facilities and its acreage, production and marketings, it has that new higher history on which to build.

"And it was for exactly that reason, as the Secretary pointed out in his testimony this morning, that the industry is assured that acreage restrictions would not be applied in either 1964 or 1965, to encourage this modernization and expansion immediately, so that they would get on this higher basis of production." (From pp. 123 and 124 of printed record of hearings re "Factors Relating to Recent Sharp Increases in Sugar Prices," before Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, June 5, 1963.)

"Senator SMATHERS. \* \* \* Would it have contributed to the alleviation of the present situation or might we have avoided it altogether had we had a greater production of cane and beet sugar domestically?

"Mr. MYERS. Senator, if we were on a domestic self-sufficiency basis, of course, we could insulate ourselves from the world market; we have built up a domestic supply from our mainland and offshore domestic areas to fill 60 percent of our total requirements, as Secretary Murphy pointed out.

"Naturally, the more self-sufficient you are, the less you have to depend upon world prices.

"Senator SMATHERS. Forgetting for a moment the foreign involvements in this whole sugar matter and looking at it totally from a domestic viewpoint, would it be the inclination of you or the Secretary to make a recommendation that the domestic producers of beets and sugarcane have an increased quota so that in the future we would not find ourselves in this shortage where we are subjected to the combinations of world speculators?

"Mr. MURPHY. If I may respond to that, Senator, we have already taken restrictions off production of beets for this year, 1964, and 1965, and cane for this year and 1964.

"Certainly, we would hope that production will increase as a result of this action. As to a permanent division of the market, quotas between this country and foreign countries, we would not be prepared at this time to make any recommendation." (From p. 26 of printed record of hearings re "Sugar Prices," before Senate Finance Committee, May 29, 1963.)

4. The response of the beet sugar industry to the Government's urging for more production, as well as the industry's voluntary resistance to upward price pressures, both were given public recognition by a responsible official of the Government early this year:

"Let me take this occasion to congratulate on two scores the farmers who grow sugarbeets and the companies which process them into sugar: First that they were successful in producing a tremendous crop of sugar when it was needed. Second, that although they raised their prices last year they did not raise them as much as the cane sugar refiners did." (Tom O. Murphy, Director, Sugar Policy Staff, Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, at the annual meeting of the California Beet Growers Association, in San Francisco, Jan. 31, 1964.)

5. In identical testimony before the Senate Finance Committee and the Consumer Affairs Subcommittee of the House Committee on Banking and Currency, Under Secretary of Agriculture Charles Murphy stressed the importance of the domestic sugar-producing industry toward assuring supplies for consumers, and the importance of the Sugar Act in maintaining a healthy domestic industry. The subject under discussion today is basic toward maintaining a healthy domestic sugar-producing industry. Mr. Murphy's testimony:

"Mr. MURPHY. Finally, let me say that all of us should be grateful for our sugar legislation over the years and the assurance it has made possible for sugar supplies at this time. It should be abundantly clear that U.S. sugar supplies today would be infinitely more precarious if we had not had the protection of this law and the quota system over the past 30 years. For without this system, our domestic sugar industry might not have survived the disastrously low world prices of 1960-62. U.S. farmers today are producing and the U.S. processing industry is manufacturing 6 million tons of sugar that constitutes nearly 60 percent of our sugar supplies. The protection that the Sugar Act has afforded over the years has maintained a healthy and growing domestic sugar industry which is indispensable in such a period of tight world supplies." (From p. 28 of printed record of hearings re factors relating to recent sharp increases in sugar prices, before Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, June 5, 1963. (Identical statement appears in prepared testimony presented by Mr. Murphy at hearing re sugar prices before the Senate Finance Committee on May 29, 1963, p. 10, printed record of hearing.)

Mr. SHIELDS. The response of the domestic beet and cane producers is also well known to this committee. The beet sugar industry, for example, responded in 1963 by producing some 20 percent more sugar than in 1962. In continued response and as a direct result of incentives offered by the Government for 1964, we are now beginning the harvest of a sugarbeet crop that will yield some 700,000 to 800,000 tons more sugar than our present quota.

When we were asked to produce more sugar, there was an implied understanding that we would be able to market that extra sugar. The extra sugar production was, in fact, produced to be marketed and not to be put in storage.

On December 20 last year and on January 31 of this year, the administration recognized its moral obligation to ask Congress to provide the authority for additional marketing of domestically produced

sugar this year. The Department conveyed the administration's request to the Congress last December, and the President of the United States did so this January. Recognition of the moral obligation we are sure still exists within the administration.

Unless we are given authority for additional marketing this year, we will be unable, fully, to supply our regular customers later on this year in our normal marketing territory. Because of the heavy demand for beet sugar early this year, when foreign sugar interests were reluctant to sell in this market and because of our confidence that the administration would press its earlier recommendation for extra marketings, our marketings this year have been at an increased rate, at the rate of 3 million tons a year, while our quota remains at 2.7 million.

If we are required to carry all of the additional sugar we now have on hand, in view of the large crop now coming in we shall be burdened with excessive storage charges. We shall be penalized, that is to say, for having responded to the Government's pleas to produce more sugar and its promise to secure extra marketing rights.

On the import fee, as previously stated, our feeling is that the fee is an integral part of the foreign provisions of the Sugar Act. If the other foreign provisions are to be extended without change into next year, the present fee provisions might be more appropriately extended without change, also, awaiting full consideration of the entire foreign fabric of the law next year. However, as we have also said, we would not oppose any adjustment of the import fee which the administration and this committee may agree upon if extra marketings are included in the package.

In conclusion, the position of the domestic beet sugar industry is that any stopgap legislation which fails to include provision for extra marketings in 1964, 500,000 total, in the discretion of the Secretary, up to 275,000 for beet and 225,000 for mainland cane—any stopgap legislation which fails to include such a provision for extra marketings is fatally defective.

The CHAIRMAN. I understand that your group opposes the resolution sent up by the Department.

Mr. SHIELDS. We favor it with the inclusion of extra marketings for the domestic area.

The CHAIRMAN. Otherwise, you do not favor the bill?

Mr. SHIELDS. That is a fair statement; yes, sir.

The CHAIRMAN. Who will speak for the continental cane producers?

#### STATEMENT OF JOSIAH FERRIS, REPRESENTING MAINLAND CANE SUGAR AREA

Mr. FERRIS. My name is Josiah Ferris. I represent the mainland cane sugar area.

Mr. Chairman, we sincerely appreciate the interest you have taken in our problem. I will not rehearse or go over the figures of our marketings and just what we are faced with because you have accorded us the very great privilege of discussing those with you informally, and also with various members of your committee. We would hope that you would view our answer in the light that it is a qualified yes, rather than a qualified no.

We are disappointed, of course, that the Government bill did not take into consideration the marketing problem that we face. We are not criticizing them for not doing it. We realize that circumstances were such that it was very difficult for them to take a position. We are grateful to them for at long last coming out with something, even though it does not accomplish our purpose.

As we stated in our written reply to you, if that is the best bill we can get, we will have to take it, but we certainly do not like it.

We do not want to create the false impression that we are speaking for our Members of Congress, who have problems of their own, and we certainly do not want to create the impression that we are committing them. As far as I know, certainly there is no objection to reporting out the Government bill as quickly as you can. We would be in favor of that.

The CHAIRMAN. Are you going to use that just as a vehicle to attach amendments? That is what we are worried about.

Mr. FERRIS. Mr. Chairman, we are as interested in maintaining the Sugar Act as any group of people I know. It is the instrument under which we have grown and prospered. Without it we could not live. So, we do want to maintain it. But we do not like to have our hands tied if there is some possibility of bettering our position.

The CHAIRMAN. Mr. Shields used the expression that the Government requested the domestic producers to increase production and that it carried with it an implied understanding. I do not know how you can imply an understanding that would be binding on this committee or the Congress. He said in effect they promised to provide legislative authority. I do not know anybody in the executive branch of the Government who has a right to promise anybody to provide legislation. Legislative authority should have been asked for at that time.

As of now, I do not think the committee would give legislative authority for the production of sugar. I do not think we should. I sympathize with your situation and I appreciate the attitude you have taken. You have just heard the statement on behalf of the beet industry. I do not know about the other Members of the House but I think everybody here would vote for relief for the 1964 surplus, but to go beyond that we are endangering the whole program. If you are willing to get back within the framework of the law and move on from here, we will be all right.

I have not received a recommendation from the Department until just now. The situation we are in I think is right where we were when we had an informal conference in this room and we could not get together, and we are not any nearer together now. I do not know what will be the situation after we adjourn, but I think it will be bad. I am not representing anybody in the sugar business, but if I were in the situation you are in, I would be willing to make some concessions.

Has anybody else any observations on this?

What we should do is to get back fully under the act. I think the beet sugar industry would go along with a 5-percent reduction. I do not know whether they would go any further than that or not. Negotiations have been going on.

Mr. HAGEN. There is no concession on their part in the administration bill.

The CHAIRMAN. No. I know that.

Mrs. MAY. Mr. Chairman, I would like not to let your statement stand in the record without some comment, that the beet sugar people have been willing to make no concessions.

The CHAIRMAN. They have been willing to make a concession up to 5 percent, but they have not indicated what figure they would go to above that.

Mrs. MAY. In the nature of negotiations, of course, when somebody is asked to reduce and at the same time have not been offered the privilege of marketing, I think it is very natural they would not offer to cut their own throats when they did not have any assurance they would get a chance to sell sugar.

The CHAIRMAN. The suggestion to reduce the acreage in 1965 certainly was coupled with the thought they would be given authority to sell the 1964 crop.

Mrs. MAY. I do not think the negotiations as reported to me previous to this meeting ever came to that sort of agreement.

The CHAIRMAN. It has been talked about time and time again. I want the domestic producers to sell their surplus.

Mrs. MAY. I am not quarreling with the chairman. I am talking about other sections of the industry.

The CHAIRMAN. During the meeting at one time there was an understanding that they would get together and support this legislation.

Mrs. MAY. I am going back to the gentleman's original statement that the beet people were not willing to make any concessions, and I do not think that statement as such should be allowed to stand in the record.

The CHAIRMAN. I qualified it by saying any concession they are willing to make was the one made this morning by Mr. Shields. He maintains the position now that he has maintained right along, as I understand.

Mr. POAGE. It seems to me the whole crux of this thing has been that the beet people, not having been accustomed, I suppose, to making any reduction in their crop, have felt that a token cut was adequate and that they did not have to make any real, substantial reduction. They have not been in the position that other people have been in. Wheat has been reduced from 85 million acres down to 55 million acres and now we are trying to bring it on down to 42 million acres. Cotton has been reduced from 43 million acres down to the present 16 million acres or a little less than that, actually. Corn has been reduced from around 80 million—I do not have the exact figure—down to 55 million acres. Peanuts took a 55-percent cut in acreage in 1 year, in my State. All at one time. Tobacco—I do not know what their acreage was reduced from, but it has not been increased for some 30 years.

Somehow or other, other people in the United States have all recognized they had to take some substantial cuts if they were to have support programs with the price maintained as a result of governmental action. I do not think anybody disagrees if we did not have the Government supporting this price it would be all right for anybody to grow all the beets they wanted anywhere in the United States at any time. But if the Government is to pay the bill—and I do not know a human in the United States, and that goes for my district as

well as everywhere else, as I have a lot of people in my district who want to grow beets, but not a one of them that wants to grow beets and sell them on the market at world prices. They want to grow beets under a program whereby the U.S. Government will guarantee them a better price than they can get otherwise. If they are to continue to do that, they have to show some kind of cooperation with the Government and maintain an acreage somewhat in keeping with the needs of the Nation.

Of course, I realize that it has been said that we should give a larger share of the market to domestic growers. Somehow or other, I cannot get out of my mind that if we are to do business we have to live up to our contract. We made a trade. Every industry and every group represented in this room today was a party to that. So was this committee. So was the Department of Agriculture. So was the Congress. We agreed to a basic division between domestic and imported sugar. That agreement has 2 more years to run.

If we are simply to repudiate those agreements at will, I do not think there is a bit of use in the world of our bothering about a program. If the very basic agreement on which the program is founded can be scrapped simply because somebody finds it advantageous to scrap it, I do not see why we bother with any legislation at all, because that can be scrapped, too.

Mr. SHORT. Mr. Chairman, we have not scrapped the Sugar Act.

Mr. POAGE. No, but you are, in effect, asking that we do so. There are 850,000 tons of surplus sugar which were produced legally but are excess to the needs of this country. Every ton of that sugar that is sold reduces by that much the amount of imported sugar which can be refined at seaboard refineries. I am like the chairman. I stated long ago that I thought we must let these people sell the sugar they legally produced. I am ready to do that, but I cannot now agree that they may not only sell what they have grown but that they can do the same thing next year. My people, like yours, Mr. Short, want to get into the business but they have not been in the business heretofore. They want in the business. But I am not going home and tell those people that they can get in the beet business, much as I would like to, if it means repudiating a contract and taking business away from people who agreed to a whole series of provisions here on the understanding that we were going to have 58 percent domestic and 42 percent imported sugar. That agreement has 2 more years to run. At the end of that time I am perfectly willing to talk about trying to get something more for American growers, but I think it is worth something to the people of the United States, and I think your people have a whole lot more at stake than mine, because we do not yet grow any beets, to establish a reputation for reliability. I think for the next 2 years your people are pretty well going to need to maintain this program. Mine do not need it. We have nothing to lose if sugar drops to 2 cents, but I fear it would break these old growers who seem to want to wreck the program.

Mr. SHORT. If the gentleman will yield, the beet industry has never suggested that the Sugar Act be revised.

Mr. POAGE. They have. They have asked to sell 850,000—just a second. You asked me to yield, and I have the floor to answer you. You made a statement which clearly is not correct, Mr. Short. The beet

industry asked to sell this excess sugar in the market. Every ton they sell into the market displaces a ton of sugar that we promised, that we agreed, that we wrote into the law, would be imported sugar going through the seaboard refineries. I do not have any seaboard refineries, and I am not about to grow any cane, because it freezes in my country every year and there is no chance to do it. My district's only interest is in growing beets, but I am not going to go home and mislead the people who want to grow beets down there. I am going to tell them the facts, and the facts are that we made an agreement and I am going to try to live up to that agreement.

Mr. SHORT. If the gentleman now will yield.

Mr. POAGE. Certainly.

Mr. SHORT. I think we have to recognize the very basic and important question that this additional sugar which was produced was not produced by virtue of any revision—

Mr. POAGE. Did I not state in the first place that it was legally produced?

Mr. SHORT. All we are asking, I would respond to the gentleman from Texas, is that we be allowed to market a part of the sugar that was legally produced at the request of the Secretary of Agriculture.

Mr. POAGE. That is not all you are asking. If that were all, we would have had this settled long ago. You are asking to sell that sugar this year, and you are asking to have the right to grow up to 5 percent that much next year and to sell it. You are asking to continue to grow a surplus each and every year. You are asking to grow 95 percent of what you did grow. You are overproducing the needs of the market by some 22 percent, I believe it is. I may be wrong on those figures.

Mr. SHORT. Where is the language in this bill that has anything to do with next year's production?

Mr. POAGE. This bill hasn't anything to do with the sale of surplus sugar. This bill hasn't anything to do with that surplus sugar. But the demand of the sugarbeet people is to sell all of the sugar they legally produced in the past and to continue to produce 95 percent of what they have produced. The only difference between your position and mine is, I say they sell it and then let's don't do the same thing next year. I would say: "Go and sin no more." You would say, "Let's be forgiving and go out and sin again."

Mr. SHORT. Where do we say this?

Mr. POAGE. The gentleman standing back there next to the door said his people would give a reduction of 5 percent and no more.

The CHAIRMAN. Let us get back to the witness.

Mr. SHIELDS. If we are going to go beyond the two bills, I would like to say something more.

The CHAIRMAN. Have you anything more to say, Mr. Ferris?

Mr. FERRIS. No. Thank you very much.

Mr. JONES. I would like to make a comment on Mr. Ferris' statement. I think it is very clearly implied that, while he says the group he represents will not oppose this, he goes right on and says "we cannot guarantee that our Members of Congress will not try to amend it." I think that implies the Members of Congress representing those interests will try to amend this bill. If we are to get into a fight, we are just wasting a lot of time here this morning, because we are not

going to get any bill that everybody can agree on. I think that is evident from the conversation that has gone on here.

We should just wait until January and start in and have some hearings on this. I am interested in seeing what will happen if we do not pass any legislation and let this act expire. There is so much difference of opinion among the Department and among the representatives of the various segments of this industry about what is going to happen. Let us see what is going to happen.

Mr. HAGEN. I would like to ask the gentleman from Texas a question. Will you support legislation to put these new areas in the same category as the old areas?

Mr. POAGE. I am for leaving the legislation as it is.

Mr. HAGEN. You were one of the advocates of these new hearings.

Mr. POAGE. That is right.

Mr. HAGEN. The deal was lost in the Senate. The package that was agreed to was not the package that was passed. The Senate altered it radically in favor of the new areas, so the old beetgrowers are the ones taking the whipping.

Mr. POAGE. What did the Senate do to change the language with regard to new areas?

Mr. HAGEN. I do not know exactly. I know they gave new areas preferred positions, which was not in the House bill.

Mr. POAGE. Actually, the House—or this committee—inserted the provision for the new areas. I submitted the language myself.

Mr. HAGEN. You were one of the staunchest advocates.

Mr. POAGE. I appreciate the compliment. I did what I could to get an agreement which I considered fair to all and I am in favor of carrying out that contract, just as I am in favor of carrying out every other contract. We have an agreement, and I believe in being bound by the contract.

Mr. HAGEN. To be fair, you should support legislation—

Mr. POAGE. To repudiate that contract? I will no more deny the beetgrowers the benefit of the contract than I would deny the seaboard refiners the protection of the provisions which are favorable to them.

The CHAIRMAN. Mr. Hoeven?

Mr. HOEVEN. We are getting nowhere fast, and I move the committee go into executive session.

The CHAIRMAN. Without objection, we shall go into executive session, and we thank the gentlemen for coming up here.

(Whereupon, at 11 a.m., the committee proceeded in executive session.)

