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AMEND AND EXTEND THE SUGAR ACT OF 1948

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 10496

AUGUST 18, 19, 20, AND 23, 1965

Serial N

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AMEND AND EXTEND THE SUGAR ACT OF 1948

WEDNESDAY, AUGUST 18, 1965

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

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, McMillan, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Morrison, Matsunaga, O'Neal, Foley, Resnick, Stalbaum, de la Garza, Vigorito, Redlin, Greigg, Callan, Dague, Teague of California, Quie, Mrs. May, Latta, Dole, Walker, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We have a very brief statement to make.

I might say that in former years this committee has been criticized for our delay in reporting sugar legislation. Sometimes we found ourselves in the middle of the night just before adjournment working on a sugar bill.

Since the enactment of the previous act, this committee has been ready for 2 long years to receive recommendations which we did not receive. Now we have waited from January until August, and we finally do have a recommendation before us. So far as the present program is concerned, it has expired, and we must have new legislation. I am frank to say that I am glad that the administration has come up with a recommendation.

I am, also happy that the domestic industry has composed its differences and has presented a solid front. I understand that there is only one speaker for the domestic industry, a gentleman who has appeared here many times before the committee, Mr. Frank A. Kemp.

We now have under consideration on the floor of the House, the omnibus farm bill where all of us must be at approximately 12 o'clock. We therefore only have three witnesses listed for this morning. We have the Under Secretary of Agriculture and the Assistant Secretary of State.

We desire to say to the Under Secretary of Agriculture that we are glad to have you with us, and we will hear from you now.

(H.R. 10496, introduced by Mr. Cooley, follows:)

[H.R. 10496, 89th Cong., 1st sess.]

A BILL To amend and extend the 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 this Act may be cited as the "Sugar Act Amendments of 1965".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended (1) by striking out the first sentence the words "month of December in" and substituting the words "last three months of"; and (2) by striking out of the second sentence "October 31" and substituting "September 30".

SEC. 3. Section 202 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraphs (1) and (2)(A) of subsection (a) are amended to read as follows:

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas six million three hundred and ninety thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar	3,025,000
Mainland cane sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	6,390,000

"(2)(A) To or from the above total of six million three hundred and ninety thousand short tons, raw value, amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds ten million four hundred thousand short tons, raw value, or is less than nine million seven hundred thousand short tons, raw value. Such 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 paragraph (1) of this subsection and the amounts so apportioned shall be added to, or deducted from the quotas for such areas."

(2) Subsection (b) is amended to read as follows:

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, plus 10.86 per centum of the amount, not exceeding seven hundred thousand short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceed nine million seven hundred thousand short tons, raw value."

(3) Subsection (c) is amended to read as follows:

"(c)(1) 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.

"(2) For individual foreign countries other than the Republic of the Philippines, by prorating the amount of sugar determined under paragraph (1) of this subsection among foreign countries on the following basis:

"(A) For countries in the Western Hemisphere—

Country	Per centum
Cuba	57.77
Mexico	7.29
Dominican Republic	7.21
Peru	4.50
Brazil	4.14
British West Indies	2.28
Argentina	1.19
Ecuador	.93
Nicaragua	.76
Guatemala	.66
Costa Rica	.65
Colombia	.52
Haiti	.35
El Salvador	.32
Panama	.27
British Honduras	.08
Venezuela	.05

"(B) For countries outside the Western Hemisphere—

Country	Per centum
Australia	3.49
India	1.81
South Africa	1.81
China, Republic of	1.26
France, the French West Indies and Reunion	.95
Fiji Islands	.85
Mauritius	.28
Southern Rhodesia	.17
Swaziland	.17
Malagasy Republic	.14
Ireland	.04
Belgium	.03
Turkey	.03

Provided, That in no event shall the quotas established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the follow:

Country	Short tons, raw value
Australia	81,533, plus .84 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
South Africa	42,276, plus .44 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value.
France, the French West Indies and Reunion.	22,180, of which not more than 2,484 short tons, raw value, shall be imported from France, not more than 18,730 short tons, raw value, shall be imported from the French West Indies, and not more than 966 short tons, raw value, shall be imported from Reunion.
Belgium	788"

(4) Subsections (d), (e), and (f) are hereby amended to read as follows:

"(d) Notwithstanding any other provision of this Act—

"(1)(A) During the current period of suspension of diplomatic relations between the United States and Cuba, the quota provided for such country under subsection (c) shall be withheld and a quantity of sugar equal to such quota shall be prorated to other foreign countries named in paragraph (2) of subsection (c) on the basis of the percentages stated therein: *Provided*, That in no event shall the quota established under this subsection for Australia, South Africa, France, the French West Indies and Reunion, and Belgium exceed the following:

Country	Short tons, raw value
Australia	111,536, plus 1.15 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
South Africa	57,832, plus .60 per centum of the amount, not exceeding 700,000 short tons, raw value, by which the Secretary's determination of requirements of consumers in the continental United States pursuant to section 201 for the calendar year exceeds 9,700,000 short tons, raw value, less a proportion of that sum equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
France, the French West Indies and Reunion.	30,341, of which not more than 3,398 short tons, raw value, shall be imported from France, not more than 25,622 short tons, raw value, shall be imported from the French West Indies, and not more than 1,321 short tons, raw value, shall be imported from Reunion. Each of these amounts shall be reduced by a proportion of the amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.
Belgium	1,078 less a proportion of that amount equal to the proportion of the Cuban quota, if any, restored pursuant to subsection (e) of this section.

"(B) Whenever and to the extent that the President finds that the establishment or continuation of a quota or any part thereof for any foreign country, or the importation of any sugar from any foreign country under paragraph (2) (A) of this subsection, would be contrary to the national interest of the United States, such quota or part thereof shall be withheld or suspended, and such importation shall not be permitted. A quantity of sugar equal to the amount of any quota so withheld or suspended shall be prorated to the other countries listed in subsection (c) (2) (A) on the basis of the quotas then in effect for such countries.

"(C) The quantities of sugar prorated pursuant to the foregoing provisions of this subsection shall be designated as temporary quotas and the term 'quota' as defined in this Act shall include a temporary quota established under this subsection.

"(2) (A) Whenever the Secretary finds that it is not practicable to obtain the quantity of sugar needed from foreign countries to meet any increase during the year in the requirements of consumers under section 201 by apportionment to countries pursuant to subsections (b) and (c) and the foregoing provisions of this subsection, such quantity of sugar may be imported on a first-come, first-served basis from any foreign country, except that no sugar shall be authorized for importation from Cuba until the United States resumes diplomatic relations with that country and no sugar shall be authorized for importation hereunder from any foreign country with respect to which a finding by the President is in effect under subsection (d) (1) (B) : *Provided*, That such finding shall not be made in the first nine months of the year unless the Secretary also finds that limited sugar supplies and increases in prices have created or may create an emergency situation significantly interfering with the orderly movement of foreign raw sugar to the United States. In the event that the requirements of consumers under section 201 are thereafter reduced in the same calendar year, an amount not exceeding such increase in requirements shall be deducted pro rata from the quotas established pursuant to subsection (c) and this subsection.

"(B) Sugar imported under the authority of this paragraph (2) shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar, he may authorize the importation for direct consumption of so much of such quantity as he determines may be required to meet the requirements of consumers in the United States.

"(3) No quota shall be established for any country other than Ireland for any of the years following a period of twenty-four months, ending June 30 prior to the establishment of quotas for such year, in which its aggregate imports of sugar equaled or exceeded its aggregate exports of sugar from such country to countries other than the United States.

"(4) Whenever in any calendar year any foreign country fails, subject to such reasonable tolerance as the Secretary may determine, to fill the quota as established for it pursuant to this Act, the quota for such country for subsequent calendar years shall be reduced by the smaller of (i) the amount by which such country failed to fill such quota or (ii) the amount by which its exports of sugar to the United States in the year such quota was not filled was less than 115 per centum of such quota for the preceding calendar year : *Provided*, That (i) no such reduction shall be made if the country has notified the Secretary before August 1 of such year (or, with respect to events occurring thereafter, as soon as practicable after such events), of the likelihood of such failure and the Secretary finds that such failure was due to crop disaster or other force majeure, unless such country exported sugar in such year to a country other than the United States, in which case the reduction in quota for the subsequent years shall be limited to the amount of such exports, as determined by the Secretary, and (ii) in no event shall the quota for the Republic of the Philippines be reduced to an amount less than nine hundred and eighty thousand short tons, raw value, of sugar.

"(5) Any reduction in a quota because of the requirements of paragraphs (3) and (4) of this subsection shall be prorated to other foreign countries in the same manner as deficits are prorated under section 204 of this Act. For purposes of determining unfilled portions of quotas, entries of sugar from a foreign country shall be prorated between the temporary quota established pursuant to paragraph (1) of this subsection and the quota established pursuant to subsection (c).

"(e) Whenever the President finds that it is no longer contrary to the national interest of the United States to reestablish a quota or part thereof withheld or suspended under subsection (d)(1) of this section, and, in the case of Cuba, diplomatic relations have been resumed by the United States, such quota shall be restored in the manner the President finds appropriate: *Provided*, That the entire amount of such quota shall be restored for the third full calendar year following such finding by the President. The temporary quotas established pursuant to subsection (d)(1) shall, notwithstanding any other provision of this section, be reduced pro rata to the extent necessary to restore the quota in accordance with the provisions of this subsection.

"(f) Whenever any quota is required to be reduced pursuant to subsection (e) or because of a reduction in the requirements of consumers under section 201 of this Act, and the amount of sugar imported from any country or marketed from any area at the time of such reduction exceeds the reduced quota, the amount of such excess shall, notwithstanding any other provision of this section, be deducted from the quota established for such country or domestic area for the next succeeding calendar year.

"(g) The Secretary is authorized to limit, through the use of limitations applied on a quarterly basis only, the importation of sugar within the quota for any foreign country during the first and second quarters of any calendar year whenever he determines that such limitation is necessary to achieve the objectives of the Act: *Provided*, That this subsection shall not operate to reduce the quantity of sugar permitted to be imported for any calendar year from any country below its quota, including deficits allocated to it, for that year.

"(h) The quota established for any foreign country and the quantity authorized to be imported from any country under subsection (d)(2) of this section may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of the Sugar Act of 1948, as amended, is amended to read as follows:

"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 or country will be unable to market the quota for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota for such area or country, he shall revise the quota for the Republic of the Philippines by allocating to it an amount of sugar equal to 47.22 per centum of the deficit, and shall allocate an amount of sugar equal to the remainder of the deficit to the countries listed in section 202(c)(2)(A) on the basis of the quota then in effect for such countries: *Provided*, That if any quota is restored to Cuba, the maximum per centum of 47.22 of the deficit to be allocated to the Republic of the Philippines shall be reduced to a per centum equal to that which the Philippine quota under subsection (b) of section 202 bears to the sum of such Philippine quota and the quotas then in effect for all foreign countries pursuant to subsection (c) of section 202. If the Secretary determines the Republic of the Philippines will be unable to fill its share of any deficit determined under this subsection, he shall allocate such unfilled amount to the countries listed in section 202(c)(2)(A) on the basis of the quotas then in effect for such countries. If the Secretary determines that neither the Republic of the Philippines nor the countries listed in secton 202(c)(2)(A) can fill all of any such deficit, he shall apportion such unfilled amount on such basis and to such foreign countries as he determines is required to fill such deficit. Any reallocation of deficits pursuant to this subsection shall be subject to the import restrictions of subsection (d)(1) of section 202. The Secretary shall insofar as practicable determine and allocate deficits so as to assure the availabiltiy of the sugar for importation during the calendar year. In any event, any deficit, so far as then known, shall be determined and allocated by August 1 of the calendar year. Notwithstanding the foregoing provisions of this subsection, if the President determines that such action would be in the national interest, any part of a deficit which would otherwise be allocated to countries listed in section 202(c)(2)(A) may be allocated to one or more of such countries with a quota in effect on such basis as the President finds appropriate.

"(b) The quota established for any domestic area or any foreign country 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: *Provided*, That

the quota for any foreign country shall be reduced to the extent that it has notified the Secretary that it cannot fill its quota and the Secretary has found under section 202(d)(4) that such failure was due to crop disaster or other force majeure."

SEC. 5. Section 205 of the Sugar Act of 1948, as amended, is amended by adding at the end of subsection (a) the following sentence: "If allotments are in effect at the time of a reduction in a domestic area quota for any year, the amount marketed by a person in excess of the amount of his allotment as reduced in conformity with the reduction in the quota shall not be taken into consideration in establishing an allotment in the next succeeding year for such person, and any allotment established for such person for the next succeeding year shall be reduced by such excess amount."

SEC. 6. Section 206 of the Sugar Act of 1948, as amended, is amended to read as follows:

"SEC. 206. (a) If the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act, he may limit the quantity of such product or mixture to be imported or brought in from any country or area to a quantity which he determines will not so interfere: *Provided*, That the quantity to be imported or brought in from any country or area in any calendar year shall not be reduced below the average of the quantities of such product or mixture annually imported or brought in during the most recent three consecutive years for which reliable data of the importation or bringing in of such product or mixture are available.

"(b) In the event the Secretary determines that the prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico, of any sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act and there are no reliable data available of such importation or bringing in of such product or mixture for three consecutive years, he may limit the quantity of such product to be imported or brought in annually from any country or area to a quantity which the Secretary determines will not substantially interfere with the attainment of the objectives of the Act, provided that such quantity from any one country or area shall not be less than a quantity containing one hundred short tons, raw value of sugar or liquid sugar.

"(c) In determining whether the actual or prospective importation or bringing into the continental United States, Hawaii, or Puerto Rico of a quantity of a 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 mixures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the continental United States, Hawaii, or Puerto Rico, the present or prospective volume of importation relative to past importations, the type of packaging, whether it will be marketed to the ultimate consumer in the identical form in which it is imported or the extent to which it is to be further subjected to processing or mixing with similar or other ingredients, and other pertinent information which will assist him in making such determination. In making determinations pursuant to this section, the Secretary shall conform to the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Subsections (d) and (e) of section 207 of the Sugar Act of 1948, as amended, are amended as follows:

"(d) Not more than fifty-nine thousand nine hundred and twenty short tons, raw value, of the quota for the Republic of the Philippines may be filled by direct-consumption sugar.

"(e) None of the quota established for any foreign country other than the Republic of the Philippines and none of the deficit prorations and apportionments for any foreign country established under or in accordance with section 204(a) may be filled by direct-consumption sugar: *Provided*, That the quotas for Ireland, Belgium, and Panama may be filled by direct-consumption sugar to the extent of two thousand three hundred and eleven short tons, raw value, for Ireland; one hundred and eighty-two shorts tons, raw value, for Belgium; and three thousand eight hundred and seventeen short tons, raw value, for Panama."

SEC. 8. Section 209 of the Sugar Act of 1948, as amended, is amended by striking from subsection (e) thereof the words "any sugar or liquid sugar"

and inserting in lieu thereof the following: "any sugar or liquid sugar in excess of one hundred pounds in any calendar year".

SEC. 9. Section 213 of the Sugar Act of 1948, as amended, is repealed.

SEC. 10. Section 302 of the Sugar Act of 1948, as amended, is amended as follows:

(1) Paragraph (1) of subsection (b) is amended to read as follows:

"(b)(1) The Secretary shall determine for each crop year whether the production of sugar from any crop of sugarbeets or sugarcane will, in the absence of proportionate shares, be greater than the quantity needed to enable the area to meet its 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. Such determination shall be made only with respect to the succeeding crop year and only after due notice and opportunity for an informal public hearing. If the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be in excess of the quantity needed to enable the area to meet its quota and provide a normal carryover inventory, he shall establish proportionate shares for farms in such areas as provided in this subsection, except that the determinations by the Secretary of proportionate shares for farms in Hawaii and the Virgin Islands in effect on January 1, 1965, shall continue in effect until amended or superseded. 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 and sugarcane."

(2) The first sentence of paragraph (3) of subsection (b) is amended to read as follows:

"(3) 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 1962 through 1966, inclusive, from the national sugarbeet acreage requirement established by him, the acreage required to yield sixty-five thousand short tons, raw value, of sugar."

(3) Paragraph (5) of subsection (b) is amended by striking the words "In determining farm proportionate shares" and inserting in lieu thereof the words "Whether farm proportionate shares are or are not determined".

(4) Subsection (b) is amended by adding a new paragraph (8) as follows:

"(8) In order to protect the sugarbeet production history for farm operators (or farms) who in any crop year, because of a crop-rotation program or for reasons beyond their control, are unable to utilize all or a portion of the farm proportionate share acreage established pursuant to this section, the Secretary may reserve for a period of not more than three crop years the production history for any such farm operators (or farms) to the extent of the farm proportionate share acreage released. The proportionate share acreage so released may be reallotted to other farm operators (or farms), but no production history shall accrue to such other farm operators (or farms) by virtue of such reallocation of the proportionate share acreage so released."

SEC. 11. Title IV of the Sugar Act of 1948, as amended, is amended as follows:

(1) Subsection (b) of section 402 of such Act is amended by adding the following sentence thereto: "The Secretary is authorized to use the services, facilities, and authorities of Commodity Credit Corporation for the purpose of making disbursements to persons eligible to receive payments under title III of this Act: *Provided*, That no such disbursements shall be made by Commodity Credit Corporation unless it has received funds to cover the amounts thereof from appropriations available for the purpose of carrying out such program."

(2) Subsection (a) of section 408 of such Act is amended by adding the following at the end thereof: "During any period that the operation of the provisions of title II is so suspended by the President, the Secretary shall estimate for each year the amount of sugar needed to meet requirements of consumers in the United States and the amount the quota for each country would be if calculated on the basis as provided in section 202 of this Act. Notice of such estimate and quota calculation shall be published in the Federal Register. If any country fails to import into the continental United States within the quota year, an amount of sugar equal to the amount the quota would be as calculated for such country by the Secretary for such year, the quota established

for such country in subsequent years under the provisions of title II shall be reduced as provided in section 202(d)(4) of this Act: *Provided*, That quotas for subsequent years shall not be reduced when quotas are suspended under this subsection and reimposed in the same calendar year."

(3) Subsection (b) of section 408 of such Act is amended by striking out the last sentence thereof and substituting in lieu thereof the following: "Any quantity so suspended shall be allocated in the same manner as deficits are allocated under the provisions of section 204 of this Act."

(4) Subsection (c) of section 408 of such Act is repealed.

(5) Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1966" in each place it appears therein and inserting in lieu thereof "1971".

SEC. 12. Section 4501(b) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1967" in each place it appears therein and inserting in lieu thereof "1972".

SEC. 13. The provisions of this Act shall become effective January 1, 1965.

STATEMENT OF HON. JOHN A. SCHNITTKER, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY HORACE GODFREY, ADMINISTRATOR, ASCS; TOM MURPHY, DIRECTOR, SUGAR POLICY STAFF, ASCS; AND JOHN BAGWELL, GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. SCHNITTKER. Mr. Chairman and members of the committee, I am glad to be here to testify before the committee on sugar legislation. Unlike many members of this committee, particularly the chairman and the vice chairman, I am a newcomer to sugar discussions, but I have with me Horace Godfrey, the Administrator of the ASCS, which administers the Sugar Act, and Tom Murphy, the Director of the Sugar Policy Staff. And I am pleased to have with me at the table this morning, also, Mr. Anthony Solomon, the Assistant Secretary of State for Economic Affairs, who will make a short statement after I finish.

The administration's recommendation for amendment of the Sugar Act is, we believe, in the public interest. It is supported by all groups of the domestic sugar industry: farmers, processors, and refiners. For more than a year meetings have been going on within the executive branch, in the sugar industry, and more recently between the industry and the Government. We believe that the recommended program is fair to all who will be affected by it. Before discussing the proposal, I would like to review briefly the period since the last Sugar Act amendement was enacted in 1962.

The world's sugar economy has been disrupted in the last few years far more than in any other peacetime period in the last 40 years. During the fifties and for a year or two afterward, rising income throughout the world brought about expansion of sugar consumption at about double the rate of population growth, which itself was quite high. Meanwhile, in 1959, 1960, and 1961, replanting of canefields in Cuba was largely neglected. Then, in 1961 the authorities in Cuba, which for generations had been the world's sugar bowl, decided to diversify the economy. As a first step in that direction, all of the sugarcane then growing was cut in preparation for the planting of other crops. Traditionally, Cuba had followed the practice of storing sugar not only in the warehouses but also in most years as sugarcane carried over in the field from year to year.

The Cuban decision resulted in a very large 1961 crop but in much larger production losses for each of the next 3 years. Meanwhile, the 1962 and 1963 European beet sugar crops were well below normal partly because of production restrictions in the first year but mostly because of poor weather. The impact of all these events was dramatic. World inventories of sugar fell from a record level of 16 million tons in September 1961 to such an extent that last September they amounted to only 10 million tons and represented barely 2 months' consumption. This, despite the fact that high prices during the period of stock depletion had a highly restraining effect on world sugar consumption. In fact there was no growth whatever in sugar consumption during the 2 years preceding last September.

The changes in the supply-demand picture could not fail to gain expression in prevailing price levels. The world raw sugar price rose from an average of 2½ cents per pound in the first half of 1962 to more than 12 cents per pound in May and again in November of 1963. It has since fallen to an average of less than 2½ cents for the current year and is presently less than 2 cents.

High prices in the world market also affected the United States. During the period from February 1963 to June 1964 the price of raw sugar, duty paid at New York, averaged 8 cents per pound. Although on a comparable basis, this was 1½ cents per pound below the average of the world market, it was also 1½ cents above the usual price in the United States. Since the summer of 1964, sugar has been in ample supply. It was then that the world price again dropped below the domestic price which itself fell slightly below its customary level for the balance of the year. The domestic price during the current year has been in line with the price contemplated in the Sugar Act.

The supply and price developments just described affected production plans at home and abroad.

Sugar production had not been restricted in any domestic producing area between 1960 and the current year, except temporarily with respect to the 1963 mainland sugarcane crop. Production expanded rapidly in the mainland sugarbeet and sugarcane areas. Both areas were able to meet their quotas during the period of sugar scarcity and to add substantially to their inventories. The availability of domestically produced sugar and the cooperation of numerous foreign suppliers substantially tempered the impact of the worldwide shortage on sugar prices in the United States. This benefited sugar consumers but, unfortunately, both the mainland producing areas are left in the position of having large supplies of sugar which can not be marketed because of quota limitations under the current act.

When sugar was in short supply, production expanded more quickly in the United States than in other parts of the world and the United States is also the first country to cut back production. Both of the U.S. mainland sugar crops are restricted this year. Sugarcane acreage has been cut 13 percent below the 1964 level and sugarbeet acreage, 5 percent. Since acreage is guaranteed under the statute to reserve acreage growers in the localities where new sugarbeet factories have been constructed, the 5-percent cut for the sugarbeet area as a whole necessitated an average cut of 10 percent for all other growers who had produced sugarbeets prior to this year. Despite the production cutbacks, inventories will remain very large in both areas and further

production cutbacks may be needed. These reductions will be moderate if the Congress revises the quotas in line with the administration's recommendation.

Production throughout the world has within the last year increased markedly. With lower prices, world consumption once again has started to climb, yet the current 1964–65 crop estimated at a record 70 million tons is so large that probably about 7 million tons will be added to inventories.

Next year's crop of sugar throughout the world also is expected to be very large and inventories may continue to grow. What the future holds over the long term, no one can say. I have heard it said that we could not have a repetition of the 1963–64 experience, if for no other reason than that no country has such a large export potential to lose as Cuba once had. But our experience with sugar in the sixties prompts us to expect anything. The current world price for sugar of less than 2 cents a pound is well below the cost of production in practically every exporting country. If that price continues for a long time, world production will fall again, probably at some point to an insufficient level. The possibility of another shortage at some time in the future cannot be disregarded.

The administration's legislative proposal as finally developed in response to the events I have just recounted retains many of the features of previous legislation and provides a balanced approach to the needs of all groups affected by the Sugar Act: consumers, domestic producers, foreign suppliers, and the cane sugar refining industry.

Particular attention has been devoted to the interests of consumers. Quotas would be allocated to foreign countries to the degree that they demonstrated their willingness and their ability to service our market under the most trying circumstances; that is, when sugar was extremely scarce and when higher prices were available in other markets. The administration believes that this is the best method of assuring the needed level of imports not only during the extended periods when the United States is a premium price market but also in the exceptional periods when higher prices could be obtained by exporting to other destinations. Under the proposed legislation foreign suppliers would have further incentive to service our market at all times because they would be assured of a price more than double the present world price. The price would be attractive to efficient producers but hopefully not so high as to encourage production unduly. Exporting countries would be further encouraged to service our market at all times because nonperformance in any year would be grounds for reducing a country's quota in future years. The Government also believes and representatives of the two mainland sugar-producing areas agree that they should carry significantly larger inventories than was customary prior to the surgar shortage period.

Mainland producers would in effect receive an advance on market growth to enable them to work off their sugar inventories in an orderly manner and with only moderate further curtailment of production. The two mainland areas would receive quota increases beginning this year. Their quotas would then remain constant at all levels of national sugar consumption between 9.7 and 10.4 million tons before again being accorded participation in market growth.

Initially, the increase in domestic quotas would entail a reduction of imports from the level established by the 1962 amendments to the act. However, all market growth would go to foreign countries until consumption reaches 10.4 million tons annually, at which time the balance between domestic and foreign quotas under the present law would be virtually reestablished. Thus, supplying countries would probably recover their share of the market within the term of the proposed extension of the act. They would also be assured of a price which usually includes a substantial premium. Thus, foreign countries would have both volume and price protection.

The domestic price during the period of world scarcity could not have been held so much below the exorbitant world price level had it not been for the cooperation of many of our foreign suppliers. Each of them sustained a substantial loss of revenue by sending sugar to the United States during that period. At no other time during the life of the Sugar Act has domestic price been at so great a discount. The proposed allocation of foreign quotas at the present level of sugar consumption would—as does the administrative allocation for the current year—recognize the cooperation of our supplying countries. Quotas would be allocated essentially on the basis that each country contributed toward our import needs in 1963 and 1964 but with the latter year given double weighting. Although our foreign suppliers sustained a price discount on their imports to the United States in 1963, the price disadvantage at the time they committed 1964 supplies was much greater, hence the double weighting for that 1964 performance. Furthermore, when 1964 supplies were committed in the last weeks of 1963 and the first 2 weeks of 1964, sugar was much scarcer than in early 1963 when that year's imports were committed.

The market for refined cane sugar initially would be curtailed as compared to present law because of the increase in the quota for beet sugar which is produced from sugarbeets in a single operation. However, cane sugar refiners' share of the market would thereafter increase since all market growth would be assigned to foreign countries, whose imports become the raw material for cane sugar refiners. If sugar consumption continues to increase during the period of the extension, refiners' volume of business would be larger that the average for recent years, and by the end of the term of the extension it is expected that refiners' proportionate share of the market would also be virtually as large as under the present law.

I should make one further general comment before referring briefly to the details of the proposal. The administration recommends that the Cuban reserve be allocated to individual countries rather than globally as we recommended in 1962. The combination of country quotas and a global quota which enabled the United States to obtain sugar from most world sources, worked well during the difficult 1963–64 period. Sugar was obtained when needed in much larger quantities from a number of countries than could have been foreseen in advance. Now, however, and for the first time, countries have demonstrated what may be expected of them when supplies are scarce. This demonstrated performance makes it much safer to allocate imports on a country-by-country basis and to depend on obtaining sugar in any other manner only as a last resort prior to the suspension of quotas.

Before 1960 all of our present foreign suppliers, other than the Philippines, had imported into the United States less than 300,000 tons annually in total. By 1961, they were importing 10 times that much. In the last half of 1960, in 1961 and 1962, large carryovers of sugar existed in many of the countries for which another market could not be found even at the low world price. These surpluses made possible exports to the United States at a higher rate than current production would have supported. The surpluses had disappeared by 1963. Hence, 1963 and 1964 are peculiarly appropriate and available years to use as a base for allocating future import quotas.

Turning now to the details of the proposal, it is our recommendation that the Sugar Act be extended 5 years to December 31, 1971. Beginning with the current year, the marketing quota for the domestic beet sugar area would be established at 3,025,000 tons and the marketing quota for the mainland sugarcane area at 1,100,000 tons, to remain at those levels whenever the determination of national sugar requirements is between 9.7 and 10.4 million tons. The recommended quotas represent increases of 375,000 tons for the beet sugar area and 205,000 tons for the mainland sugarcane area as compared to present law, at a consumption level of 9.7 million tons. At higher levels of consumption, the increases become progressively smaller and together would amount to only 125,000 tons when consumption reaches 10.4 million tons. The two areas would share in future market growth when consumption exceeds 10.4 million tons and, conversely, the quotas for the areas would be reduced if consumption falls below 9.7 million tons—in each case, to the extent of 65 percent of such differences in total consumption. The quotas for the offshore domestic areas would be the same as under present law, resulting in total basic quotas for the five domestic areas of 6,390,000 tons. The recommended quota increases would enable the two mainland areas to market their current surpluses in an orderly fashion during the next few years with only moderate further curtailment of production. By 1971, it is probable that the relationship between domestic marketing and imports provided in the current act will have been virtually reestablished. Hence, the recommended term of the extension and the market sharing proposal are integral parts of a single plan.

An additional part is the recommendation that the sugarbeet acreage reserve program not be extended beyond 1966 except to protect the interests of those who have received the allocations authorized under the present provision of the law. Six new sugarbeet factories have been or are being constructed. In view of the acreage cutbacks to which long-term growers have been and will be subjected, additional factories in new localities are not advisable during the term of this extension.

A quota of 1,050,000 tons plus 10.86 percent of market growth between 9.7 and 10.4 million tons is recommended for the Republic of the Philippines.

A reserve quota would be established for Cuba amounting to 57.77 percent of total annual requirements after deducting the domestic and Philippine quotas. The replacement sugar for this reserve would be obtained under a system of temporary country-by-country quotas until such time as there is a friendly government in Cuba. The remaining 42.23 percent of imports from countries other than the Philippines would be available as permanent quotas for other foreign coun-

tries. With total national requirements of 9.7 million tons or less, both permanent and temporary country quotas would be prorated to countries which have imported sugar since January 1, 1963, on the basis of their contributions to our import needs during 1963 and 1964, with 1963 having a weight of 1 and 1964 a weight of 2. Additional imports stemming from market growth would be allocated principally to developing countries within the group, most of which are located in this hemisphere.

Deficits or shortfalls in any quotas would be prorated among Western Hemisphere countries and the Republic of the Philippines. However, both domestic areas and foreign countries would retain their rights to fill their full quotas despite declarations of deficit except in the case of a foreign country that has advised the Secretary it cannot fill its quota and he subsequently finds that the deficit was caused by force majeure. Such a finding would exempt the country from the permanent quota reduction which otherwise would apply.

The President could also allocate deficits within the Western Hemisphere on such basis as he finds appropriate if he determines that a departure from the pro rata allocation would be in the national interest.

The recommendation incorporates a number of other features designed to assure consumers adequate supplies at reasonable prices and to help stabilize sugar markets. Let me briefly discuss this.

If the Secretary finds it impracticable to obtain additional needed foreign supplies by increasing foreign quotas either (1) because the requirements determination is increased very late in the year when shipping for minor quantities from all countries would not be available or (2) because limited sugar supplies and increased prices have created or are likely to create an emergency situation interfering with the orderly movement of foreign sugar to the United States, then he could obtain the needed sugar from any friendly foreign country. In an emergency situation, the President can suspend quotas and in fact, he did so twice in the early years of the Sugar Act. To avoid such action except as a last resort, the Secretary under these provisions would be empowered while quotas are still in operation to obtain imports from any eligible source throughout the world at times when sugar is scarce and when domestic users presumably would be stockpiling in excess of current requirements. In this kind of a situation, we would expect each of our 30 foreign suppliers would not be able to furnish his pro rata share. Some might be able to furnish far more and in fact during the term of the act, sugar might also be available from countries which would not have quotas. The recommended provision would make such increments of sugar available, thereby tending to stabilize sugar prices in the United States at times when the world price may be exorbitant.

If any country fails to fill its quota, in future years that quota would be reduced except upon a finding of force majeure by the Secretary. The reduction would amount to the lesser of the quantity of the shortfall or the quantity by which imports during the shortfall year are less than 115 percent of the previous year's quota or in the case of the Philippines, the quantity by which its quota exceeds the quantity guaranteed by agreement. Thus, countries would have incentive to maintain reserve stocks for the U.S. market on the order of 15 percent of their quotas.

Authority to limit total imports during the first two calendar quarters of a year is recommended to guard against overly large importations in the early part of the year which could tend to depress domestic prices. Whenever the world price is well below the domestic price objective, there is a tendency to seek the price premium available in this market at an early stage of the year despite the limitation imposed by an annual quota on imports from each country. This tendency can be counteracted by limiting total imports in the first half of the year.

Mr. Chairman, I believe the recommendation which I have discussed and which is incorporated in the proposed bill transmitted along with a section-by-section analysis with Secretary Freeman's letter of August 17 to the Speaker of the House, and the President pro tempore of the Senate, constitutes a sound basis for amending and extending the Sugar Act.

The CHAIRMAN. I want to thank you very much for your presentation. At the time we reported the bill out in 1962, we warned the administration that all of these things might happen. Sugar did go to 10 cents a pound as you say in your statement, in May of 1962 and again in November of 1963. In my opinion, that was due to the global quotas. We had a sugar program that operated successfully for 20 years, so successfully that the average housewife of America did not even known that we had a sugar program. In all of that time we had a stability of prices with a stability of supply, and after we messed up the Sugar Act in 1962 we got into this trouble.

Now this bill is an effort to reward those people who responded to your request to send sugar into this market, because the price had gotten out of hand. I know that the administration had suggested to the sugar producers of the world to send sugar into this market, and as chairman of this committee I was asked to send such a cablegram, and I refused to do that. I said that I could not do it, because this committee had no authority to change the situation and we did not know what the administration would finally recommend in the way of world quotas.

Now you present us with a formula here which, if enacted, will reward those supplying areas which came to the rescue of the administration to keep prices in line or to keep prices at a reasonable level.

It is very good to have this recommendation, but I want to emphasize to you and to everybody else that this statement that you have presented and this bill that has been presented by the administration is merely a recommendation to this committee, because, after all, this is the legislative committee of the Congress of our country, and this is where the legislation will be written.

We will hear everybody who wants to be heard, but I want to make it perfectly clear that we are not accepting this either to approve or disapprove by one voice vote.

I am certain that this committee in its deliberations will very carefully consider section by section every provision in the bill which has been set up here. And I do not think that this committee is going to abdicate its responsibility and turn it over to anybody, any Cabinet officer, any bureaucrat, or anybody else.

We have 35 members on this committee who will sit here and work their will on this legislation.

On the original bill some years ago, we obtained a closed rule and sent it to the House by almost unanimous consent. We thought then that it was a good bill, and I think now that it was a good program. If it had been followed we would not be in this trouble now.

Now we have to do a major operation to get the sugar program back into operation as it should have been operating all along. I am saying this because I want to let you know and the Secretary and everybody else know that these 35 members are elected to perform their duty here for the people, and it will be performed by these 35 members.

As I have said, I am glad to have this statement and I am delighted that the administration has come around to our way of thinking about the country quotas under which we operated for so long.

I thank you again for the committee.

Are there any questions of the Secretary? Mrs. May?

Mrs. MAY. Mr. Schnittker, I commend you, as does the chairman of the committee, in the recommendations you have made regarding those countries that did supply sugar to us in the times when we needed it and at a loss in money to themselves in some cases. However, there is no mention in your statement of what our domestic sugar growers did to help in that emergency time, nor is there any mention in your statement of how they will be rewarded for increasing their production as they were requested to do by the Secretary of Agriculture. What is their reward?

Mr. SCHNITTKER. In the proposed legislation, Mrs. May, both the domestic areas will get an increase in their quotas, one by some 375,000 tons and the other, I believe, by 205,000 tons.

Mrs. MAY. The siutation is that at the time they did attempt to alleviate the emergency situation, and their reward has been a cutback, particularly among old growers, and they have not been allowed to market the inventory of sugar that has piled up because they acquiesced to the request of the Secretary of Agriculture—so months later the USDA decides it is finally necessary that we allow them to market their sugar.

Mr. SCHNITTKER. The cutback which you refer to is in effect for the crop which will shortly be harvested.

Mrs. MAY. The cutback this year is somewhere in the neighborhood of 10 percent already.

Mr. SCHNITTKER. The acreages were increased, in fact, there were no controls on acreages, as I understand it, for 1961 through 1964, so that any cutback was from a level which had expanded during those years. In addition, a number of new areas were brought in under the previous Sugar Act. Part of the cutback on the traditional growers was sustained because under the statute the new areas could not be cut back in the current year.

Mrs. MAY. Yes.

Mr. SCHNITTKER. But I would say that our growers had 4 very good years of expansion. They will now get an increase in the quotas, just as some of the foreign suppliers will, and they have had, really, a very good sugar situation for a number of years, but they do have at this time some stocks built up which will have to be worked down.

Mrs. MAY. What good is expansion unless you can sell the product? I still think that it is essential to point out that the average American sugar farmer is not being rewarded for the production of sugar which

he produced and which he was not allowed to market and has been waiting for a long time for the Department of Agriculture to send a bill up here which would allow him to market these inventories. In the traditional areas they have had to cut back. And I am suggesting to you the Department of Agriculture, I think, that there should have been some mention made in your report thanking them, also, for coming to our help at that time.

May I ask one question, Mr. Chairman?

You have, also, made provision for our foreign suppliers in case of another emergency or a shortage, if it does arise. Under your bill you will allow them an opportunity to increase their quotas, to get sugar for this country. In these recommendations that you have made, so far as I can see you make no mention of what we might allow our American sugar farmers to do in case of an emergency or a shortage, or, let us say, international involvement. Under this bill, for 5 years there will be no formula for letting them have a chance to provide more sugar in times of emergency or shortage; isn't that true?

Mr. SCHNITTKER. Mrs. May, I am going to ask Mr. Murphy, who is the head of the sugar policy staff, to answer this.

Mrs. MAY. Yes. What would happen in a case like that, Mr. Murphy?

Mr. MURPHY. Mrs. May, as you know, the President could suspend the quotas as a last resort, in which case any kind of sugar could be marketed. In a less severe situation of the kind that you are talking of it might well be that total quotas would exceed 10,400,000 tons, and if they did the mainland beet and cane areas would get the major share of such increases. Those are the two possibilities I believe they are for contribution by the mainland cane and sugarbeet areas over and above their domestic quotas.

Mrs. MAY. But only if there is increased consumption in the United States, regardless of an emergency.

Mr. MURPHY. That is true, Mrs. May.

Mrs. MAY. In that case, it really is not a quid pro quo allowing the domestic areas to get their fair share of that market in an emergency. It would not be extra for them, since we would be getting foreign sugar. I do think that there should be something in the record to recommend that our domestic growers of cane and sugarbeets, in case we were involved in a national emergency or a shortage on a worldwide basis, be allowed a chance to increase sales. I am not satisfied that we have made any provision for that or laid the foundation for that. That is all.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Mr. Dole.

Mr. DOLE. I want to thank the gentleman for a very fine statement and, also the chairman of the committee for getting this legislation before the committee. I trust we will work our will on it and hope this will be kept in mind this afternoon as we debate the farm bill on the House floor.

I understand that in western Kansas some of the beet producers are overplanted. Will they be able to market these excess acres of sugar this year?

Mr. SCHNITTKER. They would not under either existing law or any features of this bill. That is not feasible.

Mr. DOLE. In other words, as the bill is written they could not market it?

Mr. SCHNITTKER. There is nothing in the present law and there is no amendment to the present law in this bill which would permit the marketing of overallotment planting.

Mr. DOLE. Do you see any possibility in the future that sugarbeet acreage for new plants will be extended under this bill or reinstated?

Mr. SCHNITTKER. Not in the life of this proposed 5-year extension. We think it is particularly inappropriate at a time when we have a domestic sugar surplus in stocks which have to go to market, plus an unprecedented world surplus, to propose authority for new areas coming into production or additional acreages in areas which may now be in production.

The CHAIRMAN. Thank you very much, Mr. Secretary.

We will now hear from Mr. Solomon. It is good to have a Solomon here this morning on this question.

Mr. SOLOMON. I know that this has been one very difficult decision, where a "baby" has to be cut up. So that I get the reference.

The CHAIRMAN. Identify yourself for the reporter.

STATEMENT OF HON. ANTHONY M. SOLOMON, ASSISTANT SECRETARY OF STATE; ACCOMPANIED BY GEORGE R. JACOBS, ACTING DIRECTOR, OFFICE OF INTERNATIONAL COMMODITIES, DEPARTMENT OF STATE

Mr. SOLOMON. My name is Anthony M. Solomon, Assistant Secretary of State for Economic Affairs. I appear on behalf of the Department of State in support of the proposals and recommendations of the Department of Agriculture. We concur with those fully and, in particular, with the allocations of foreign quotas which we feel recognizes the cooperation of those foreign suppliers who came to help us to meet our sugar needs during 1963–64 when the situation was critical.

I am here to answer any questions, but since my Department is in full accord with that of the Department of Agriculture I did not prepare a written statement.

I thank you.

The CHAIRMAN. That is all right, Mr. Secretary. We are delighted to have you here with us. Thank you gentlemen very much for your appearance. We will now call on our next witness, Mr. Frank A. Kemp, who is appearing on behalf of all the segments of the domestic sugar producing and refining industries. We are delighted to see you here.

STATEMENT OF FRANK A. KEMP, PRESIDENT, THE GREAT WESTERN SUGAR CO., ON BEHALF OF ALL SEGMENTS OF THE DOMESTIC SUGAR PRODUCING AND REFINING INDUSTRIES

Mr. KEMP. Chairman Cooley and members of the committee, I would like to suggest that I first present my statement in full and then attempt to answer any questions which the committee may have.

The CHAIRMAN. All right, Mr. Kemp, you may do so.

Mr. KEMP. That is, if it is agreeable to the committee, I will proceed on that basis.

My name is Frank A. Kemp. My home is in Colorado. I have been in the sugar industry since 1923. Since 1936 I have been president of the Great Western Sugar Co., one of the sugar beet processors. I am a trustee of the U.S. Beet Sugar Association and a member of the legislative committee of the established growers and processors of sugar beets in the United States. I have had the privilege of appearing formally before your committee in respect to sugar legislative proposals then under consideration four times previous to today—in 1947, 1951, 1955, and in 1962.

I appear here today as the representative of the entire domestic sugar industry, which is made up of five industry groups, as follows:

(1) The sugar beet growers and processors, with plants and production in 21 States, who together comprise the established U.S. beet sugar industry;

(2) The sugarcane growers and processors of the continental United States, whose lands and mills are in Louisiana and Florida;

(3) The Hawaiian Sugar Planters' Association, which represents the sugar producers in our 50th State;

(4) The Association of Sugar Producers of Puerto Rico; and

(5) The U.S. Cane Sugar Refiners' Association, with refineries and other installations in 12 States from Massachusetts and Illinois to Texas and California.

With your permission, Mr. Chairman, I should like the full list of the organizations for whom I speak inserted at the conclusion of my remarks. A copy of this list is attached to my statement which has been given to each member of the committee.

Last year, you will recall, the domestic industry was divided. In consequence, this committee did not consider extension and amendment of the Sugar Act of 1962. You, Mr. Chairman, and other members of the committee told us that we should develop a common legislative recommendation. You told us the same thing again early this year.

Recognizing the wisdom of this advice, leaders of the industry initiated a series of industrywide conferences. After many weeks of intense discussion, including considerable give-and-take and much soul searching on the part of every segment, the domestic industry, on March 24, finally evolved a legislative recommendation for presentation to this session of Congress. Upon being apprised of this development, you, Mr. Chairman, and other members of your committee suggested that we present this program to the Departments of Agriculture and State and other interested executive agencies, in order that there could be submitted to this committee, and through you to the Congress, a proposed recommendation for revision of present sugar legislation which would have been considered and found appropriate and would be endorsed and supported by the entire established domestic sugar industry and also by all of the executive agencies concerned with the commodity from one angle or another. This was done. After intensive discussions with all groups concerned, the executive branch has developed a recommendation, which you, Mr. Chairman, have introduced as H.R. 10496.

I should like to stress the significance and importance of these facts. This committee knows from its experiences with sugar legislation and with legislation affecting other commodities that the problem of deciding on a proper course has frequently been made more difficult by conflicting views and opinions as to what should be done on the part of those directly concerned and at times by differences in the points of view of the Government agencies involved.

That all of the groups concerned, both industry and Government, as a consequence of 9 months of consideration and discussion have presented a single recommendation is a fact of persuasive and compelling importance and I believe, of great advantage to this committee. In fact it is something of a miracle in legislative history to be given great weight in any determination of the national interest.

I am pleased now to inform the committee that each of the groups for which I appear completely supports H.R. 10496. But the domestic producing and refining industry has not considered the division of foreign quotas among the various claimants, nor did such division enter into any of the discussions between the industry and the executive branch. We agree with the board principle that such division should be made on some formula approach.

But we, also, say that the exact position of this committee will be determined by the committee itself in respect to these foreign national quotas.

Over the full course of these hearings an appeal or two of self-serving purpose may seem to test the claim I have made of complete unanimity of the domestic industry's support for the bill before you. such as a claim for a protected minimum production or other special privilege at the expense of others. But these claims for special privilege on examination will be found to be unsupported by controlling fact and irreconcilable with the approaches which were necessary to the effectuation of the overall endorsement. Therefore, all of the groups for whom I speak are opposed to the embroidery of the common understanding by any grant of special privilege.

H.R. 10496 has been very ably discussed in detail by the spokesman for the Government. A point-by-point analysis of the bill, with which we also concur, has been furnished you by the Under Secretary of Agriculture. In the interest of conserving the committee's time, I should like to restrict my testimony to three points.

One point relates to the time of the extension proposed by this bill. As you know, the Sugar Act has been amended or extended 13 times. These have included numerous extensions of 4 or 5 years' duration, such as that incorporated in H.R. 10496. Due to circumstances prevailing at this time, the term of the extension of the act is basic to the entire agreement.

Only under the term proposed can the following be accomplished:

(1) Surplus beet and mainland cane sugar be disposed of as rapidly as possible, consistent with orderly marketing.

(2) Excessive acreage cutbacks in the beet and mainland cane areas be avoided.

(3) Refiner and import volume be gradually restored to approximately the same proportion as exists under present law.

If the amended act is not extended through 1971, these three basic objectives cannot be achieved.

The proposal in H.R. 10496 would set the marketing quotas for the mainland cane and domestic beet industries at the estimated level they would reach by 1971 under the 1962 Sugar Act amendments. This would enable the refiners and foreign suppliers to approximate their present positions by the end of the term of this extension. For this reason, any expiration date short of that recommended would jeopardize the united industry support for the bill.

The second point which I wish to make is the necessity of action on this measure at this session of Congress. For the effective operation of the sugar program and for the smooth transition from the existing law to the terms of this bill, many of the changes must become effective for the current calendar year.

Mr. Chairman, you and the ranking members of the committee with whom we met in March expressed pleasure and appreciation that the segments of the industry had been able to resolve the almost irreconcilable differences which confronted us this year. You were kindly complimentary in your remarks. You know what the industry went through to reach this agreement. I am confident that you also realize that failure to achieve sugar legislation this year would so further aggravate the frictions as to make it practically certain that the industry would be unable to achieve unanimity next year. For the good of the sugar program of this country, this must not be allowed to happen.

A third point on this legislation is added protection to consumers. This is accomplished in several ways:

(1) The bill eliminates the so-called global quota provision which was written into the 1962 Sugar Act. Temporary country-by-country quotas would replace the global quota. The industry believes this change will contribute materially to stability and assurance of adequate sugar supplies. And in that we follow the chairman in what he has already indicated to be his own belief on this point.

(2) H.R. 10496 provides penalties against the quotas of foreign countries which do not maintain sufficient reserves for the U.S. market to assure that they will be able to supply their proportionate part of any increase in their quotas. This is accomplished by reducing, in following years, the amount of their quota to the extent of the shortfall. This will encourage foreign suppliers to carry higher inventories and will be added insurance to U.S. consumers that their sugar needs will be met.

(3) Both domestic beet and mainland cane areas will carry larger inventories than they have in the past.

(4) The term of extension recommended in the legislation means that both domestic and foreign suppliers can plan their future production on a businesslike basis. Stability of supply, and therefore, stability of price, will be enhanced by the term recommended in the bill.

Mr. Chairman, throughout its history the sugar program has been an outstanding success. All elements of the industry share the conviction that the provisions of this bill, as they stand, will enable the sugar program to operate in the national interest more effectively and equitably than in the recent past. We believe the sugar program, as it would operate under the provisions of this bill, will give foreign sup-

pliers greater assurance of their place in the U.S. market, will permit domestic producers to market their existing surpluses in an orderly manner and, most of all, will insure adequate supplies at stable and reasonable prices for the benefit of American sugar consumers.

I hand the recorder a full list of the organizations for whom I speak and ask that it be included as the conclusion of my statement.

The CHAIRMAN. Without objections, that will be done.

Mr. KEMP. Mr. Chairman and members of this committee, I am grateful for the consideration you have always accorded the domestic sugar industry. On behalf of all the people I represent, I express deep appreciation.

(The document entitled "List of Organizations for Whom Frank A. Kemp Appeared" follows:)

LIST OF ORGANIZATIONS FOR WHOM FRANK A. KEMP APPEARED

U.S. SUGARBEET INDUSTRY

Alma Sugar Beet Growers, Inc.
The Amalgamated Sugar Co.
American Crystal Sugar Co.
Ark Valley Beet Growers Association.
The Big Horn Basin Beet Growers Association.
Blissfield Beet Growers Association.
California Beet Growers Association, Ltd.
Cargo Sugar Beet Growers, Inc.
Central Nebraska Beet Growers Association.
Croswell Sugar Beet Growers Association.
Findlay District Beet Growers Association.
Finger Lakes Sugarbeet Growers Association.
Fremont Beet Growers Association.
Goshen County Cooperative Beet Growers Association.
The Great Western Sugar Co.
Gunnison Sugar, Inc.
Holly Sugar Corp.
Idaho Sugar Beet Growers Association.
Layton Sugar Co.
Lower Snake River Sugar Beet Growers Association.
Michigan Sugar Co.
Monitor Sugar Beet Growers, Inc.
Monitor Sugar Division of Robert Cage Coal Co.
Montana-Wyoming Beet Growers Association.
The Mountain States Beet Growers Marketing Association of Colorado.
The Mountain States Beet Growers Marketing Association of Montana.
The Nebraska Non-Stock Cooperative Beet Growers Association.
Northern Ohio Sugar Co.
Northwest Nebraska Beet Growers Association.
Nyssa-Nampa District Beet Growers Association.
Red River Valley Sugarbeet Growers Association.
Saginaw Sugar Beet Growers, Inc.
Sebewaing Sugar Beet Growers Association, Inc.
Southern Colorado Beet Growers Association.
Spreckels Sugar Co.
Union Sugar Division, Consolidated Foods Corp.
Utah-Idaho Sugar Co.
Utah Sugar Beet Growers Association.
Washington Sugar Beet Growers Association.
The Western Colorado Beet Growers Marketing Association.
Western Montana Beet Growers Association.

MAINLAND SUGARCANE INDUSTRY

American Sugar Cane League of the U.S.A., representing more than 5,000 growers and 40 processors.
Florida Sugar Cane League, representing the 11 Florida sugarmills and all of the sugarcane growers in Florida.

HAWAIIAN SUGARCANE INDUSTRY

Hawaiian Sugar Planters' Association

PUERTO RICAN SUGARCANE INDUSTRY

Association of Sugar Producers of Puerto Rico
Antonio Roig, Sucesores, S. en C.
Azucarera Cayey, Inc.
Central Aguirre Sugar Co.
Central Coloso, Inc.
Central Eureka, Inc.
Central Igualdad, Inc.
Central Mercedita, Inc.
Central Monserrate, Inc.
Central San Francisco.
Compania Azucarera del Camuy, Inc.
Cooperativa Azucarera Los Canos
C. Brewer Puerto Rico, Inc.
Plata Sugar Co.
Soller Sugar Co., Inc.
South Puerto Rico Sugar Corp.

U.S. CANE SUGAR REFINING INDUSTRY

U.S. Cane Sugar Refiners' Association
American Sugar Co.
J. Aron & Co., Inc.
California & Hawaiian Sugar Refining Corp.
Henderson Sugar Refinery, Inc.
Imperial Sugar Co.
Refined Syrups & Sugars, Inc.
Revere Sugar Refinery
Savannah Sugar Refining Corp.
The South Coast Corp.
Su Crest Corp.

The CHAIRMAN. Mr. Kemp, we are very grateful to you for this splendid statement and I am certain that the committee is delighted, as I am, that the domestic industry has composed all of its differences and now agree both as to what should be done and what should be contained in the bill. I want to compliment the industry for confining its deliberations to the things that should be considered by the committee. As I said when we opened the hearings, it is not a matter of filling up the foreign quotas. I am sure that the committee will faithfully and diligently discharge its duties in that connection.

Are there any questions?

Mr. QUIE. I would just like to ask Mr. Kemp in regard to the import fees. The organization that you represent agrees that there should be none.

Mr. KEMP. It supports this bill, Mr. Quie.

The CHAIRMAN. They support the bill.

Mr. QUIE. The Department does not indicate that.

The CHAIRMAN. That is all right. Thank you very much. Mrs. May.

Mrs. MAY. Mr. Chairman, I think you know, I have been a strong supporter of our domestic growers.

Mr. KEMP. You have, indeed, Mrs. May.

Mrs. MAY. I have been disappointed with the domestic quotas in this bill, to put it rather mildly. What chance do we have of increasing the domestic quotas?

Mr. KEMP. Mrs. May, I think that you share with me a better understanding than many people have of the fierce competition within the sugar business, both between the domestic interests as a whole and the foreign suppliers and between some of the elements of the domestic industry itself.

We have found, and you have indicated in your questions to the Secretary of Agriculture the reasons for our predicament. We have

made what we thought was in the national interest, at the instigation of the Department, more sugar than we had quotas to sell, and we now have what to many units of the industry, both in cane and beet sugar, really, is a burdensome surplus. Our first need at the moment is the privilege of marketing that sugar in an orderly fashion, and without that privilege we will be in a very critical position. This bill increases the former quotas of both beet and mainland cane to a rather substantial degree.

It is true that for the period of this bill we have that fixed maximum and we do not get it increased by growth or anything else, yet, in the light of the competition that exists in the industry I, personally, feel that this is as good a solution as might have been worked out, and the support which all of the domestic industry has given to this proposal evidences the complete unanimity of the whole industry.

Mrs. MAY. For the record, Mr. Kemp, you know the kind of bind we are in within the industry—we both know what it is—we have taken somewhere in the neighborhood of 11 percent voluntary cutback, as I mentioned previously, in acreage. What will the cutback be that you anticipate under this bill, let us say, next year?

Mr. KEMP. Mrs. May, that will depend upon two facts that have not yet been made clear.

One, what will the production of this crop be after the 11-percent cutback that we took which you mentioned. And, certainly, what will be the level of inventory which the two industries respectively carry? Without those facts it is difficult, I think, to hazard a guess as to how much the next cut will be and when it will take place. If we get this quota, the second cutback to be made in the 1966 acreage will, of course, be very much less than if we continued to operate under the terms of the 1962 bill. If we were to face that there are people in the industry who have estimated that the cut would be above 25 percent. That is, we will have another 25-percent cut added to the 11 percent that we took this year.

Mrs. MAY. In other words, the situation that faces those of us in the domestic producing areas is that we will face another cut at some level next year, but in the absence of any legislation there will be a cut of over 25 percent?

Mr. KEMP. That is my own personal judgment and I think the experts in the industry agree with that.

Mrs. MAY. One more question, Mr. Chairman. Mr. Kemp, I put this question to Mr. Schnittker, and I would like to put it to you, perhaps, in a little different way.

Do you feel that the recommendations which have all been agreed upon by the industry are firm in case of a sudden or unexpected emergency, such as greater involvement in international military affairs, such as we have in Vietnam—do you feel that these recommendations for a period of 5 years are subject to any change?

Mr. KEMP. I think that I would like to answer that question, Mrs. May, in two parts.

First, I cannot and you cannot and no one here in this room can predict the nature of some worldwide catastrophe or conflagration that might confront this country. I do not think that I would like to anticipate any such dreadful event, nor what this committee, or the Congress, or the industry might think was appropriate under the circumstances. I do say that if what we are talking about, whether the

domestic industry supports this bill and the terms of the bill and is willing to accept the facts as expressed in this legislation for the term of the bill, I merely want to point out to you the wide and almost unanimous support of the industry to those facts.

Mrs. MAY. I understand that. I understand your viewpoint, Mr. Kemp, but I do think that it ought to be made clear in the record that in the event that such an emergency arises that the Congress would have a big responsibility here to the domestic industry, in this case, and I do not think that we should feel that by accepting these recommendations at this time that we tie ourselves to a course of action, so far as unexpected emergencies are concerned, and I, certainly, feel that way and I would like to show it in the record. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Am I to understand that by the endorsement of, and the apparent wholehearted support of, all segments of the domestic sugar industry that any hope which has been entertained by those who have been working for many years to develop a sugarbeet industry in a new area, that their hope there must now be abandoned, at least, until after the proposed expiration of this act in 1971 and, also, that there is no prospect of any new processing plants being built in any new areas?

Mr. KEMP. Mr. Jones, I am not going to answer that as bluntly as might be expected. The difficulty, of course, is that having already been cut and facing the prospects of another cut as they do, the established growers who have maintained this industry under the present plan would have to surrender—in the light of this fixed quota to the industry—they would have to surrender further of their attained productivity in order to allow new people to take a part of that acreage. Now I do not think that this, in all respects, forecloses some change within the domestic industry. In our own case, for example, I know that two old sugarbeet factories were abandoned this year. And I do not doubt that in the course of the 4 or 5 years that we will run through this pattern, that there may be other changes.

It is true, however, in order to protect from still further cuts the so-called new area provisions that were written for the first time into the bill in 1962 have been omitted.

Mr. JONES of Missouri. In other words, the people down in my area where you have been so cooperative, might just as well look to some other crop, rather than sugarbeets—is that what it amounts to?

Mr. KEMP. Not entirely, sir. I still think, Mr. Jones, and my friends in your wonderful part of the country, I am sure, will agree with this, that we need to go still further in developing the potential sugarbeet growing possibility in that area and we have not yet solved some of the agronomic questions that would, certainly, confront anyone undertaking to spend the money that a new factory would cost. You have to get the facts.

The CHAIRMAN. If you will yield.

Mr. JONES of Missouri. Yes.

The CHAIRMAN. If there was a substantial increase in sugar consumption, it might change the situation, might it not?

Mr. KEMP. Yes, because the minute that we get over 10,400,000 tons we begin to get an addition to our quota.

The CHAIRMAN. That is what I thought. Thank you very much. Mr. Teague of California.

Mr. TEAGUE of California. I have a question along that very line, Mr. Chairman. In recent years, the life insurance industry, doctors, that is, medical doctors have been directing a campaign about overweight, as has the dental profession which seems to have the opinion that too much sugar is bad for one's ivories. In the periods of stable and reasonable prices in this country, is the per capita consumption going to remain about the same and stable or is it going to change?

Mr. KEMP. I think that there has been some evidence that there has been a diversion of former sugar users to some of these things that do not contain sugar, but the general impression is that that has somewhat leveled out. And I confidently expect that we can maintain the high standards in which this country is operating; that this necessary food will be in still greater demand and we will continue to increase our consumption.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Mr. Chairman, I am sorry that I missed most of your testimony, Mr. Kemp. I was at another meeting. I would like to ask Mr. Kemp this question—since you stated that you were in agreement with this bill of taking an 11-percent domestic production cut—what, if any, reduction is being made under this bill on foreign imports, what is the cut there?

Mr. KEMP. There is some in the total, but I cannot tell you exactly how it will affect anyone of these claimant countries. Actually, Mr. Latta, it is my belief that when this committee gets through with writing the foreign quotas you will find that some countries will have larger quotas than they had under the 1962 act; and others will have less.

The CHAIRMAN. If I may interrupt?

Mr. LATTA. Yes.

The CHAIRMAN. By increasing the quotas for the domestic areas, to that extent you decrease the quotas coming in from offshore areas and foreign countries; do you not?

Mr. KEMP. In total; yes.

Mr. LATTA. Where do you get the figure of 11-percent reduction?

Mr. KEMP. The 11-percent reduction was what was required in the setting of acreages for the 1965 crop over the larger production that the industry, that is, the two industries had achieved when they were without any restrictions whatever. We had a free-for-all in 1963 and 1964 and we had to be snubbed back to something in relation to our quotas.

Mr. LATTA. Thank you.

The CHAIRMAN. Are there any further questions? If not, we appreciate your appearing here today.

I would like to make one brief statement. We have the farm bill up for consideration in the House and we hope to finish with that today. Whether we finish with it or not, we will go on with these hearings tomorrow morning at 10 o'clock.

Thank you very much.

(Whereupon, at 11:20 a.m., the hearing was recessed to reconvene at 10 a.m. on Thursday, August 19, 1965.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

THURSDAY, AUGUST 19, 1965

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

The committee met, pursuant to recess, at 10:10 a.m. in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Purcell, Matsunaga, O'Neal, Stalbaum, de la Garza, Vigorito, Redlin, Bandstra, Greigg, Callan, Dague, Belcher, Teague of California, Quie, Mrs. May, Latta, Harvey of Indiana, Dole, Burton, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order. The Chair recognizes the Honorable Frank E. Evans from Colorado. We are glad to have you with us this morning.

STATEMENT OF HON. FRANK E. EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. EVANS. Mr. Chairman and members of the committee, I deem it a privilege to be able to appear before this distinguished committee this morning. I will not take any more time than necessary, because I have a feeling that there are many matters on the chairman's mind and the minds of the members of the committee these last few days, so that I will be as brief as I can.

I come here principally to introduce Mr. John F. Kelly who is here to testify on a matter of direct and vital interest to the Third Congressional District of Colorado. We want to bring to your attention the effect that the sugar bill as now proposed would have on the National Sugar Co. of Crowley County, Colo. The company is a single-plant processor and is the smallest in the Nation.

Briefly, the best available information shows that the acreage allotment and the marketing quota which would be assigned to this company under the sugar bill are likely to drive it out of business.

For the farmers in the area, sugarbeets are their major cash crop, and National provides the only feasible market. For the town of Sugar City, National is practically its sole source of income.

National is requesting consideration of an upward adjustment of the marketing quotas of single-plant processing companies and re-

lated acreage allotments so that they can produce at an economic level. The adjustment is infinitesimal compared to the total American market—less than 1 percent. Further, this increased quota would not have to come from the American market, but could be derived from the global quota or the unused portion of the Puerto Rican quota without noticeable impact.

Colorado is a traditional sugarbeet area and the loss of this industry would cause severe economic dislocation. National is an old company having been in production since 1900, and is the exclusive market for the sugarbeet producers in this area.

I believe that this situation merits the particular attention of the members of this committee and want to express my appreciation for your attention to Mr. Kelly's statement and my own.

Before instroducing Mr. Kelly to you I would like to refer to pages 3 and 4 of the statement given by my very good friend, Mr. Kemp, yesterday. I am sorry that I was not here to hear him testify, but at the bottom of page 3 and the top of page 4, he alludes to some who do not agree with the proposal contained within the present bill.

He states on the bottom of page 3 that there is an appeal or two of self-serving processors. Well, I think that is absolutely correct. These two companies which would make this proposal to this committee are serving themselves and it is very proper, I think, for them to bring their interests directly to this committee.

On page 4 in further objection to the request made by the companies, Mr. Kemp states that their position is "unsupported by a controlling fact." I think it might be worthwhile for the committee to inquire into what is meant by "controlling fact."

He further states that the request is "irreconcilable with the approaches which were necessary for the effectuation of the overall endorsement." I, also, think that it would be worthwhile to inquire into the meaning of those words.

I am not personally a technical expert on the sugar market in this country and I readily admit that to the committee, but Mr. Kelly has been connected with National for many years and he is their counsel and if it pleases the chairman of the committee I would like now to turn the microphone over to Mr. John Fleming Kelly for his testimony.

The CHAIRMAN. We are very grateful to you, Congressman, for appearing here this morning. I notice that Mr. Kelly has a prepared statement. We have numerous witnesses—about a dozen—who have to be heard this morning. I suggest that the witness submit his statement for the record and speak extemporaneously or summarize his views. If we let everybody have all of the time that they would like, we would be here until Thanksgiving. We are trying to wrap up this package. Mr. Kelly, can you file your statement which is very full. I am sure that it is completely accurate. And then sum up the statement in just a few minutes?

Mr. KELLY. I know that this, probably, would be what the members of the committee and the chairman would want.

The CHAIRMAN. I am willing to hear you and to remain here until it is necessary to do so.

Mr. KELLY. You have a number of pressing problems.

The CHAIRMAN. I would be willing to sit here through the afternoon and the night, but we have to limit the witnesses, because we

have a very important bill on the floor right now that we will have to attend to this afternoon.

Mr. KELLY. I am prepared to summarize the statement.

The CHAIRMAN. You may proceed then. We want to compliment your Congressman here. He has done a good job in this session. And he is held in the highest esteem by all the Members of the House of Representatives.

STATEMENT OF JOHN FLEMING KELLY, THE NATIONAL SUGAR MANUFACTURING CO.

Mr. KELLY. Mr. Chairman and members of the committee, I will take that message back to Colorado. I appreciate Congressman Evans introducing me.

I am the general counsel of the National Sugar Manufacturing Co. at Sugar City, Colo. And I represent and appear here today on behalf not only of the National Sugar Co., but also, of its growers. We appreciate the opportunity to present our views to this committee.

As Mr. Evans said, National is the smallest beet sugar company in the United States. It produces less than one-third of 1 percent of the annual production of beet sugar in the United States. Perhaps, I think, you can understand that at any industry deliberation on matters including legislation our voice is rather small, if not completely inaudible. And we have a suggestion which we in all sincerity do wish to make to you. It is our suggestion that for a single plant processor an allotment up to 25,000 tons of sugar be provided each year, because this is the figure which we believe represents a level at which a plant can expect reasonably to operate efficiently.

We would not presume that this level or this marketing allotment be imposed and required to be granted by the Secretary if the company could not show that it could produce this much sugar. If they could not show that, then by proper hearing the Secretary could set such smaller amount up to 25,000 tons as the company could use.

Correspondingly, we would suggest that the growers for that company be provided with acreage allotments which in the aggregate would be expected to yield the raw product which, in turn, would yield the 25,000 short tons of sugar.

I think you might ask, why, after a period of relatively unrestricted production we find ourselves in the position of needing this legislative help. It arises this way: we are now in the third successive year of production during a drought season in Colorado. I know you have heard of our floods, but the moisture came too late to do any good for the 1965 crop. This will be the third year that we have been producing at a reduced level because of circumstances of nature beyond our control.

As a result, we will, probably, produce around 7,500 short tons of sugar this year.

Now with the industry suggestion which you heard yesterday, if this sort of a bill were to be enacted without the additional suggestions we make we could expect to be frozen, if you will, in the foreseeable future at a level of production of about this amount. At a level of 7,500 to 8,000 short tons of sugar, National cannot even recoup its costs much less earn any returns. If a company cannot recoup its costs it

cannot long stay in business. And if we cannot stay in business, not only are we going to be lost, we, a company that has been in the sugar business some 65 years, but more importantly from your position is the fact that our growers will be forced out of the sugar business.

Our growers live and grow beets in Kansas, western Kansas, and in southeastern Colorado. We, for various reasons, transportation, and capacity of other factories, represent substantially the only market for this cash crop of our growers. Thus, if we are forced out of business because of having to exist at an uneconomic level they will be forced out of the sugarbeet production. They will lose not only this cash crop but will have to hunt for another one and they will lose investments in machinery, in irrigation systems, wells, and so forth. And the impact upon the economy of our area of Colorado is something else that should be considered.

National Sugar is the second largest property taxpayer in our county in Colorado. It is the largest employer. Our payments to our beetgrowers in the last 5 years have aggregated some $5 million. Our factory payroll in this same period has aggregated about $2 million.

To the Congress, these are rather insignificant sums, but when regarded as a stimulus from one private industry to the economy of the local area I think that they are quite significant. And these are in real danger of being quashed unless we can get some legislation protection.

I think that what we are asking for in addition to the allotments which we might be entitled to by virtue of our history that would benefit us and, probably, one other beet sugar processor, Buckeye Sugar—and a representative of Buckeye will appear here today.

In the aggregate, based on our history we would need about 23,000 tons other than what we would be entiltled to by virtue of the industry recommendations and 23,000 tons, Mr. Chairman, and members of the committee, is really infinitesimal in terms of what you are talking about. It is less than one-tenth of 1 percent of the present beet basic quota. It could come from a number of sources. Before awarding foreign countries a fixed quota, a reserve could be established to protect our domestic industry. It could even come, perhaps, from the Puerto Rican deficit which has existed in each of the last 4 years, at least.

We do not ask, Mr. Chairman and members of the committee, for any special privilege for ourselves. We do not ask for a guaranteed position. We only ask for the opportunity to grow to the size so as to be able to survive. We ask for an opportunity to continue to be of substantial economic importance to our area of Colorado and Kansas.

We appreciate very much your consideration of our position.

(The prepared statement of Mr. John Fleming Kelly follows:)

STATEMENT OF JOHN FLEMING KELLY ON BEHALF OF THE NATIONAL SUGAR MANUFACTURING CO.

Chairman Cooley and members of the committee, my name is John Fleming Kelly. I am an attorney in Denver, Colo., and serve as general counsel of the National Sugar Manufacturing Co. I appear here today on behalf of National and its growers.

The National Sugar Manufacturing Co. is located in Sugar City, Colo., where it has operated its sole processing plant since 1900. National is the smallest processor of sugarbeets in the United States. It provides the only accessible market for many growers of sugarbeets in eastern Colorado and western Kansas. National is the second largest property taxpayer in Crowley County,

Colo., and ranks first or second as the county's largest employer. Payments by National to beetgrowers for the past 5 years have aggregated about $4,600,000, and in the same time National's factory payroll has aggregated about $1,800,000. This vital support by private industry to the economy of southeastern Colorado and western Kansas is in real danger of disappearing unless Congress comes to the aid with the legislation we suggest.

For the reasons which I will outline, National urges that any legislation enacted by this Congress concerning sugar incorporate provisions to insure the continued existence of the small, single-plant company upon whom many growers depend. Our specific recommendations of provisions for inclusion in sections 205(a) and 302(b)(3) are attached to this statement and are hereby made a part of it.

National is one of four remaining single-plant beet sugar processing companies in the country. The others are Buckeye Sugars, Inc., of Ottawa, Ohio, Monitor Sugar Division of Robert Gage Coal Co., and Union Sugar Division of Consolidated Foods. It is my understanding that a representative of Buckeye will also appear at these hearings, and that our positions are essentially the same.

While I appear before you to urge an amendment to the Sugar Act in addition to those amendments proposed in the bill before you, this appearance is in no way intended to be a general attack on the bill. As was true in 1962, this bill represents, in general, a plan approved by all five of the producing and refining groups in the United States, and, as I understand it, by the Department of Agriculture. To arrive at agreement among such diverse and competing interests is no small achievement, and National supports this agreement except in the particulars which I will outline.

The bill before you, so far as it affects the domestic beet industry, attempts in the main to protect old growers from dislocations and cutbacks resulting from expansion which was encouraged by the Department of Agriculture. National thinks that this is a proper goal of the Sugar Act, and simply disagrees with the industry and the Department of Agriculture on the method to be used to protect certain growers. The reason for this concern is rooted in the fact that we are now in a period where both acreage and marketings are restricted, and due to heavy inventories, we may remain in this condition for a number of years. Due to the pact that National, and possibly the other single-plant processors, are now operating at an uneconomically small scale, restriction to present levels of marketing and production may eventually force them to shut down operations entirely, leaving their growers without a market for their sugarbeets. Thus what National is requesting is not a special advantage for its growers or for itself. National simply wants the Sugar Act to contain provisions which will enable small processors and their growers to remain part of the domestic sugarbeet industry. The bill guarantees growers in many foreign countries the right to continue to participate in the American market, and I certainly feel that an equal right should be given to American farmers.

The danger that the present bill will not allow National to continue to serve as a market for its growers in eastern Colorado and western Kansas is quite real. For the 1965 crop year National anticipates production of approximately 7,500 short tons of sugar, raw value, from about 4,000 acres. Under the present marketing allotments, National will be permitted to market about 8,000 short tons in 1965, out of a total current quota for domestic sugarbeet processors of 2,650,000 short tons. This amounts to slightly less than one-third of 1 percent of the total allotment. Part of the reason for National's tiny share of the market is due to the fact that its growers are in an area which has been affected by severe drought conditions for the past several years. Even this year the rains came too late to aid germination or prevent winds from blowing away newly planted crops. While growers in others parts of the country were rapidly expanding their acreage and improving their "history," National's growers were in many cases forced drastically to reduce their acreage due to lack of water. For example, in Crowley County, Colo., National could normally expect its growers to harvest at least 2,000 acres of beets, while in the 1964 campaign only about 200 acres were harvested there. The Sugar Act has protected the past history of many of National's growers by permitting the growers to receive credit for "prevented" acreage due to drought, but this has not fully allowed such growers to participate in the growth of the market. Thus, while other processors have improved their marketing history, National has lost ground dur-

ing these years. Under the bill before you, there would be no opportunity for National to regain that ground, at least as long as acreage and marketing restrictions are in force.[1]

The result of this is that National's plant is presently producing at a level far below that generally considered as efficient in the industry. At the 1962 hearings before this committee it was continually emphasized by all parties that a 50,000 short ton allocation was necessary to encourage investment in a new plant. Mr. Kemp, in presenting the industry's views at that hearing, said:

"* * * 50,000 tons is 1 million bags of sugar of 100 pounds each. Now 1 million bags of suger is more than the average productivity of the American beet sugar factory at present. The average of the factories of my company is not as high as 1 million bags. This higher quantity was thought necessary because under the extremely high cost of construction today a plant has to be big enough, has to be automated enough, to justify its cost." [2]

And the report of this committee on that bill agreed that 50,000 tons was the amount necessary for a new plant, as it stated:

"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 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 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." [3]

To illustrate the growth of the market in just these few years, it is worth noting that in 1964 over 61 million bags of beet sugar were processed by 64 beet sugar factories, for an average of 960,000 bags, compared to less than 800,000 just 3 years earlier. Some members of the industry have indicated that a 50,000-ton annual production is not enough for a new plant. National is unable to comment on the cost problems of such a plant. I do know, however, that our own cost studies, carried out by an independent engineering firm, clearly show that our present level of production is uneconomical. Our present estimate is that National must process at least 12,000 short tons of sugar to break even, and that a substantially larger amount would be necessary to earn a fair rate of return on investment. This minimum figure was confirmed by the request of the Holly Sugar Corp., at Department of Agriculture hearings in September of 1962 for acreage sufficient to expand its Delta, Colo., plant to a production of about 28,000 tons to "* * * insure a basis for an economically feasible operation."

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[1] National, with its present plant capacity, is capable of processing far more sugarbeets than it is now allowed to contract for and market. In the 1964 crop year National processed 146,706 hundredweight of sugar in a campaign lasting 62 days. In contrast, in 1962 National processed 280,280 hundredweight, or nearly twice as much sugar, by extending its campaign to 103 days. In both years the tons of beets sliced per day were about the same; 103 days does not represent an unrealistic length of time to operate such a plant in Colorado. The factory nearest National's plant operated for 142 days in 1962 and for about 120 days in 1964. At present plant capacity, in a 140-day campaign National could process 384,000 hundredweight. Furthermore, engineering studies indicate that for $1 million National can effectively modernize its plant and increase its daily slicing capacity from its present 1,100 tons to 1,600 tons per day, which would permit further production increases and cost reductions. National's production for the past 10 calendar years is as follows:

	Bags (hundredweight)	Short tons raw value
1955	55,147	2,952
1956	75,555	4,045
1957	126,400	6,767
1958	173,120	9,268
1959	201,120	10,767
1960	270,670	14,490
1961	173,040	9,263
1962	280,280	15,004
1963	132,130	7,073
1964	146,706	7,854

[2] Hearings before the Committee on Agriculture of the House of Representatives on H.R. 11730, 87th Cong., 2d sess., ser. 2, at p. 31.

[3] H. Rept. No. 1829, 87th Cong., 2d sess., at p. 4.

Thus nothing can be more obvious than the fact that National cannot continue to operate at its present level of production, which is the level it would be tied to for the foreseeable future under the proposed bill. It may well be that Buckeye Sugar cannot continue to operate at the level contemplated by this bill. And as costs continue to increase, it is certain that if either or both of these small businesses are to remain in existence, they must be allowed to produce a tonnage above the present bare break-even point. National urges amendments to this bill which would enable single-plant independent beet processing companies to contract for, process, and market as much as 25,000 tons of sugar annually, and which would allow growers for these companies to grow the amount of sugarbeets necessary to produce this result, assuming that such a company can contract for beets and process that much sugar. We are in agreement with Buckeye that 25,000 tons is a reasonable figure which should allow a single-plant company, operated efficiently, to make a fair return on its investment during the coming years.

In view of the fact that National only expects to produce about 7,500 tons of sugar in 1965, you may wonder why we are requesting permission to process up to 25,000 tons. Please bear in mind that under the amendment we suggest the Secretary could reduce this allotment if a company were unable to contract for, process, and market as much as 25,000 short tons of sugar. I will be the first to admit that National would not be able to utilize all of a 25,000-ton allotment next year. It can, however, increase production considerably merely by extending its campaign, which has been one of the shortest in the industry in recent years. Its campaign could be nearly doubled in length if it could contract for additional sugarbeet acreage, and thus double 1964 production. Fifteen thousand tons production is quite feasible with present plant capacity. Nor is such a crop beyond the realm of probability. The moisture of this summer, while too late to increase the size of 1965 acreage, has restored growers' confidence in the Arkansas Valley area, and assures a supply of irrigation water for next year. The Frying Pan-Arkansas project will help to stabilize moisture conditions.

Furthermore, with its present marketing allotment, it is very difficult for National to secure permanent financing. Additional capital would allow National to continue plant modernization and reduce costs to a level near the industry average. Such capital will only become available when an opportunity to produce and market a larger amount of sugar is afforded National.

While I am obviously concerned over the survival of National from a personal point of view, the committee should be concerned with its survival for other reasons. Perhaps the most important of these reasons is that National's growers would be unable to find another market for their sugarbeets, and would be forced out of production, their production history notwithstanding.

Most of the sugarbeets which National processes are beets which would not and could not be processed by any other factory. Beets grown for National in Kansas and Colorado are grown on property convenient to the Missouri Pacific Railroad right-of-way, and thus, from the standpoint of freight costs, can be shipped only to National's factory at Sugar City. Shipment to Rocky Ford would require shipment to Pueblo on the Missouri Pacific and a backhaul on the Santa Fe, adding approximately 100 miles to the shipping distance, the cost of which would have to be absorbed by the growers. While Great Western Sugar Co. contracts for some beets in Kansas, it is similarly interested in only those beets grown in locations convenient to its receiving stations on the Union Pacific, and it is very unlikely that it would contract for any substantial part of the beets now grown for National. Thus, if National is forced to close because of inability to operate at an economic level, its growers in Kansas and Colorado will lose their only practical market for their sugarbeets. In being forced out of the business they will lose their investment in expensive beet machinery. For these farmers sugarbeets represent the only practical cash crop, and without it few of them will be able to justify the substantial investments they have made in developing wells for crop irrigation.

Another important reason for taking the necessary measures to allow National and Buckeye to remain in the beet sugar industry is the present competitive posture of this industry. The sugar refining industry has been the subject of a number of antitrust suits which indicate that the past performance of this industry has not always satisfied the competitive standards of the antitrust laws. Part of these troubles stem from the high degree of market control possessed by a few giant companies. In 1964 the four largest beet sugar processors proc-

essed two-thirds of the domestic beet sugar crop; the six largest companies processed over 88 percent of the crop. Last year there were only a dozen companies in the beet sugar processing business; with the introduction of Empire Sugar Co., a subsidiary of Pepsi-Cola, in New York State, and a new company in Maine as a result of the expansion reserve provisions of the 1962 amendments, there will be 14 companies. The other allocations for new factories made by the Secretary under those provisions did not improve the competitive picture, since they went to three of the largest companies; Holly, American Crystal, and Spreckles. Thus the Secretary's administration of the expansion reserve provisions of the 1962 amendments did little to decrease concentration. In fact, by adding new plants and protected allotments to the empires of the industry's giants, the trend toward increased size and concentration was accentuated. This disparity in size and economic power has caused the shutdown of 24 beet sugar companies in the last 15 years. That trend seems destined to continue, with all beet sugar processing eventually in the hands of a few multifactory companies, unless Congress acts to stem the tide. In order to preserve some competitive vitality in this industry, the Sugar Act must not tie the hands of small competitors so that survival is impossible. To pass the present bill without amendment would do just that, and National feels certain that this committee, once made aware of the problem, will never allow such a situation to arise.

We realize that, regardless of the committee's natural sympathy for the plight of the small processor and its growers, it is still a difficult matter to reallocate production and marketing allotments to achieve this end. As a cash crop, sugarbeets are in great demand throughout the United States. We have no desire to see any other grower suffer in order to aid our own growers. Actually, a very modest amount of sugar would be needed to grant the protection we ask. For Buckeye Sugar, the lowest quota that its management can anticipate under this bill is about 18,000 tons, which means that only 7,000 additional tons would be needed to allow it the protection we suggest. For National, with a 1965 allotment by virtue of the bill of roughly 9,000 short tons, another 16,000 short tons might eventually be necessary. Together Buckeye and National might require 23,000 short tons under our proposal. This is less than 1 percent of the present basic beet marketing quota.

It is our understanding that the proposed legislation now before you would eliminate the so-called global quota and allocate our sugar purchases to specific countries. National fully supports the industry's position on this question, as we recognize that it will give our friends abroad a more stable market. But National does feel that equal protection should be given to domestic growers who are in danger of eventually being forced out of the sugar business. At a time when readjustments are being made in our purchasing patterns abroad we suggest that an adjustment be made to protect domestic sugar producers as well. When this global quota, to which no country had a vested right, is reallocated, it will gradually vest in these countries. Before all of that quota is allocated and becomes at least partially vested in foreign growers, we suggest that Congress should reserve some small part of it to protect American growers in the manner I have suggested. A reserve of sufficient tonnage to allow two small American sugarbeet processors to remain in the industry, made at this time, will not deprive any of our friends abroad of any share of our market to which they now have any statutory right, or to which they feel entitled.

Another possible source of tonnage necessary to protect our domestic sugar beet growers is in quotas which have consistently not been fulfilled. Under section 202(a) of the act as it now stands, Puerto Rico has an allotment of 1,140,000 short tons. The bill before you proposes to leave this allotment alone. In 1962 representatives of the Puerto Rican Farm Bureau came before this committee and requested an allotment of 1,200,000 short tons, saying 1,140,000 was too little. They pointed to a hurricane in 1956 and disastrous weather in 1957 and 1958 as reasons why some growers had become discouraged and had abandoned sugar cane. But they assured this committee that Puerto Rico would be able to supply us with 1,200,000 tons in the future. But the record shows that Puerto Rico has not been able to produce the sugar its representative claimed it could. In 1962, it shipped us 756,814 short tons; in 1963, 875,511 short tons; and in 1964, only 793,196 short tons. In view of this record, it is hard to believe that Puerto Rico would be injured by a reduction in its quota to protect domestic beet growers. It seems far better to use part of this deficit to protect domestic growers than to allow foreign nations to ship us addi-

tional sugar each year. If this deficit were merely an occasional thing, unpredictable in character, it might be wise to allow foreign suppliers to fill the gap; but where it is as regular and predictable as this one, there is no reason to give foreign suppliers what amounts to a regular share in addition to their statutory quota. Since this deficit comes from the domestic portion of the quota, it seems only fair that it should be reallocated to domestic growers, and be reallocated where it can do the most good; in this case saving some domestic growers from being forced out of the market.

In closing, I would like to emphasize that I make this request not only on behalf of National, but on behalf of its growers. Should national eventually be forced to shut its doors because it is not allowed to operate at a level of production which is efficient and which will enable National to earn a fair return on its investment, National's shareholders will not be the only persons injured. Hundreds of small farmers who have invested heavily in beet equipment, and in wells to irrigate their farms, will be without a market for sugar beets, which represents the only cash crop grown in this area which is not already in surplus. The heavy investment made by these growers in developing irrigation water cannot be justified unless they can grow a crop such as sugar beets. Moreover, the economy of an entire area of the Nation will be seriously and adversely affected.

To be sure, growers will technically retain their acreage allotments even after their sugar processor has disappeared. It was essentially on this ground that the Department of Agriculture rejected our legislative proposal. But what good is an allotment when there is no market for the beets? The Department's stand, that our proposal would give preferential treatment to National's growers, fails to recognize that an acreage allotment is meaningless unless the grower can also market his beets. The Department's stand would actually discriminate against National's growers, by depriving them of a market for their beets and forcing them out of the beet sugar business.

National is a very small company in a huge industry. The same is true of Buckeye. The growers for these companies are also just a small number among the thousands of growers for giant processing companies. Just as National and Buckeye have only a negligible voice in industry deliberations, so do their growers in the deliberations of their organizations. These voices have been ignored by the processors and the growers in their negotiations, and in their efforts to present a united front at these hearings. National cannot remain quiet when this unanimity threatens to destroy its opportunity, and that of its growers, to remain in this market.

On behalf of a small factory and its growers, may I urge your favorable consideration.

APPENDIX

NATIONAL'S PROPOSED AMENDMENTS TO THE SUGAR ACT

(1) Section 205(a) of such act is amended by adding the following: "The Secretary is also authorized and directed in making such allotments of the quotas for the mainland cane and beet sugar areas, to take into consideration, in lieu of or in addition to the foregoing factors of processing, past marketings and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any sugar cane processing mill or factory or any sugar beet processing plant, where the company owning such mill, factory, or plant is not owned by or affiliated with any other sugar processing company. It is hereby found that 25,000 short tons, raw value, is the allotment necessary for reasonably efficient operation of a sugar beet processing plant. If the Secretary, on the basis of the information available to him, determines that there is a reasonable possibility that such a company will be unable to contract for, process and market such allotment, he may, after notice and hearing, reduce such allotment to the amount such a company can contract for, process and market."

(2) Section 302(b)(3) of such act is amended by adding the following: "In establishing proportionate shares for farms delivering sugar cane or sugar beets to a company whose annual allotment under section 205(a) has been augmented to establish an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation, the Secretary is authorized to allot sufficient total acreage to enable such company to process an amount of sugar equal to its augmented allotment. Where farms presently contracting with

such companies do not apply for all of the acreage thus allotted, the Secretary is authorized to distribute such remaining acreage to new and small producers, by regulations distributing such acreage on a fair and reasonable basis. If proportionate shares are in effect in the two years immediately following the year for such augmented acreage is distributed, the acreage allotment established for such farms in each of such two years shall not be less than the augmented allotment for that year, and may be further increased in subsequent years when such an increase is necessary to enable such company to process an amount of sugar equal to its augmented allotment for that year."

The CHAIRMAN. Thank you very much for your statement. I have just one question: Was your company left out of these negotiations in which they reached an agreement of all of the segments of the domestic industry?

Mr. KELLY. I do not want to give the impression that we were left out. We were invited to participate and we were there at the beginning sessions. We stated our view in general, the same view I have expressed this morning.

The CHAIRMAN. How about the representative of Buckeye?

Mr. KELLY. I believe they were there, too, sir. But our views were not accepted. We feel that as respects our proposals, we have to make them for the benefit not only of ourselves but of our growers and our communities.

The CHAIRMAN. In other words, Mr. Kemp was not speaking for you nor was he speaking for Buckeye?

Mr. KELLY. No, sir. The names of our companies do not appear on the list of companies attached to the statement.

The CHAIRMAN. Thank you very much. I now recognize Mr. Latta.

Mr. LATTA. Thank you, Mr. Chairman, I am pleased to present as the next witness the manager of the Buckeye Sugars, Inc., Ottawa, Ohio. Buckeye Sugars, Inc., like National, is an independent company. I am pleased to present Mr. Yuenger.

The CHAIRMAN. We are very glad to have you with us this morning. We will be glad to hear from you.

STATEMENT OF JAMES A. YUENGER, PRESIDENT AND GENERAL MANAGER OF BUCKEYE SUGARS, INC.

Mr. YUENGER. Chairman Cooley and members of the committee, my name is James A. Yuenger, I am president and general manager of Buckeye Sugars, Inc. I am appearing here today on behalf of Buckeye and on behalf of its growers.

I thank the chairman for this opportunity to appear before the committee and also wish to express my appreciation for the leadership the chairman has provided over the years with regard to sugar legislation. The ability of a tiny company, such as ours, to state its case in these hearings proves the chairman's and the committee's desire to write a sugar bill that will be eminently fair to the small producer as well as the large.

Buckeye Sugars, Inc., is located in Ottawa, Ohio, and has been in operation since 1912 and makes an important contribution to the agrobusiness economy of northwest Ohio, a contribution which is in danger of disappearing if proposed sugar legislation is enacted without providing safeguards for a single-plant operation.

In reliance on the Secretary's determination of no restrictions in 1961–63; his request in 1963 to expand; and his commitment in 1964 of 2,415 acres to Buckeye—80 percent of our request—from the national acreage reserve for expansion purposes, Buckeye has expanded its plant and facilities. Our request for 3,000 acres from the national acreage reserve in December of 1963 and our expansion program as a result of the commitment of 2,415 acres was based on our strong conviction that in order to survive in the industry we must provide what we consider a minimum economic unit, one having a production of 25,000 tons of sugar. This production was within reach in 1964 and was prevented only by exceptionally bad weather.

The 1965 crop now growing, according to our best present estimates and with an average sugar content for our area, will produce approximately 25,000 tons of sugar. Therefore our request for a marketing quota of up to 25,000 tons is not unrealistic, and was not considered unrealistic when the Secretary allotted 2,415 acres from the national acreage reserve to Buckeye. It should not be a serious obstacle in the proposed legislation.

The modesty of Buckeye's request is demonstrated by the fact that it represents at the most about one-half of an ordinary 12,000-ton bulk shipment of raw sugar or about one-third of a 25,000-ton special bulk carrier of sugar coming to our country from abroad. In 1963 Buckeye marketed 21,392 tons of sugar or eighty-two one-hundreths of 1 percent of our total beet sugar marketings. Our requested amendments would allow us to market up to eighty-three one-hundreths of 1 percent of these marketings in 1965.

Buckeye asks for an acreage allotment of only about 13,000 acres. This compares with 13,318 planted in 1964 and its allotted 12,624 acres in 1965 (after sharing with the industry in a 10-percent reduction in "established acreage").

The changes we proposed in the bill affect not only the company but our employees as well. Our union people, recognizing in great fairness the problems of our small operation in a highly competitive industry, agreed this spring to base increases in their wages on the volume of sugar production in our plant. The marketing quota we would receive under the proposed legislation would effectively deny our workers any hope of realizing better wages under our agreement.

The Sugar Act and the proposed legislation are the result of compromises among the larger sugar interests. Buckeye has had only a very small voice in these deliberations. Its suggested modification, if granted, will have a very insignificant effect on any segment of the sugar industry or on other sugar companies.

As is the case with National Sugar Manufacturing Co. as their position was presented by Mr. Kelley, the amendments proposed are in no way intended to be a general attack on the proposed legislation agreed to by the domestic industry, as this position was so ably presented by Mr. Frank Kemp. We agree with the industry proposal with the exception that we feel strongly that consideration must be given to protect the "Davids" among the "Goliaths." We suggest that there are several ways in which this can be accomplished.

1. Before reallocating any domestic deficits to foreign countries, the Secretary provide for a quota of up to 25,000 tons of sugar to an existing independent, single-plant beet sugar company, with corresponding acreage allotment.

2. Before authorizing the import of any foreign beet sugar (raw or refined) or any foreign refined cane sugar, the Secretary may provide for a quota of up to 25,000 tons to an existing independent single-plant beet sugar company, with corresponding acreage allotment.

3. The quota of a company which has received a commitment from the national acreage reserve shall not be less than 25,000 tons with corresponding acreage allotment.

In conclusion, we respectfully urge the committee to give these small processors the very modest measures of protection we have requested so that they can continue to provide an economic contribution to their areas, as well as a contribution toward preserving a healthy, competitive domestic industry.

The CHAIRMAN. Thank you very much, Mr. Yuenger.

Mr. Poage?

Mr. POAGE. I wonder if you would tell us from what areas we are now importing the sugar.

Mr. YUENGER. We now have, I believe, under the present act the ability to import refined beet sugar from Ireland, and, I believe, the proposal for legislation indicates that we would be able to import refined beet sugar from Ireland, from Panama, and one other country—I am sorry I do not remember it.

The CHAIRMAN. Belgium?

Mr. YUENGER. Belgium, I believe, yes.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Just one question, Mr. Chairman. On the basis of a Department comment, did your company make any expenditures for expansion?

That is, because of the plea of the Secretary?

Mr. YUENGER. We testified in the hearings of 1963—in December—that we had embarked upon an improvement program—an expansion program which would bring us what we felt was an economic unit of 25,000 tons. It was on that basis that we asked for 3,000 acres out of the national acreages of 1963.

Our company in the last 4 years, and it is continuing to do so, has spent over $1,500,000 in expansion and modernization of our plant.

Mr. LATTA. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Vigorito.

Mr. VIGORITO. What is the size of your company in relation to the others in the industry?

Mr. YUENGER. We produce and sell less than eight-tenths of 1 percent of the beet sugar in the United States alone. And this figure becomes infinitestimally smaller when we take the entire sugar consumption. We are one of the two smallest beet sugar companies in existence in the United States.

Mr. VIGORITO. Thank you.

The CHAIRMAN. Mr. Hagen.

Mr. HAGEN of California. As I understand it, you growers are receiving only the same cut as all other old growers.

Mr. YUENGER. That is right.

Mr. HAGEN of California. If that is the case, why does your single plant status justify special treatment?

Mr. YUENGER. If the growers cut back, Mr. Hagen, of course the plant receives less to operate with. There is a certain minimum op-

erating capacity for a plant—a certain minimum at which the plant can remain in existence.

Mr. HAGEN of California. That would be true, too, if it was a group of more than one plant; is that not correct?

Mr. YUENGER. This is very true—this would be true. However, the multiplant companies do have the opportunity of transferring their production in a poor year, let us say, to other plants and absorbing it into other plants. They can, also, stand to a much greater extent the vagaries of fortune than a single year plant can. We have no place to turn to except to our own resources.

I would say that we have had the urge to go out and take our single unit plant in the latter years, to borrow the money to expand the plant and to try to make a viable industry, so that we could serve our area, and our industry is very important in our conduct in our area to our growers and to the industry in general.

The CHAIRMAN. You have been reduced to 18,000 tons?

Mr. YUENGER. We have never produced over 18,000 tons. However, the crop that is in the ground now—and using only averages of the past years—will produce a crop of 25,000 tons this year. This is under our acreage allotments this year.

Mr. HAGEN of California. Is that finished or raw sugar?

Mr. YUENGER. Raw sugar.

The CHAIRMAN. And as to national——

Mr. YUENGER. I believe there have been times in the past when they have produced not over 9,000—I am not too familiar with them.

The CHAIRMAN. In other words, you are asking for an increase?

Mr. YUENGER. Pardon?

The CHAIRMAN. You are really asking for an increase over the maximum?

Mr. YUENGER. We are asking for an increase over the maximum we ever produced, but we are asking to be held at a level which we believe is an economic level and a level on the basis of which the Secretary in 1963 allocated acreage out of the acreages reserved to our plan.

The CHAIRMAN. What would you get out of the administration's bill which has been introduced?

Mr. YUENGER. We would get, approximately, 18,000 tons of sugar.

The CHAIRMAN. That is the maximum that you have produced?

Mr. YUENGER. This is the maximum we have produced up to this point.

The CHAIRMAN. Thank you very much.

Mr. HAGEN of California. I have one more question.

If I am not mistaken, new plants receive in effect 18,000-ton allotments.

Mr. YUENGER. A new plant, you mean.

Mr. HAGEN of California. A new plant.

Mr. YUENGER. On the basis of the figures that have been used as to an efficient basis for a new plant today, it has been established that it would be 50,000 tons of raw sugar value. Because if the new plant is over $20 million and with less than 50,000 tons it is not an economic unit.

Mr. HAGEN of California. I probably was in error on that.

Mr. YUENGER. I think so.

Mr. LATTA. Mr. Yuenger, in recent years we did authorize the establishment of some new plants. Do you know what quota was given to these new plants?

Mr. YUENGER. I believe that it was based on 50,000 tons.

Mr. LATTA. That is my recollection. That is all.

The CHAIRMAN. Mr. Matsunaga.

Mr. MATSUNAGA. Mr. Yuenger, at a maximum of 18,000 tons, has the company been operating at a profit?

Mr. YUENGER. The company at this point has been operating at a very modest profit on the level of 18,000 tons. However, it must be remembered that as in all other industries costs have risen tremendously. In the bill that is now before your committee we would be frozen at this 18,000-ton figures for the next 5 or 6 years.

Mr. MATSUNAGA. What was last year's production?

Mr. YUENGER. Last year's production was, roughly, 18,000 tons raw value.

Mr. MATSUNAGA. Was your last year's profit greater or less than the 1963 profit?

Mr. YUENGER. Our last year's profit was considerably less than the 1963 profit.

Mr. MATSUNAGA. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Yuenger.

We will now call on Mr. William L. Shea, of the Osceola Operating Corp., Belle Glade, Fla.

Will you file your prepared statement for the record and summarize it?

STATEMENT OF WILLIAM L. SHEA, OSCEOLA OPERATING CORP., BELLE GLADE, FLA.

Mr. SHEA. Mr. Chairman and members of the committee, I will do that. I will try to paraphrase it as I go along.

I greatly appreciate the opportunity to appear here today. That is, in a very much minor position.

We are a prospective new mainland cane sugar grower. Some years ago we purchased some 30,000 acres of land in Florida near Lake Okeechobee. It is very good sugarcane land.

The corporation and the stockholders invested a good deal of money, over $7 million so far, based on the conditions at the time that they went into it, in 1962–64 when no restrictions were on the domestic production, and they were prepared to spend $22 million to build a mill and a plantation growing about 18,000 to 20,000 acres of sugarcane with an annual production of about 40,000 tons. And during the season they would have more than 1,000 people employed. In other words, they made a substantial investment at the instigation of the Government at the time. Naturally, conditions changed and restrictions have been placed, and so we could not go forward. So our one point is that we invested money on which we expected a high return, on which we now have to raise farm vegetables, cattle, and so forth.

I know that is a sort of self-serving interest, that is expressed there, but then, on the other hand, we did not go into the venture blindly.

We are not asking for a quota this year or next year, but that the mainland cane industry be put in the same position as the feed industry in getting an acreage reserve some time in the future, and that these quotas be taken from others.

We strongly favor increasing the country's self-sufficiency in meeting its sugar needs; and, therefore, we are opposed to the reduction in the mainland sugar quota. We believe that we have demonstrated the success of the mainland farmers in increasing the production of both cane and beet sugar when called upon and that this offers the best possible evidence of this position, and as stated in the preamble of the Sugar Act "to protect the welfare of the consumers of sugar and of those engaged in the domestic sugar-producing industry."

We strongly urge that the cane sugar industry of which we are a member be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction in the production of cane sugar. And we offer the response of the Florida and Louisiana canegrowers in lean years to back that up.

Implicit with the above affirmation we believe that both the laws and the regulations should provide the mainland cane industry with adequate return, with managed capital and means for orderly expansion.

I have not had a real opportunity to go over the new act completely, but there is no provision whatsoever there for new cane-sugar growers, but with this act going until 1971 there is absolutely no way for new mainland canegrowers to get into the picture outside of the 10,400,000-ton figure.

The CHAIRMAN. In other words, you are willing to wait for a reasonable time?

Mr. SHEA. That is right.

The CHAIRMAN. But you do not want to wait until 1971?

Mr. SHEA. That is right, Mr. Chairman. I will try and conclude here as soon as I can.

The CHAIRMAN. Have you any suggestions to offer us? I am not inclined to cut you off, but do you have any suggestion as to how this committee might insert such a provision into the bill which would take care of a situation like you have mentioned?

Mr. SHEA. Well, there are four or five prospective new growers in Florida and several in California, Mr. Chairman.

The CHAIRMAN. You do not want to be shut off completely.

Mr. SHEA. That is right. If there was a provision in there that the Secretary of Agriculture could set aside so much land per year, that would help. If I may read that part here.

The CHAIRMAN. On what page is that?

Mr. SHEA. On page 7. We maintain that the only sound and sensible way for the Secretary of Agriculture to truly protect the interests of the new and small producers of cane sugar is to build an economic unit of sufficient strength so that independently each can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary allotting each unit to new and small cane sugar producers, sufficient acreage to produce 25,000 short tons raw value of sugar. This new cane production allotment if distributed to one area would make the construction of a new mill every 2 years to mill cane grown on such additional acreage an economically sound investment. This is put in there because at one time the Department

tried to figure out whether 25 acres set aside was sufficient, and no one came into the picture on that basis.

Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area the first or third years, and subsequent allotments for such years could be either temporarily allotted by the Secretary to existing growers or withheld by him from production, depending upon his estimate of consumption requirements.

This new cane production allotment recommended above would not be taken away from the existing producers. There are two other sources which could provide ample acreage to set aside this allotment. In the first place, a number of producers regularly fail to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers which only results in furthering the monopoly already in existence, we urge that such deficiencies be allotted on a permanent basis to the new cane production allotments.

Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year, and even if this figure is an exaggeration the increase in domestic consumption is high enough to allot 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers, and between the beet and cane producers.

A new cane production allotment such as described above would have the effect of helping to offset the discrimination which now exists in favor of old and new beet sugar and old sugarcane growers, to eliminate the monopoly now enjoyed by present sugarcane mills and to stablize the sugar market and sugar prices by providing a source for increasing the domestic production.

And in conclusion, we feel that our recommendations would result in a reasonable consumer price, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continuing harmony of the U.S. relations with sugar-producing foreign allies and conservation of the U.S. dollar balances.

Our position we do not think conflicts with or harms the existing domestic sugar refining, sugarbeet producing and sugarcane producing industries. As I said earlier, we are not asking that we be permitted to expand our cane production this year or next year, but that we be given a right to look forward to entering into and in participating in the cane sugar industry on an organized basis at some time in the near future. And we are perfectly willing to wait our turn. All we ask is that the Congress not permanently bar the door.

The CHAIRMAN. Thank you very much. Your statement will be made a part of the record.

(The prepared statement of William L. Shea follows:)

STATEMENT OF WILLIAM L. SHEA, IN BEHALF OF OSCEOLA OPERATING CORP., BELLE GLADE, FLA.

My name is William L. Shea. I am the Washington attorney for the Osceola Operating Corp., owner of the Big B Ranch located in Palm Beach County, Belle Glade, Fla.

Osceola owns 30,000 acres of land centered about 14 miles suotheast of the village of Belle Glade. Approximately 1,400 of these acres are presently planted in sugarcane. This puts Osceola in the category of being a small producer in comparison with the large corporation and cooperative producers in the

Florida cane area. Our presence at these hearings is both as a small and new producer of sugarcane and also as one which seeks to become a much larger producer. Though we hope to become a competitor of those already producing cane, we have enough faith in sugarcane and its long-range future to believe that healthy competition will work to the advantage of the entire industry.

Our stockholders have made a substantial investment and a long-term commitment to produce sugarcane in Florida. Its 30,000 acres of land was acquired some years ago at a cost in excess of $2 million but it was not until the spring of 1964 that we were able to complete preparation and development of sufficient land to permit us to plant 1,357 acres of seed cane. Until the Department of Agriculture, by release dated April 13, 1964, announced its intention to consider the need for establishing 1965 crop proportionate shares for farms in the mainland sugarcane areas of Florida and Louisiana, Osceola was prepared to invest an aggregate of over $22 million. Osceola employed the services of sugar technicians, land development engineers, and agricultural and financial experts to prepare a comprehensive program for the development of the ranch as a large integrated sugarcane plantation and mill with a production capacity annually of about 45,000 tons of raw cane sugar. Under the supervision of a full-time staff, considerable improvements to the property have been made, all of which have required a further substantial capital investment. Perimeter water-control dikes and bridges have been built. Fourteen miles of main canals are almost completed, as well as 28 miles of road. The land plus the improvements represents a major capital investment of well over $7 million. We have been deprived of the right to put land in which substantial amounts have been invested to its most profitable use.

The original planting of 1,357 acres of cane was intended to provide us with seed cane for the planting of an additional 16,000 acres in the fall of 1964 for harvesting in the 1965–66 season. Our engineering, construction, and financing arrangements were set last year. Osceola is ready to expand. In addition to providing employment for a number of workers and industries during the course of development of the property and construction of the mill, the planned mill and plantation was expected to employ over 100 persons permanently plus a harvest season payroll of up to 1,000 persons.

We did not go into this venture blindly. We invested the money because of the Government's urging that more sugar be produced in this country and its declaration that no acreage allotments were going to be placed through 1965. In May of 1963, when the Department of Agriculture rescinded 1963 crop proportionate shares and announced that the 1964 crop of sugarcane would not be restricted, world sugar stocks were very low and the world price of raw sugar was spiraling upward. Every conceivable green light was turned on that might entice more sugar into the American market.

The recommendation of the President of the United States that marketing restrictions on the sale of all domestically produced sugar be removed for 1964 was a part of his agricultural message to Congress transmitted on January 31, 1964. The pertinent portion of the President's message is as follows, and I quote:

"4. *Sugar.*—The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved foundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

"However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

"I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

"The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation."

Of course, we realize that conditions have changed and we are not criticizing the Department for the action it took.

On May 1, 1964, we submitted a summary statement of our position to the director of the sugar policy staff, Department of Agriculture, in response to the initial announcement that the Department was considering the need for establishment of sugarcane acreage allotments for the 1965 crop year. In short, we stated that the Department should refrain from taking any action at that time to estab-

lish acreage allotments for the 1965 crop of mainland sugarcane. We felt that any restrictive administrative action should await the then pending hearings for an entire revision of the Sugar Act to reflect major changes in domestic and world supply and demand relationships.

We strongly favor increasing this country's self-sufficiency in meeting its sugar needs, and, therefore, we are opposed to a reduction in the production of sugar in the U.S. mainland. We believe the demonstrated success of mainland farmers in increasing production of both cane and beet sugar when called upon offers the best possible evidence to this position. The response of the American farmers to the need for increasing mainland production has been in every way beneficial within the intentions of the Sugar Act as spelled out in its preamble:

"To protect the welfare of consumers of sugar and of those engaging in the domestic sugar producing industry."

We strongly urge that the cane sugar industry, of which we are a member, be given continued opportunity for orderly growth; and, therefore, we are opposed to a reduction of the production of cane sugar. We offer the response of the Florida and Louisiana canegrowers and cane producers over the last several years as the best evidence of their contribution to the major ends sought to be achieved under the Sugar Act.

Consistent with the above affirmations we believe that both the Federal laws and the administrative regulations augmenting those laws, should provide the mainland cane industry (1) with fair prices, (2) with adequate return on soundly invested and well-managed capital, and (3) with a means for orderly expansion.

As a new producer, we emphasize the need for the sugarcane industry to be provided with a sound mechanism for expansion which will offer opportunity both to those who are presently engaged in the industry, either long-established or of more recent vintage, and to those, such as ourselves, who give evidence of being competent to become new producers. It is in this regard that we have advanced the suggestion that new legislation provide for the creation of a tonnage or acreage reserve available to selected new cane sugar projects which would operate under formulas similar to those established under title 3, section 302(b)(3) of the Sugar Act of 1948, newly added to the act in the 87th Congress of 1962. A draft of a proposed amendment is attached as appendix A.

RECOMMENDED ACTION ON BEHALF OF NEW PRODUCERS

We maintain that the only sound and sensible way for the Secretary of Agriculture to truly "protect the interests" of the new and small producers of cane sugar is to build an economic unit of sufficient strength that independently it can withstand the pulls and drags of the volatile sugar market. Such a unit can be organized by the Secretary alloting each year to new and small cane sugar producers sufficient acreage to produce 25,000 short tons, raw value, of sugar.

This new cane production allotment, if distributed to one area, would make the construction of a new mill every 2 years for milling the cane grown on such additional acreage an economically sound investment. Since the new cane production allotment would be insufficient to warrant construction of a new mill facility in one area in the first, third, and subsequent odd years, the allotment for such years could be either temporarily allotted by the Secretary to existing growers, or withheld by him from production, depending on his estimates of consumption requirements.

The new cane production allotment recommended above would not be taken away from the existing producers; there are two other sources which should provide ample acreage to satisfy this allotment. In the first place every year a number of sugar-producing areas regularly fail to meet their quota requirements. Rather than allocating these so-called deficiencies to existing producers, which only results in furthering the monopoly already in existence, we urge that such regular and recurring deficiencies be allocated on a permanent basis to the new cane production allotment. Secondly, it has been estimated that domestic consumption increases at the rate of 150,000 tons a year. Even if this figure is an exaggeration, the increase in domestic consumption is high enough to award 25,000 tons annually to new cane producers, taking into consideration the relative divisions between the foreign and domestic producers and between the beet and cane growers.

A new cane production allotment such as described above would have the effect of helping to (1) offset the discrimination which now exists in favor of new and old sugarbeet growers and old sugarcane growers, (2) eliminate the monopoly now enjoyed by present sugarcane mills, and (3) stabilize the sugar market and sugar prices by providing a source for increasing domestic productions.

CONCLUSION

We feel our recommendations would result in reasonable consumer sugar prices, reasonable selling prices for U.S. farmers, adequacy of an assured supply of domestically produced sugar, continued harmony of U.S. relations with sugar producing foreign allies, and the conservation of U.S. gold and dollar balances. Our position does not conflict with or harm existing domestic sugar refining, sugarbeet producing, and sugarcane producing industries.

We are not urging that we be permitted to expand our cane production this year or next year, but we do urge that Osceola and all other new and small cane producers, be given the right to look forward to entry and participation or increased participation in the cane sugar industry on an organized basis at some time in the future. We are perfectly willing to wait our turn; all we ask is that the Congress not permanently bar the door.

I ask that the committee give us an opportunity to submit an additional statement after being given a reasonable time to review the testimony given by other witnesses at these hearings.

I thank you gentlemen for giving me the opportunity to express our views.

APPENDIX A

A BILL To amend 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 302(b) of the Sugar Act of 1948, as amended, is amended—

(1) by renumbering paragraphs (5), (6), and (7) as paragraphs (6), (7), and (8) respectively; and

(2) by striking out paragraph (4) and inserting in lieu thereof new paragraphs (4) and (5) as follows:

"(4) In establishing proportionate shares for farms in the domestic cane sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quotas and provide a normal carryover inventory (hereinafter referred to as the 'national sugarcane acreage requirement') on the basis of the acreage history of sugarcane production and the ability to produce sugarcane for extraction of sugar in each State. In order to make acreage available for the growth of the cane sugar industry, the Secretary shall reserve each year from the national sugarcane acreage requirement established by him, the acreage required to yield fifty thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized to farms in States without regard to any other allocations to States or areas determined by him and shall be withheld from such other allocations until it can be so utilized: *Provided, however,* That beginning with 1966 the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce fifty thousand short tons, raw value, of sugar. At the time the Secretary distributes the sugarcane acreage reserve for any year, which determination of distribution shall thereby be committed to be in effect for the year in which production of sugarcane is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarcane acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarcane processing facilities has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarcane acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such finaings.

"In determining distribution of the sugarcane acreage reserve and whenever proposals are made to construct sugarcane processing facilities in two or more localities where sugarcane production is scheduled to commence in the same

year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarcane, the proximity of other sugarcane mills, need for a cash crop or a replacement crop, accessibility to sugar markets and the relative qualifications of localities under such criteria. If proportionate shares are in effect in the two years immediately following the year for which the sugarcane acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the acreage committed to such farms.

"(5) The allocation of the national sugarbeet or sugarcane acreage requirement to States, or of the national sugarcane acreage requirement to the mainland cane sugar area, for sugarbeet or sugarcane production, as well as the distribution of the sugarbeet or sugarcane acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

SEC. 2. The third sentence of section 205(a) of such Act is amended to read as follows:

"The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet or sugarcane processing plant or factory serving a locality having a substantial sugarbeet or sugarcane acreage for the first time, or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage or sugarcane for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded sugarbeet and sugarcane facilities during each of the first two years of its operations.

"Be it further enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That:

"(a) The quotas for domestic sugar-producing areas under section 202(a)(1) of the Sugar Act of 1948, as amended, are hereby increased for the calendar year 1965 by five hundred and fifty thousand short tons, raw value, for the calendar year 1966 by one million two hundred and fifty thousand short tons, raw value, and for the calendar year 1967 by one million five hundred and fifty thousand short tons, raw value.

"(b) The Secretary of Agriculture shall, within thirty days after the date of the enactment of this Act, apportion to the domestic beet sugar area and mainland canesugar area the increases in basis quotas provided by subsection (a) on the basis of the quotas for such areas specified in section 202(a)(1) of such Act.

"(c) The increases in quotas herein authorized shall be deducted from the quantity of sugar which may be authorized for purchase and importation from foreign countries under section 202(c)(A) of such Act."

SEC. 2. (a) The first sentence of paragraph (3) of section 302(b) of the Sugar Act of 1948 (and U.S.C. 1132(b)(3)) is amended (1) by inserting "except 1967" immediately after "each year" and (2) by inserting ", and shall in 1967 so reserve the acreage required to yield three hundred and fifty thousand short tons, raw value, of sugar" immediately before the period at the end thereof.

Please note that the above article (3) would then read as follows:

"(3) In order to make available acreage for growth and expansion of the sugarbeet and sugarcane 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, except 1967 and shall in 1967 so reserve the acreage required to yield three hundred and fifty thousand short tons, raw value, of sugar."

The CHAIRMAN. Let me make one suggestion. I am not trying to encourage or to discourage you. Will you draft what you think the committee might use that you consider as being helpful, and give it to the clerk of the committee?

Mr. SHEA. I have drafted it, Mr. Chairman. It is Appendix A which is a part of my prepared statement. It is along the lines of the Sugar Act of 1962, as amended, with regard to the new sugarbeet provisions in that act.

The CHAIRMAN. All right.

Mr. SHEA. In fact, I will review that and submit another.

The CHAIRMAN. All right.

Mr. Hagen.

Mr. HAGEN of California. Who do you market your sugar to, or through?

Mr. SHEA. We had to sell 1,400 acres of sugarcane to the Talisman Mill in Florida. They bought our quota.

Mr. HAGEN of California. Is that a big operation?

Mr. SHEA. That is another small operator. I do not know the size of it. It is not too big. Ours was only 1,357 acres, to be exact.

Mr. HAGEN of California. As I understand it, a lot of southern cane processors market to American, one of the biggest sugar companies.

Mr. SHEA. There are some cooperatives down there that sell all of their production to the bigger sugar mills, but we hope to have a single integrated sugar plantation with a mill of 45,000 tons capacity annually.

Mr. HAGEN of California. Thank you. That is all.

The CHAIRMAN. Mr. Latta.

Mr. LATTA. Was your company in on these negotiations we have heard about?

Mr. SHEA. No; it was not.

Mr. LATTA. That agreed on this bill?

Mr. SHEA. No.

Mr. LATTA. Were you invited to attend?

Mr. SHEA. No; I know personally some of the members of the Washington offices representing some of the groups. I talked to them, but I was never invited to attend.

Mr. LATTA. Do you have any thinking on the number of years that this bill should be effective?

Mr. SHEA. I do not think that it should go beyond 3 years. I know that you want to get rid of the present sugar surplus in this country, but I do not think that we should continue to give all of our increased consumption and all of our deficiencies to any of the foreign countries without giving us a chance to, domestically, do something.

Mr. LATTA. It would be frozen for 5 years under this bill.

Mr. SHEA. Absolutely.

Mr. LATTA. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Shea.

Mr. SHEA. Thank you.

The CHAIRMAN. We will now call on John C. Lynn and Marvin McLain, of the American Farm Bureau Federation.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR; ACCOMPANIED BY MARVIN McLAIN, ASSISTANT LEGISLATIVE DIRECTOR; AND W. E. HAMILTON, DIRECTOR OF RESEARCH, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman and members of the committee, we will file our statement for the record and I will attempt to highlight it in order to save time.

We think it is very fortunate to be having these hearings during the interlude before the final vote on the farm bill this afternoon

or tonight, because you are about to pass, in spite of our encouragement otherwise, a bill costing somewhere between $4 and $8 billion in an effort to reduce surpluses.

We have an opportunity in sugar and the farmers have demonstrated during the 2 years that the allotments were not on that they will produce sugar, and that they can produce it profitably. We are here to recommend that this act not be extended for 5 years and freeze in place and, in fact, cause a reduction to have to be made in the acreage for the domestic sugarbeet and cane producers in the next 5 years.

If we do this for 5 years and we allocate these quotas of sugar to the foreign countries, we think that they will assume that they have a vested interest—as Cuba thought it had before Castro. We know how difficult it is to get the Department of State and other agencies of the Government to take away this so-called right to produce.

So, in effect, what we are doing if this proposal is passed is freezing the U.S. production of sugar in the place or, perhaps, causing it to have to be reduced while we allocate this deficit to foreign countries.

We have a simple recommendation, Mr. Chairman, that this so-called consensus that has been reached be increased to 1 million tons of sugar, and that the 65 percent of the growth which is now provided for new growers, be increased to 75 percent. We think this is only fair to the producers of sugar in the United States. I want to make it clear that we represent the producers and that is all that we attempt to speak for.

I think, Mr. Chairman, as you are about to try to vote later today to reduce production at a tremendous cost that you should take a real look at our recommendations with regard to sugar, because we are trying to increase our production. I think you are very aware of the fact that we are very much international trade, but if we approve this bill for 5 years and give these foreign countries these quotas, then we will have frozen the U.S. producer out of business.

That is our story in brief.

(The prepared statement of the American Farm Bureau Federation follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION PRESENTED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR, AND MARVIN L. MCLAIN, ASSISTANT LEGISLATIVE DIRECTOR

We appreciate the opportunity to present our recommendations with respect to legislation to amend and extend the sugar act.

Farm Bureau's membership includes sugar producers in all domestic areas except the Virgin Islands.

Our basic policy on sugar is set forth in a resolution adopted by the elected voting delegates of our member State organizations at our last annual meeting as follows:

"We support the sugar act as a means of dealing with problems peculiar to the sugar industry and urge its administration on the basis of protecting the interests of domestic producers. The primary provisions of this act relate to the use of quotas to regulate the marketing of domestic and imported sugar.

"The production of sugar has increased dramatically in the mainland cane and beet areas in recent years as the result of legislation authorizing acreage allocations to new beet areas, a sharp rise in sugar prices, and the Secretary of Agriculture's suspension of acreage restrictions for the protection of consumers.

"The Government has a moral responsibility to permit the marketing of the overquota sugar that has been produced in response to Government actions and at the same time to avoid undue depression of sugar prices. Basic quotas should be adjusted to accommodate the expanded productive capacity of the

mainland cane and beet areas, and a larger share of the future growth in sugar consumption should be reserved for domestic producers."

The mainland cane and beet sectors of the sugar industry are in a serious surplus position as a result of governmental actions and inactions which have resulted in the expansion of production without a corresponding increase in marketing allocations.

Under legislation enacted in 1962, the Department of Agriculture made acreage allocations for new plants and the expansion of old plants which eventually will produce an estimated 325,000 tons of beet sugar annually.

Summary of allocations from the national sugarbeet acreage reserve

Location	Acres	Estimated production (short tons)	Effective with crop year	Cumulative estimate of sugar production from such allocations (short tons)
California (Fresno, Kings, Madera, and Tulare Counties)	19,000	45,700	1963	45,700
Texas Panhandle area	22,230	50,000	1964	95,700
Curry County, N. Mex	2,500			
Idaho	8,140	18,020	1964	113,720
East-central Michigan	4,030	6,850	1964	120,570
Ohio	2,415	4,430	1964	125,000
Central New York (8 counties)	29,500	50,000	1965	175,000
Northern Red River Valley of Minnesota and North Dakota	31,000	50,000	1965	225,000
Aroostook County, Maine	33,000	50,000	1966	275,000
Arizona	20,000	50,000	1966	325,000

In 1963 the Department of Agriculture was panicked by a sharp, but temporary, rise in world sugar prices. Fearful that it would be blamed for an increase in the prices paid by consumers, the Department suspended acreage restrictions on the 1963 mainland cane crop, announced that there would be no acreage restrictions on the 1964 cane crop, and also promised that beet acreage would not be restricted in 1964 or 1965.

The Department's desire to expand the capacity of the domestic sugar industry is well illustrated by the following quotation from a statement made by former Under Secretary Charles S. Murphy, before the Consumer Affairs Subcommittee of the House Banking and Currency Committee on June 5, 1963:

"All controls on domestic sugar production have been removed. There have been no governmental controls on production in Puerto Rico, Hawaii, or the Virgin Islands in recent years and there have been none in the domestic sugarbeet area since 1960. We have also announced that there will be no such controls in the domestic sugarbeet areas in 1964 and 1965. In the mainland sugarcane area, 1963 crop acreage was originally established at the level of 1962 acreage, which for Florida reflected a 100-percent increase over the 1961 acreage. Early in May, it was announced that the 1964 crop would be unrestricted and that the 1963 restrictions were removed.

"The only restrictions on domestic sugarbeet and mainland cane production, therefore, are those resulting from a limitation of processing capacity. *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.*" [Emphasis added.]

The suspension of controls in a period of rising prices stimulated an increase in sugar production that apparently took the Department's experts completely by surprise. In a 1964 speech before the California Beet Growers Association, Tom O. Murphy, Director of the ASCS sugar policy staff admitted that:

"The desire of farmers in the United States to grow sugarbeets is startling, even to those in the Department of Agriculture who felt that they were pretty well up on this sort of thing."

The extent to which sugar production has been increased in recent years in the mainland cane and beet areas is indicated by the following table:

Mainland U.S. production of sugarcane, sugarbeets and sugar

Crop of	Sugarcane for sugar			Sugarbeets		
	Acres harvested for sugar (thousand acres)	Production		Acres harvested (thousand acres)	Production	
		Cane (thousand tons)	Sugar (thousand tons raw value)		Beets (thousand tons)	Sugar (thousand tons, raw value)
1958	253	6,172	578	895	15,254	2,214
1959	296	6,844	615	897	16,757	2,303
1960	304	7,137	630	962	16,619	2,457
1961	333	9,154	858	1,091	17,927	2,431
1962	368	9,365	852	1,101	18,236	2,595
1963	435	13,000	1,183	1,248	23,400	3,086
1964	547	13,822	1,147	1,394	23,368	3,284
1965	[1] 498	[1] 14,010	----------	[2] 1,265	[2] 21,577	----------
Percentage increase:						
1958 to 1964	116.2	123.9	98.4	55.8	53.2	48.3
1960 to 1964	79.9	93.7	82.1	44.9	40.6	32.7

[1] August 1 indicated production and acreage for harvest for sugar and seed.
[2] August 1 indicated production and acreage for harvest.

Source: "Sugar Statistics and Related Data," Statistical Bulletin No. 244 and "Crop Production," June and August 1965.

The quotas available to the mainland cane and beet areas have not been increased to accommodate the increased production of sugar made possible by the suspension of acreage restrictions, and the commitment of future acreage allocations to new beet areas. On the contrary, as the following table shows, quotas have been reduced as production increased. This reflects the fact that unusual conditions made it necessary for the Secretary of Agriculture to set the 1963 estimate of domestic requirements at a level that was well above actual consumption, and also the fact that the initial quota announcements for both 1964 and 1965 contemplated further legislation.

Sugar quotas and production

	Estimate of total requirements	Mainland cane quota	Beet quota	Total mainland cane and beet
1963 tons, raw value	10,400,000	1,009,873	[1] 2,990,127	4,000,000
1964 do	9,800,000	911,410	2,698,590	3,610,000
1965 do	9,200,000	895,000	2,650,000	3,545,000
Production from 1964 crop do	----------	1,147,000	3,284,000	4,431,000
Excess of 1964 production over current quota do	----------	252,000	634,000	886,000
1964 production as a percentage of current quota	----------	128.2	123.9	125

[1] The beet area was unable to market its full quota in 1963. The final 1963 beet quota after adjustment for deficits was 2,698,590 tons.

The inevitable result of increasing production and declining quotas has been a sharp increase in stocks.

Stocks and sugar held by beet producers and mainland cane processors, Jan. 1, 1963–65

[Short tons, raw value]

As of Jan. 1—	Beet processors	Mainland cane processors
1963	1,368,426	11,938
1964	1,025,166	45,258
1965	1,696,231	151,323

Acreage restrictions were imposed on the 1965 crops in both the mainland cane and beet areas, despite earlier USDA promises that the 1965 beet crop would not be restricted.

Since the administration of the sugar program in recent years has encouraged an expansion of the acreage devoted to sugarcane and beets along with the construction of new processing capacity, we think that the Government has a moral obligation to bring the basic quotas for the mainland cane and beet areas into line with their enlarged productive capacity. This can be done without reducing existing allocations to foreign countries. The current estimate of domestic requirements (9.2 million tons) is 470,000 tons less than the actual 1964 distribution of sugar by primary distributors for continental consumption.

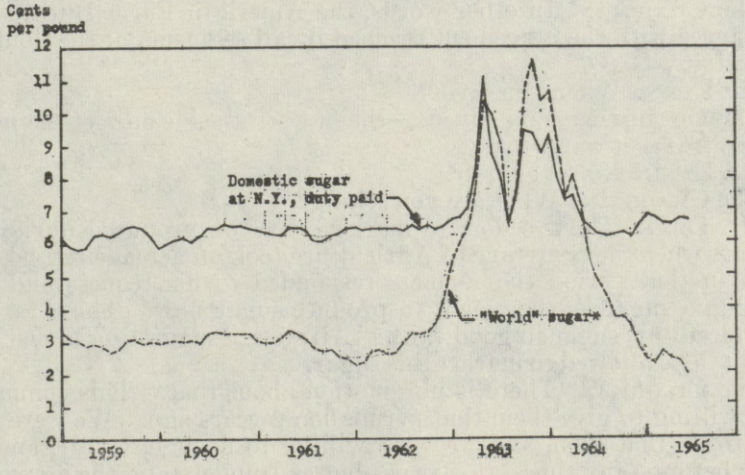
In the first 6 months of 1965 distribution by primary distributors for continental consumption was approximately 280,000 tons larger than in the corresponding period of 1964. Further, it should be recognized that foreign countries have no vested right to the full amount of their current allocations.

In order to solve the problem currently confronting domestic producers, we recommend that the first 1 million tons of any increase in the estimate of domestic requirements be allocated to the mainland cane and beet areas. Further quota increases will be needed in the future to accommodate the demand for new acreage and the uptrend in yields that is to be expected as farming practices are improved.

We cannot agree with those who say that any increases in basic quotas granted at this time should be repaid by suspending the growth formula for a period of years.

On the contrary, we believe that it would be wise to provide greater opportunity for the orderly development of domestic sugar production by increasing the portion of the growth in consumption that is reserved for domestic producers from 65 to 75 percent.

Chart 1. Spot Prices for Raw Cane Sugar, by Months, January 1959-June 1965



* Cuban basis, 1959-60; Caribbean basis, 1961-65.

The need to find new and better uses for our excess productive land should be obvious to anyone. More than $3 billion of Federal funds will be expended, during the 1965 crop year, to cut back production of feed grains, wheat, and cotton with negligible results. We should permit our farmers to expand their acreage of both sugarbeets and cane.

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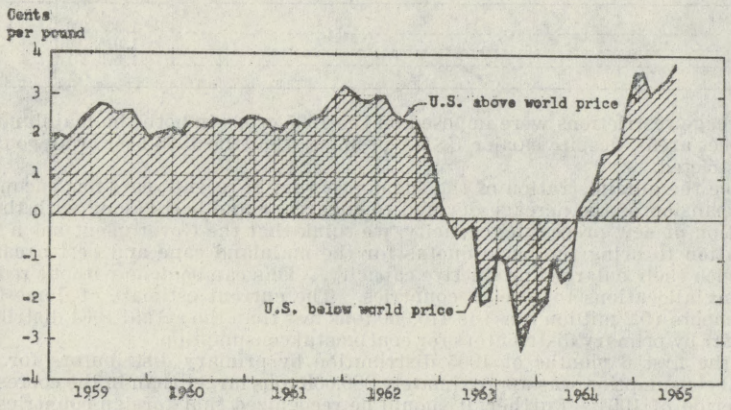
Chart 2. U.S. Sugar Quota Premiums and Discounts, Basis Wholesale Prices at New York and World Raws, by Months, January 1959-June 1965



Examples of how quota premiums and discounts are computed:

[Cents per pound]

	February 1964	June 1965
Domestic price, duty paid, New York	8.02	6.72
Minus duty	.625	.625
Plus bag allowance	.055	.055
Minus shipping charges	.36	.39
Domestic price adjusted to world basis	7.09	5.76
World price	9.11	1.96
Quota discount	2.02	
Quota premium		3.80

The CHAIRMAN. In other words, the American Farm Bureau does not agree with the agreement reached by all segments of the domestic industry.

Mr. LYNN. When you say——

The CHAIRMAN. You advocate that we set it aside and let the industry go free as it wants to do?

Mr. LYNN. No, sir; no, sir.

The CHAIRMAN. What are you asking?

Mr. LYNN. The freedom to market what we produced during the 2 years when the Secretary of Agriculture took off acreage restrictions. And in that period the farmers responded to his request and they produced sugar as they want to produce sugar now. These farmers produced this sugar in good faith. All we are suggesting is that they ought to be allowed to market this sugar.

The CHAIRMAN. There is no question about that. This committee was willing to give them that permission 2 years ago. We were willing to do that then, and we were willing to do it last year, and the year before—any time—this year—but as I understand the agreement was reached by the domestic industry——

Mr. LYNN. We are not a party to that agreement.

The CHAIRMAN. That is what I am saying. You are saying that after they worked for weeks and months and got together and then agreed—every segment of the industry agreed except a few—the Farm Bureau wants to set that aside.

Mr. LYNN. Certainly, that is what we are recommending, because we do not agree with this so-called consensus.

The CHAIRMAN. Thank you very much, Mr. Lynn. Are there questions? Mr. Latta.

Mr. LATTA. Is this what you are saying, Mr. Lynn, that you do not think that it is wise for this Congress to appropriate money to take land out of production and pay subsidies to produce surplus crops when some of that land could be utilized for sugarbeet production?

Mr. LYNN. That is one of the points we are making. But more importantly than that, Mr. Latta, if we go through the experience of allocating these quotas to these foreign countries for 5 years we will never get them back.

The CHAIRMAN. Let me ask you this: If we do what you are talking about, do you not know that the foreign producers would put the domestic producers out of business in a few months?

Mr. LYNN. No; we do not.

The CHAIRMAN. You do not agree with that?

Mr. LYNN. We do not agree with that.

The CHAIRMAN. Why did they bring that up then?

Mr. LYNN. I do not know why they did.

The CHAIRMAN. Thank you very much. Mr. Purcell.

Mr. PURCELL. I was thinking that at one time you were against that.

Mr. LYNN. We have been for extending the Sugar Act with the two amendments that I suggest.

Mr. PURCELL. In the Sugar Act itself there is some kind of a provision for collecting a fee when they bring the foreign sugar in, is there not?

Mr. LYNN. That is right—there has been up to now.

Mr. PURCELL. And this has not caused a cutoff or, rather it will not be cut off now.

Mr. LYNN. I understand that the President said yesterday that the fee will be eliminated.

Mr. PURCELL. How do you rationalize your favoring the act when it has a collection fee in it and you are so violent in your objection to what you call the bread tax on wheat?

Mr. LYNN. The compensatory payment program that is involved in the Sugar Act was designed to increase the domestic production of sugar, because it is a deficit crop. What you are about to do in the Agriculture Act of 1965 is apply the compensatory payment idea to three crops that are in surplus, cotton, wheat, and feeder grains. And you will have the same result with other crops as we have had with the sugar with the farmers being willing to increase their production.

The CHAIRMAN. Do you not know that we are making payments to the producers now?

Mr. LYNN. I know it, but——

The CHAIRMAN. The money that we are paying to the domestic producers is coming right out the American housewives' pocketbooks.

Mr. LYNN. Or from taxes.

The CHAIRMAN. You made over half a billion dollars on the program and it never came out of the pockets of the housewives—not a penny came out of the taxpayers.

Mr. LYNN. Mr. Chairman——

The CHAIRMAN. Am I right or wrong? The record shows that.

Mr. LYNN. I think a great deal of the sugar payments have been made other than out of the housewives' pocketbook, the so-called processing tax.

The CHAIRMAN. Where did it come from?

Mr. LYNN. From import fees—that is one place. That is $70 million.

The CHAIRMAN. I am talking about the program—my recollection is that it shows a profit to the taxpayers of America more than $\frac{1}{2}$ billion.

Mr. LYNN. No, we do not agree with that.

The CHAIRMAN. What is wrong?

Mr. LYNN. We would be very happy to sit down with this committee or the industry group and figure out a better program for sugar.

The CHAIRMAN. Why did you not do that last year and the previous year? Why do you wait until they have now figured out something to come forward?

Mr. LYNN. We have been working with the beet and cane sugar growers and the processors on this program since January of 1964.

The CHAIRMAN. And you have not been able to convince them.

Mr. LYNN. Not entirely.

The CHAIRMAN. All right. Are there any further questions? Mr. Purcell.

Mr. PURCELL. My one question has not been answered yet.

[Laughter.]

Mr. PURCELL. Is it not true that whatever has been done for the domestic growers, either the beet or cane sugar growers, that there had been subsidy paid to them that has been collected for some kind of a fee.

Mr. LYNN. That is right—and we would——

Mr. PURCELL. And it has worked pretty well.

Mr. LYNN. What did you say?

Mr. PURCELL. It has worked pretty well for the domestic producers.

Mr. LYNN. It was designed to increase the production of a commodity that was in short supply.

Mr. PURCELL. It went into the pockets of the producers, because he could not compete with his foreign producers.

Mr. LYNN. It went into the pockets of the producers to encourage him to procure sugar.

Mr. PURCELL. And it was paid for by the consumers, was it not?

Mr. LYNN. In part.

Mr. PURCELL. Do you have any language that I can understand where it explains why you think that this is good and why the consumer should not pay what the wheat is worth?

Mr. LYNN. The whole Sugar Act is predicated on the fact that it is a deficit commodity in which we want to increase our production in order to meet our domestic needs, insofar as we can.

Mr. PURCELL. We know that we can increase it if it is subsidized.

Mr. LYNN. That is right.

Mr. PURCELL. We cannot grow wheat without subsidizing it—do we not know that?

Mr. LYNN. No, we do not know that yet.

Mr. PURCELL. You still think that you can do it for $1 a bushel?

Mr. LYNN. No, we never said that.

Mr. PURCELL. You were for a bill that would pay about $1.

Mr. LYNN. No, no—$1.36 a bushel was in the price support under our bill—average 3-year world price.

Mr. PURCELL. It was?

Mr. LYNN. Yes.

Mr. PURCELL. Well now, have you given the only explanation that you wanted to give here for your support of one and your opposition to the other?

Mr. LYNN. Yes, and if you would like more, I would be glad to give it. I think that I have made it clear.

The CHAIRMAN. Have you finished yet?

Mr. PURCELL. Yes.

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I have a question about allocation for new plants. Under the 1962 act there were provisions made to take care of certain areas in this growth and expansion. Apparently all of those have been taken care that the U.S. Department of Agriculture feels are necessary. Do you have any comment on this provision? You talk about it very briefly on page 2 of your statement.

Mr. LYNN. The essence of our recommendation is that with the additional quota that we would allocate to the domestic producers that we would be able to continue to expand their production not only with the present plants, but with new plants. We could use 200,000 to 250,000 acres of the best land in the United States to grow sugar that we need for domestic consumption.

Mr. DOLE. I think probably, you made the point and this program being as different as oranges and apples. The difference is between a deficit and a surplus crop, and when we talked about specific programs, as I understand it.

Mr. LYNN. Well, the basic reason that we support the wool and sugar programs is because they are both deficit commodities and the programs are designed to increase our production of wool and sugar to meet our needs. When you apply that same principle to a crop that we have in surplus supply you are going down a different road and you will get just what you got in sugar when you turned the acreage loose.

Mr. DOLE. Thank you.

The CHAIRMAN. Mr. Harvey?

Mr. HARVEY of Indiana. We have had a group here from Indiana—not from my district, I might add—for the past 3 years, and I am sure that you are aware of this group that has been very anxious to set up facilities for a beet sugar plant and to be assured of the acreage. If this bill is carried out will there be any hope for this area to acquire a sugar mill in the foreseeable future?

Mr. LYNN. No; not, at least for 5 years. And we say that for the foreseeable future it will be very dim, because we know that there

are substitutes being developed for sugar, just like they are being developed for cotton and other things. And it may be that our own Sugar Act, if extended for 5 years, it will encourage this, so that we would not have any growth of domestic sugar.

The CHAIRMAN. Well, the people in Wabash want to build five mills. Do you think that they should be permitted to build five mills?

Mr. LYNN. No, sir; but they should have an opportunity—not have the door closed.

The CHAIRMAN. All right, thank you, very much.

Mr. LYNN. Thank you.

The CHAIRMAN. Our next witness is the Honorable George V. Hansen. We will be glad to hear from you now.

STATEMENT OF HON. GEORGE V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. HANSEN. Mr. Chairman, I appreciate this opportunity of presenting my views on sugar legislation to this committee.

Two weeks ago today a number of Members of the House representing sugarbeet areas called for immediate consideration of sugar legislation to correct what is an intolerable situation in the industry. I was among those calling for such immediate consideration, and I am happy and grateful that these hearings are being held and that chances appear bright for early enactment of legislation granting relief to sugarbeet growers.

At this point, Mr. Chairman, I would like to acknowledge the presence of and introduce three important men in the industry in my State, and if I may, I would like to present the president of the Idaho Beet Growers Association, Mr. Jack D. Claiborn, and Mr. S. Albert Johnson, vice president of the Idaho Beet Growers Association and then we have the president of the NYSSA–NAMPA Beet Growers Association, Mr. William M. Carson.

The CHAIRMAN. We are very glad to have all you gentlemen here.

Mr. HANSEN. Mr. Chairman, on the 4th day of January, 1965—the first day of the 89th Congress—I introduced a bill, H.R. 311, which would increase quotas for domestic sugar-producing areas by 1 million short tons, raw value, for each of the calendar years 1965 and 1966. I still believe this increase is necessary and I would hope that this committee would consider an amendment to the administration bill to this effect. However, should this not be done, I would then urge that H.R. 10496 be passed as speedily as possible. The modest increases it contains for domestic beet sugar and mainland cane, while not solving the problem that exists, would be helpful.

In considering sugar legislation, Mr. Chairman, I believe it to be of vital necessity that the committee keep in mind the fact that the bind in which domestic producers find themselves is a direct result of increased production in 1963 and 1964 when world sugar prices were high and in anticipation that the United States would have trouble filling its needs from foreign producers at reasonable prices.

This increased production came about when, on March 14, 1963, it was announced that there would be no acreage restrictions—proportionate shares—on the 1964 crop of sugarbeets, and when, on May

6, 1963, it was announced that there would be no acreage restrictions on the 1965 crop.

But, after production was increased, acreage restrictions were reimposed. This amounted to a 14-percent cutback for the 1965 crop in Idaho, and a further restriction for the 1966 crop.

I submit, Mr. Chairman, that this is unfair. Logic and reason demand that sugarbeet growers market their requested increased production.

Again, I strongly urge that H.R. 10496 be amended to include a more realistic increase in marketing quotas for sugarbeet growers. Again, however, should this not be done, I strongly urge that H.R. 10496 be passed as speedily as possible.

The CHAIRMAN. Thank you very much, Mr. Hansen.

(Congressman Hansen also submitted the following telegrams:)

BURLEY, IDAHO, *July 23, 1965.*

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

What chance for Sugar Act this session? Farmers concerned about further acreage cuts without legislation.

BILL BECK,
President, Lower Snake River Beet Growers Association.

BURLEY, IDAHO, *July 23, 1965.*

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

Need sugar legislation to protect acerage allotments. Can you expedite passage of act before adjournment?

O. E. CHRISTENSEN,
Director, Cassia County Beet Growers Association.

BURLEY, IDAHO, *July 23, 1965.*

GEORGE HANSEN,
House of Representatives, Washington, D.C.:

Suggest all possible action to enact sugar legislation before adjournment. Farmers concerned further acreage cuts.

H. R. BOWN,
President, Cassia County Beet Growers Association.

KIMBERLY, IDAHO, *July 24, 1965.*

Hon. GEORGE HANSEN,
House Office Building,
Washington, D.C.

CONGRESSMAN HANSEN: House Agriculture Committee Chairman Harold D. Cooley, in his address to the Sugar Club in New York on Thursday, June 17, promised to introduce his own sugar bill late in June and to set public hearings on the bill in mid-July. Chairman Cooley has anounced on numerous occasions that if the domestic industry would reach complete agreement on sugar legislation the Congress would give early consideration. The domestic industry reached agreement in early spring but nothing has been done. Time is running out.

The beet sugar industry has been marketing at a rate of 3,025,000 tons per year. The present quota remains at 2,650,000 tons per year, and will until changed by Congress. Unless action is soon taken a chaotic market situation will arise. Even with the proposed increase in the beet sugar quota, the industry will be faced with an additional cut in acreage for 1966. It now appears that action on the omnibus farm bill is necessary before sugar legislation can be considered.

Please exert all possible effort to force this bill out of committee and on to the floor of the House so action can be taken.

Sincerely,

JACK D. CLAIBORN,
President, Idaho Beet Growers Association.

TWIN FALLS, IDAHO, *July 26, 1965.*

Hon. GEORGE HANSEN,
House Office Building,
Washington, D.C.

CONGRESSMAN HANSEN: Sugar legislation must come during this Congress. Because all action on sugar will be held up until the omnibus farm bill is acted upon please exert all possible effort to force this farm bill out of committee and on to the floor of the House for action.

Sincerely,

DALE DEPEW,
President, Gooding-Jerome-Lincoln County Beet Growers Association.

BURLEY, IDAHO, *July 26, 1965.*

Representative GEORGE HANSEN,
House of Representatives,
Washington, D.C.:

May we urge you to do all in your power to get immediate action on pending sugar legislation. Growers in Idaho face a large acreage cut in 1966 if Congress does not take favorable action this year. We are depending on you.

MINIDOKA COUNTY BEET GROWERS ASSOCIATION,
CLYDE GREENWELL, *President.*
DICK ASHCRAFT,
WILBUR BUTLER.
RICHARD BLINCO.
MAX FIFE.
ARLO MONTGOMERY.
SHERMAN SAYLOR.
DICK WESTENDORF.

OAKLEY, IDAHO, *July 26, 1965.*

Representative GEORGE HANSEN,
House of Representatives,
Washington, D.C.:

In the interest of the sugarbeet growers of this area it is essential that you through your full influence get sugar legislation passed this session.

JOHN R. ADAMS,
Director of Cassia County Sugarbeet Association.

MURTAUGH, IDAHO, *July 26, 1965.*

Hon. GEORGE HANSEN,
House Office Building,
Washington, D.C.:

Sugar legislation must be enacted soon but it is apparently being held up by the omnibus farm bill. Because of the importance of sugar production to us here in southern Idaho the beetgrowers solicit your every effort to force the omnibus farm bill out of committee so action can be taken thus clearing the way for needed sugar legislation.

Sincerely,

LEN PICKETT,
President, Twin Falls County Beet Growers Association.

TWIN FALLS, IDAHO, *July 27, 1965.*

Hon. GEORGE HANSEN,
House Office Building,
Washington, D.C.:

Those of us here in Idaho, who include sugarbeets in our crop rotation, depend very much on good, sound sugar legislation. A sugar bill rushed through during the final hours of this Congress could mean poor legislation. Your every effort is requested to clear the way and get action on sugar legislation as soon as possible.

Sincerely,

CARL BOYD.

TWIN FALLS, IDAHO, *July 27, 1965.*

Hon. GEORGE HANSEN,
House Office Building, Washington, D.C.:

The sugar industry is far too vital to our farm economy to risk no sugar legislation or poor sugar legislation. The domestic sugar industry is in agreement on needed changes, but Congress must act. Please use influence to clear way for sugar legislation as early as possible.

Sincerely,

REX REED.

TWIN FALLS, IDAHO, *July 27, 1965.*

Hon. GEORGE HANSEN,
House Office Building, Washington, D.C.:

The sugar beet industry is most vital to the sagging economy of southern Idaho. The growers have been forced to accept a 14.6 percent cut in acreage this year. Without new and favorable sugar legislation during this session an additional 40 percent cut is inevitable. Therefore it is imperative that sugar legislation be enacted that this vital industry may be able to survive. A new milestone was reached when the entire sugar industry united behind a proposal. Therefore, it behooves Congress to be cognizant of this industry and the important position it holds in the economy of this Nation and in this State.

DONALD MARTENS,
President, Twin Falls County Farm Bureau Board of Directors.

The CHAIRMAN. I will now ask unanimous consent that Hon. John J. Rhodes of Arizona, Hon. E. Y. Berry of South Dakota, and Hon. Santiago Polanco-Abreu, Resident Commissioner of Puerto Rico be permitted to file statements for the record. Without objection that will be done.

(The prepared statements referred to above follow:)

STATEMENT OF HON. JOHN J. RHODES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. Chairman, I appreciate the opportunity to present this statement to your distinguished committee in support of H.J. Res. 614, a joint resolution to authorize increased marketings of domestic beet and cane sugar in 1965 and 1966.

During the past 2 years, surplus domestic sugar has been accumulated as a direct result of the administration's encouragement of domestic production. Reliable estimates indicate that the 1965 crop cannot be marketed under existing laws because of this large carryover.

To correct this undesirable situation, H.J. Res. 614 would raise the limit on marketings of the domestic beet sugar area and the mainland cane sugar area to quantities of 3,025,000 short tons, raw value, and 1,100,000 short tons, raw value, respectively. These quantities reflect industry agreement in regard to increased marketing authority needed for 1965 and 1966.

Mr. Chairman, may I emphasize that this legislation is for the purpose of marketing sugar which is currently being produced. The intent is not for increased domestic production. The administration has already encouraged the production of this sugar for the last 2 years, and the problem is now for the

use of that which was produced, and is currently being produced, as a result of the insufficient supply from foreign producers in recent years.

Mr. Chairman, for the protection of domestic economic investors and producers, I urge adoption of this legislation.

STATEMENT OF HON. E. Y. BERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, my purpose in testifying before this committee today is to urge prompt action on the legislation which would extend the Sugar Act and to urge that the import fee be reinstated. The urgency of this legislation cannot be overemphasized.

Last December, the Secretary of Agriculture permitted the import fee on foreign sugar to expire. The loss of the U.S. Treasury is $80 million per year, but more importantly, the loss of the fee opens a wedge for increased imports of sugar upon our domestic market.

We began this year with an inventory of sugar nearly 100,000 tons higher than the present authorized marketing quota permits to be sold in the United States. Obviously, if a surplus is available from domestic producers, the traditional curb against imports must be restored to avoid a chaotic market situation. The quota remains at 2,650,000 tons per year and will until it is changed, hopefully by this committee. The mistake of not collecting an import fee can also be corrected by the committee.

The reason for the surplus is simple: The executive branch of the Government urged the domestic industry in 1963 and 1964 to produce all the sugar that it possibly could in order to offset the sugar shortage which resulted when the Cuban supply was ended by a Communist takeover in that country. The Government's request was met magnificently by the American sugar producers; but we let them down.

By failing to enact sugar legislation last year, to provide the authority, our domestic industry needed to market the extra sugar it had produced at Government request, the inventory increased to the point that under the present quota the domestic beet sugar industry cannot market all of the sugar they have on hand. They cannot sell this sugar until they get an increase in the quota. Sugar companies are over a barrel; they responded to the Government's request and got caught in the crack.

The seriousness of the situation is seen when we view the consequences of not enacting this legislation immediately. Unless the industry gets some quota relief this year, the industry will run out of marketing rights. This could happen as soon as the middle of October.

Another serious impact on the industry will be on next year's crop. A voluntary cut of 10 percent was taken by the industry for this season's production. The surplus, it must be remembered, was incurred because the growers were urged by the Government to increase production. Because of this voluntary cut, however, not all of last year's crop was planted. Also fewer beets per acre were planted, and production will be less than was anticipated. But if this legislation is not enacted, despite these two favorable factors of low yield and underplanting, another 10-percent cut in production will be forced upon the domestic producers.

Several other dangers lie ahead if we continue to tolerate and permit reduced plantage. Many producers use sugar beets as a rotation crop, planting it once every 4 years to improve soil. If we disrupt this cycle and force a farmer to reduce his acreage of sugarbeets, we disrupt an orderly rotation process and disrupt this type of agriculture not only for 1 year, but for 4 years. Secondly, the adjustments being made by many producers to alleviate the transition problems caused by the expiration of the bracero labor program would be made more difficult. Many producers use beets to handle this transition because beets can be harvested almost completely by mechanical means.

No sugar legislation was enacted last year despite pleas from all segments of our domestic industry. The administration has waited too long this year in sending its legislative message on sugar to Congress, and unfortunately, did not include reinstatement of the import fee in that message.

We are now given the opportunity to correct this inequity. The most important problem of allowing the American producer to enjoy his fair share of the market can be solved.

We have spent billions around the world supporting programs to increase the production of foreign farmers, but have not taken the time to help our own producers. The sugar import fee which has made the program self-paying in the past must be restored as a protective measure. We have turned our backs on the sugar industry; their reward for answering the Government's plea to step up production 2 years ago.

Congress has seen fit to pass many sugar-coated bills this session, now it is time for Congress to pass sugar legislation itself.

STATEMENT OF HON. SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. Chairman and members of the committee, I should like to identify myself with the administration and industry position with regard to H.R. 10496. The application of the Sugar Act is important to Puerto Rico, as it is to all the other U.S. sugar-producing areas. For this reason, I am happy to support the extension of this workable and effective legislation and also support the 1965 amendments, which will ease the marketing problems of some of our sister areas and continue supply and price protection to domestic consumers.

The Sugar Act and the stability which it brings to the sugar industry are fundamental to the welfare of thousands of Puerto Rican families. Sugar continues to be a major source of income for the people of Puerto Rico.

The hurricane of 1956, which was followed by an unprecedented drought, reduced the 1956–57 sugar crop to 8.7 million tons of cane. During the following 4-year spell of especially bad harvesting conditions, efforts were made to recover from this temporary setback. With the help of the Commonwealth government, large investments are made annually to mechanize industry, to replant old ratoons, and to apply modern techniques. Thus, by 1962–63, an output of more than 10 million tons of cane was once agains reached.

In recent years, Puerto Rico has suffered, with most other parts of the world, an unexplained reduction in the percentage yield of sugar from sugarcane, and, during the past 2 years, severe drought conditions again struck the island. Wetter weather in recent months indicates a probable turn in the long cycle of rainfall deficiency. While it is too early to estimate our production for 1966, I can tell you that present prospects are for a substantial increase over the unusually low 1955 level. We certainly will not be back to the level of production prior to 1957, but I think we will be able to regain some of the ground that we lost during the past 8 years.

The amendments to the Sugar Act provided by H.R. 10496 will give Puerto Rico a period in which to recover her lost production levels. I want to assure the committee that the Commonwealth government, the University of Puerto Rico, and the industry itself are lending every effort to restore our sugar production to the quota level to insure a dependable supply for the United States. H.R. 10496 will provide us with that opportunity.

In closing, I should like to say that while the bill before the committee has our support and meets with our general satisfaction, we regret that we are still under severe quota limitations for direct consumption sugar. Puerto Rico has not enjoyed any substantial increase in its refined sugar quota in 30 years, since 1934. On behalf of our people, I want to express the hope that the next sugar bill before the Congress will deal with this problem and that this committee will, at the first opportunity, consider a substantial increase in the refined sugar quota for Puerto Rico.

The CHAIRMAN. We will next hear from Mr. George Sinner, of North Dakota. We are glad to have you with us, senator.

STATEMENT OF GEORGE SINNER, CHAIRMAN OF THE NORTH DAKOTA GOVERNOR'S ADVISORY COMMITTEE ON SUGAR

Mr. SINNER. Thank you, Mr. Chairman.

I am George Sinner, of Casselton, N. Dak. I am a sugarbeet grower. I farm with a brother and brother-in-law on the same farm on which my father began raising sugarbeets about 40 years ago.

I am speaking here on behalf of the North Dakota Governors Advisory Committee of which I am chairman. With me is Mr. James Link, also a member of the North Dakota Advisory Committee and a farmer who wants to raise beets and who is a director of the Southern Red River Valley Sugarbeet Development Corp. This is one of three large development corporations in our State.

Mr. Chairman, my message is brief. We support House bill 10496 as apparently the best possible compromise for the present. My people have also asked me to make it crystal clear to all concerned that in our area we have many farmers who want badly to raise sugarbeets for the American market.

During the last 3 years some 2,000 farmers in my area have backed up with money their long expressed desire to raise sugarbeets. These farmers which are old growers as well as potential growers have invested $500,000 to support sugarbeet development efforts.

Mr. Chairman, you know the plight of the grain farmers today. You know it better than I. Production cost figures which I have given the committee indicate the diminishing return that makes more and more questionable the capital investment required for machinery and labor.

My country which is far from the least prosperous in the upper Midwest has lost 10 percent of its farms in the last 5 years. It is interesting, sir, that none of these were sugarbeet producing farms. The point is, Mr. Chairman, that more sugarbeets are needed in our sagging farm beet economy.

A second point, Mr. Chairman, is that increasing sugarbeet production will benefit the economy of the entire Nation. The documentation which I have presented to the committee spells out the large amount of machinery, labor, trucks, and fertilizer that go into sugarbeet production. These are the products of industrial America.

Mr. Chairman, as I understand this bill, it gives preferential treatment to foreign countries who supplied extra sugar during 1963 and 1964. American beet growers also supplied extra sugar at extra investment, I might point out, but they receive no such preferential treatment under this bill. We find this difficult to understand.

In short, Mr. Chairman, the Governors Advisory Committee of North Dakota, which is made up of farmers, business and working people and which I represent, have asked me to inform the committee that our area stands ready and anxiously awaiting the opportunity to produce more sugar.

We hope that developments in the coming years and the wisdom of Congress will make this possible.

The CHAIRMAN. Thank you very much, Mr. Sinner. Mr. Latta?

Mr. LATTA. You state:

> We support House bill 10496 as apparently the best possible compromise for the present.

Mr. SINNER. Yes.

Mr. LATTA. That is for 5 years.

Mr. SINNER. Mr. Chairman and Congressman Latta, I am sure that you are aware of the complexities involved in sugar legislation and we are, too. We are aware of the surplus inventory of sugar. We are, also, aware of the production capacity of our processing mills. And while I assure you that I am most sincere in stating for the record

that our people want to raise more beets, we are not here to wreck the industry or to suggest anything that will wreck the industry. We do hope, though, that in the future as the world situation changes that Congress and this committee will be alert to the changing situation and be willing to amend, if necessary, and if advantageous for the American economy, this Sugar Act in the interim.

Mr. LATTA. Apparently, being the chairman of this North Dakota Advisory Committee you are familiar with what is in the bill. I must admit I am getting more confused by the minute. The testimony we heard yesterday was to the effect that the domestic producers take a 11-percent cut. Now the question is, who is going to supply the increase by reason of the fact that we are going to use not less but even more sugar?

Mr. SINNER. Mr. Chairman and Congressman Latta, the cut that Mr. Kemp spoke of as the result of the 1962 act was, as I understand it, a provision in the act that gave a guarantee of tonnage to the expansion areas. The expansion group and the development group which are in our State do not in any way wish to have such a provision put in this act. They do not at any time suggest that they should take acreage from the old growers and give it to the new growers—to rob Peter and to pay Paul makes little sense there, as well as anywhere else. They feel as has been expressed by other members or other witnesses this morning that we have a real farm problem, and while we have areas that are having trouble in one commodity or the other our area can raise beets and can raise them efficiently, and we are only here to say that we want this committee and the Congress of the United States to be cognizant of this fact and in the future to be alert to the situation and to be willing to amend this act if necessary.

Mr. LATTA. Are you speaking for these growers, though, when you appear before this committee in support of this bill that locks them in so that they cannot expand their production for the next 5 years?

Mr. SINNER. Congressman Latta, I am sure that you are aware that any spokesman for any group of any size has to make a certain decision in his testimony and I have made mine.

Mr. LATTA. I do not know what that is. [Laughter.]

Mr. SINNER. I spoke in favor of the bill as the best possible compromise.

Mr. LATTA. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much. We now recognize our distinguishment colleague from Louisiana, Mr. Willis.

STATEMENT OF HON. EDWIN E. WILLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. WILLIS. Mr. Chairman and members, since all segments of the industry are in agreement, I will go along with my constituents. As a matter of principle.

Thank you.

The CHAIRMAN. That is a good position for you to take. [Laughter.]

The next witness is Mr. Joseph Creed, the American Bakers Association. Are you going to talk about wheat or sugar? [Laughter.]

Mr. CREED. About sugar.

The CHAIRMAN. You may proceed.

STATEMENT OF JOSEPH M. CREED, ON BEHALF OF THE INDUSTRIAL SUGAR USERS GROUP

Mr. CREED. Mr. Chairman and members of the committee, I will be willing to confine my remarks to sugar if the committee will go along with that. [Laughter.]

My name is Joseph M. Creed.

The CHAIRMAN. Are you going to file your statement?

Mr. CREED. My statement is relatively brief, Mr. Chairman, and I think that we can cover it quickly by reading it.

I appear here today on behalf of the Industrial Sugar Users Group, which is comprised of most of the major industry organizations which use sugar in the manufacture of their products.

They are: American Bakers Association, American Bottlers of Carbonated Beverages, Associated Retail Bakers of America, Biscuit & Cracker Manufacturers' Association of America, Chocolate Manufacturers Association of the United States of America, Flavoring Extract Manufacturers Association of the United States, International Association of Ice Cream Manufacturers, National Bakers' Suppliers Association, and National Preservers' Association, Inc.

We appreciate this opportunity to comment on H.R. 10496 a bill to amend and extend the Sugar Act of 1948.

As this committee is aware from our testimony on sugar legislation in previous years, we, as sugar users, are primarily interested in assurances of an adequate supply of sugar at reasonable prices, under all conditions. Although we find the bill to be generally satisfactory in what it proposes to do, it would not correct what we consider to be certain deficiencies in the existing act.

We recognize the difficulty confronting the committee in trying to do complete equity in balancing the many interests involved in any sugar program; yet, we believe the deficiencies to which we refer must be corrected to establish an equitable relationship as between producer and user interests. I would summarize our views as follows:

(1) The substantial increase in the fixed quotas to 3,025,000 tons for the domestic beet growers and 1,100,000 tons for mainland cane areas, we consider to be an acceptable level for the term of the act through December 31, 1971. This substantial quota, together with other steps taken by the domestic producing industries, such as their expressed willingness to maintain higher inventories in the future, would, in our opinion, enable them to market the surplus quantities of sugar which they have accumulated from excess plantings in the past few years.

(2) We oppose the continuation of an import fee, at any level, on foreign sugars. It is the view of the Industrial Sugar Users Group that such a fee will operate to discourage production in many foreign areas on which we must depend for supplies. We regard the difference between the world price and our domestic price as a necessary and desirable incentive to those countries having a U.S. quota enabling them to provide this country a continuing supply of sugar within their U.S. quota and to maintain sufficient inventory to do so. The fluctuations in the world price, coupled with substantial periods when it is below what may reasonably be regarded as cost of production, acts against continuity of supply from any country not having a protected outlet. A U.S. quota is such a protected outlet. It seems to us that a

U.S. quota for a sugar-producing country with which we are in friendly relations is a benefit both to that country and to the United States. To grant a quota and then undo its benefit to the supplying country by imposing an import fee against the quantity of sugar supplied under that quota appears to defeat the value of the quota concept.

The next paragraph is not, perhaps, pertinent in view of the fact that the administration has seen fit to concur with the view of the chairman that an import fee is unsound and it has been deleted from the legislation as proposed. However, we would like to have the paragraph included in our statement for the record.

The CHAIRMAN. It may be included.

Mr. CREED. However, should Congress, contrary to our recommendation, include an import fee at some level in this legislation, we believe it should also provide for a corresponding reduction in the processing tax on sugar equivalent to the amount of the import fee is the recapture from foreign sources of some of the additional payments which these suppliers obtain through the higher price levels prevailing in the United States as compared with world market prices, it is reasonable that this recapture should be immediately passed on to the consumers of sugar who pay the processing tax.

(3) Section 201 should be amended to require that at no time should the consumption estimate made by the Secretary of Agriculture be less than a specific quantity, based on distribution of sugar in the 2 years immediately preceding the year for which the determniation is made.

It has been our observation, over the years that the Sugar Act has been in effect, that the Secretary too frequently announces an initial consumption estimate, and consequently a quota determniation, considerably below what may be reasonably be anticipated as the domestic requirements in the forthcoming year. In the rationale accompanying these estimates, the Secretary is occasionaly candid enough to admit that such an estimate is made deliberately below anticipated requirements to push the price level of sugar higher. We believe this use of the act is contrary to its intents and purposes and that a specific legislative directive should be incorporated to prohibit the Secretary from applying this kind of leverage toward higher prices. An actual consumption estimate higher than expected demand has never been made by the Secretary to bring about a decrease in prices.

(4) The porportional payments to growers in the act are now established on the basis of fixed amounts related to the quantity of sugar produced by each grower. These payments remain unchanged regardless of how high the price of sugar may go. The deficiency of this system was glaringly obvious in the 1963 period when sugar prices soared to astronomical levels, and the proportional payments continued as if everything were normal. Since the concept of a subsidy payment is to provide a minimum or floor below which the commodity price should not be permitted to fall so as to protect the farmer in a declining market—and in the case of sugar financed through the processing taxes collected from consumers—these payments to the growers should decrease as the price of sugar rises above the predetermined floor.

We urge the act be amended to accomplish this. In order that any reduction in the proportional payments may directly benefit the consumer, we further recommend that provision be made for a corresponding reduction in the processing tax measured by the reduction in the proportional payments. Such a provision would continue to provide the farmer with adequate protection when prices were low, and would shift the benefit to the consumer when prices moved above the statutory price objective.

(5) During this past year following the expiration of the foreign quota provisions on December 31, 1964, the Secretary of Agriculture assumed the authority to control imports during the current year. Without arguing the question of legality involved in this action, we strongly believe that the concept of quarterly import quotas as used by the Secretary should be specifically prohibited by the Sugar Act. The use of this technique, in our opinion, endangers an orderly flow of sugar from offshore sources, and could be extremely disruptive of both the supply and price stabilization which the act seeks to achieve. The use of quarterly quotas brings benefit neither to producers, refiners, nor users, but merely adds an unnecessary element of risk and uncertainty into the operation of the sugar program.

(6) A continuing problem in the administration of the Sugar Act has been the unwillingness of the Secretary promptly to determine deficits in shortfall areas and reallocate them to other areas. To the extent that there is delay in determining the existence of a deficit when the facts are known, and promptly to reallocate them, to that extent the actual sugar quota is reduced by the anticipated deficit. If we are to have a dependable flow of sugar from foreign areas, it is imperative that these suppliers be given as much advance notice as possible of the potential demands, which will be made upon their supplies. Delayed determination and reallocation of deficits impose an unnecessary and avoidable market hazard, particularly for sugar users in east coast areas which depend entirely on offshore suppliers to meet their requirements. This in turn exerts an upward bias in New York prices, which is reflected in higher price levels throughout the country. It is our view that administration of the act in this fashion is inconsistent with its aims and objectives. We urge that a provision be included in the act requiring the Secretary to move promptly, both to determine and reallocate deficits.

With inclusion of the changes suggested by us, we believe the amended act will be a greatly improved instrument for stabilization of the sugar market; it will enable the Secretary more effectively to carry out those objectives, set forth in its preamble:

> To protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry; and to promote the export trade of the United States.

We have purposely made our statement brief, Mr. Chairman. We recognize that considerable preliminary work has gone into the development of the proposed amendments now before the committee. We think all segments of the sugar industry have made continuing and constructive effort to eliminate areas of disagreement that resulted in no legislation a year ago, and we are hopeful that this attitude of cooperation will continue in the development of the final legislation approved by the Congress. Again, we wish to thank the committee for its courtesy in extending us time to appear before it.

The CHAIRMAN. Thank you very much, Mr. Creed.

Mr. Teague?

Mr. TEAGUE of California. I want to be sure that I understood Mr. Creed correctly. Your position, I gather, is that you would like to have more imports, and also like to keep the increase of domestic production to a minimum?

Mr. CREED. That is not precisely the way that I would put it, Mr. Teague. We think that the balance between domestic production and imports is as high as it should be under the circumstances. We have always taken the position that since the domestic production is heavily subsidized then it should be limited to a certain extent.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Mr. Latta?

Mr. LATTA. I would like to have the record show this, Mr. Chairman, that Mr. Creed and I just parted company in our thinking. I was with him on the bread tax elimination, but I certainly am opposed to his position on this. He is asking for more importations of sugar and less domestic sugar production. I just cannot go along with that.

Mr. TEAGUE of California. I, also, would like to have the record show that I concur with Mr. Latta.

The CHAIRMAN. All right.

Mr. PURCELL. May I ask one question?

The CHAIRMAN. You may have one.

Mr. PURCELL. I would like for him to explain, please, sir, his attitude on having not brought up this subject of a "sugar tax," on the poor people that eat bread before. He has been worrying about these poor people on the wheat program and this is exactly like the so-called bread tax. Why did he not want to launch a campaign that would be equally effective against this sugar without all of the subsidies tied to it.

Mr. CREED. Mr. Purcell, we have opposed the processing tax for many years back. Every time we have testified beofre this committee we have called attention to the fact that this processing tax is imposed on the consumer and something should be done about it.

Mr. PURCELL. But you never have launched a campaign, getting all of the truckdrivers and their wives and everybody that you could round up to write letters. [Laughter.]

Mr. CREED. Mr. Purcell, let me just apologize if anyone wrote a mean letter. I certainly hope that there were not many of those.

With reference to our objections on the processing tax on wheat, wheat happens to be our major ingredient in our product, particularly, in bread. Two-thirds of the contents of a pound of bread is wheat flour.

Mr. PURCELL. What is the cost of that two-thirds of the loaf of bread that is wheat?

Mr. CREED. I do not have the flour quotations right now before me, but I suspect that the price of a hundredweight of flour which is what we buy would be in the vicinity of $5.50 to $6 a hundredweight.

Mr. PURCELL. How much wheat is there in a loaf of bread—I know that you know that.

Mr. CREED. About two-thirds of a loaf is composed of wheat.

Mr. PURCELL. How much wheat is in a loaf of bread—in a one-pound loaf?

Mr. PURCELL. Well, according to the Department of Agriculture figures——

Mr. PURCELL. I know about their figures. They are the ones that you have condemned, right? I want your figures.

Mr. CREED. We accept the Department of Agriculture's statistical figures as to the value of wheat in a loaf of bread which they put at 2.3 cents.

Mr. PURCELL. How much sugar do you have in a loaf of bread?

Mr. CREED. Considerably less. The quantity—the percentage of sugar ranges about from 4 to 8 percent, depending on the particular formula.

Mr. PURCELL. And the price of sugar has been affected by this processing fee, or whatever you call it, that has been in effect all of these years?

Mr. CREED. Yes, that is right.

Mr. PURCELL. And you have never raised your voice one time trying to get the public stirred up against that, have you?

Mr. CREED. We have not made a concerted campaign to do that. We have testified before this committee at every opportunity on the Sugar Act and have called attention to our dislike of the processing tax.

Mr. PURCELL. Do you think that you might find work for these people that you have now working to keep the campaign going? [Laughter.]

Mr. CREED. I, certainly, think the suggestion is worthy of consideration, Mr. Purcell.

Mr. PURCELL. Well, I might warn the sugar people that if you do they had better look out. [Laughter.]

That is all.

The CHAIRMAN. I want to put in the record these figures with reference to the testimony by Mr. Jack Lynn. We have made over $500 million on the sugar program—the amount by which the tax collections have exceeded the obligations in the life of the program which figures $541,557,733.

Mr. POAGE. I wonder if we could have a little assurance from your folks on an amendment—and I understand that most everybody is ready to vote for an amendment which would provide that the taxpayers will pay for the increased income that will be given to the wheat producers and that none of this will be passed on to the millers. Do you understand that amendment, do you?

Mr. CREED. I do.

Mr. POAGE. Do you agree that when the taxpayers pay this 50 cents rather than the millers, that the miller ought not to be paid anything extra?

Mr. CREED. Only to the extent that it is reflected in taxes.

Mr. POAGE. Yes, only to the extent that it is reflected in taxes. Everybody else pays that. So now I wonder if you could give us some assurance that—if we adopt such an amendment that the millers or the bakers or the truckdrivers or the grocerymen and the rest of them—that they will not come back and tell us that now that the farmer is making something they are going to raise the price of bread? Are you going to raise the price of bread whether we pass this amendment or not?

Mr. CREED. Mr. Poage, I think that I have testified in the past that we want the farmers to be prosperous. We have certainly every reason——

Mr. POAGE. We will take care of the farmer through the taxpayers. What I want to know is about the price of bread. I am going to try to take care of the farmers. We won't ask you to do that. But we need some assurance from you about these bread people. You led the public to believe that the farmers would get an unfair price out of the public some way—that farmers are going to take bread out of the mouths of the babes, and naturally I want to know if you will do that anyhow. Are you going to raise the price of bread whether we absorb this cost or not?

Mr. CREED. Mr. Poage, even though we are on different sides of this question——

The CHAIRMAN. Let me ask you the straight question.

Mr. CREED. I am sure that you do not want me to be indicted by the Department of Justice for assuming an authority or a power that I do not have to control the price of bread. I think that Congressman Quie answered the question very ably on the floor when he indicated that there were going to be all kinds of costs in the manufacture of the products, as there are in other products and if a company needs to make an adjustment, even if it is up, it is up to that company to make that decision—no individual can give any kind of pledge along that line, Mr. Poage.

Mr. POAGE. Now, Mr. Creed, you did not have any reluctance—you did not fear any retaliation on the part of the Department of Justice when you predicted what would happen to the cost of bread if we did not pass this amendment. I do not, therefore, see why or how you are laying yourself liable to any prosecution if you tell us what will happen if we do pass the amendment. You told us what would happen if we passed the bill as it was reported by the committee. You had no reluctance to speak with assurance about how the price of bread would go up. I think that to hide behind the antitrust law when we ask you a question about what will happen to the price of bread if we approve this amendment is a little out of character after you have already been so free in your predictions.

Mr. CREED. I am not hiding behind any law, Mr. Poage. I am saying that when we came up here we explained to you the economic facts of life—what the impact of what a 60-cent increase in a bushel of wheat would mean.

Mr. POAGE. And you predicted particularly an increase in the price of bread.

Mr. CREED. We did not predict it as such, except to point out that with this cost added on you could very reasonably anticipate that the manufacturer, the baker of bread and other products, would have to pass those added costs on to the consumer. We have tried to warn you to that effect, but that is what would happen so that you could have the benefits of the knowledge that we have of the marketplace.

Mr. POAGE. Then you are going to say that you are going to raise the price of bread, anyhow?

Mr. CREED. We did not say that.

Mr. POAGE. Well, let me say it then—I think that you are going to raise it. I am saying now that you will raise the price of bread any-

how. You probably don't even want this amendment because it will make it mighty hard for you to justify that increase in bread prices.

Now, then, I want to know whom you are going to make the scapegoat for that increase—whom are you going to charge with the responsibility of that?

Mr. CREED. I do not think that we will make any scapegoat.

Mr. POAGE. You charged the farmer with the responsibility under this other proposal. You put the finger on the farmer. You have not bothered about explaining that for the last 15 years you have raised the price of bread every year, have you?

Mr. CREED. We did not put the finger on the farmer.

Mr. POAGE. Oh, yes, you put the finger on the farmer. I want to know who you are going to say is responsible since the Government is going to pay this—since the taxpayers are going to pay this increased income to the farmers—who will you blame for the increase in the price of bread this fall?

Mr. CREED. Well, I just pointed out, Mr. Poage, that there are many elements of cost that enter into the price of a loaf of bread or any other product that is sold to the consumers.

Mr. POAGE. This is like in the sugar bill.

Mr. CREED. That is correct—this is one of them.

Mr. POAGE. But you are for that. You came here for that.

Mr. CREED. We are recognizing it as the best solution to a very difficult situation.

Mr. POAGE. The only time that you have ever found it necessary to suggest that an increase in costs would cause any injury to the consumer was when the action was given some benefit to the wheat farmers.

Mr. CREED. That is not the only time, Mr. Poage. We pointed out the immensity of an increase that would result from the program that was proposed in increasing the certificate cost by 50 cents a bushel over what it now is. It was the immensity of that increase.

The CHAIRMAN. Do you know what caused that to increase the price of bread in Raleigh, N.C., 2 cents a loaf?

Mr. CREED. I have no knowledge of that, Mr. Cooley.

The CHAIRMAN. All right.

Mr. POAGE. One more question. Would you just explain why, when the price of wheat drops 50 cents—and it did drop 50 cents between 1948 and 1964—would you explain why there was no decline whatever in the price of bread? And you say wheat is a big factor in bread.

Mr. CREED. Again, the price of wheat is not an entire determining factor. In that period of years, when the price of wheat had been so high following World War II, when we were shipping all of our wheat to Europe and in this country we were using 80 percent of extraction flour, the price of wheat did go to its highest level in history. Since that time it has come down.

But meanwhile, the costs of every other ingredient or cost factor that goes into the manufacture of a product increased and, certainly, more than offset that decline. That is the answer to why the cost of bread over the years has gone up consistently, even though the price of wheat has either declined or remained relatively at one level.

Mr. BELCHER. I just want to say, in view of the fact that we have wasted 20 minutes on the wheat bill, to warn some of my colleagues

here that, probably, this is the only organization in America that has won a victory over the Johnson administration since it was sworn in. I would just like to know if they are going to wander afield here if you could tell me and tell all of us, the public, how it is possible to win a victory over the Johnson administration. You won a victory over the taxpayers, too—not only over the Johnson administration. I would like to see you outside and have you tell me just how you made this majority side of this committee, to backtrack and the Secretary of Agriculture to backtrack.

The CHAIRMAN. The Chairman did not backtrack. [Laughter.]

Mr. QUIE. I think that we ought to keep this thing in context. The processors tax has been on sugar and there is no increase in the processing tax in this bill. I understand that Mr. Creed is on record in opposition to that processing tax, but that he would go along with this bill. The same thing is true in wheat. There is a 75-cent processing tax there. My amendment did not propose to get rid of that. It was to get rid of the 50-cent increase. They do not like the processing tax on wheat. I, for one, would like to see that removed, but there was no effort made to do that. It was only to prevent the increase of 50 cents.

I think we ought to keep this in context, rather than trying to compare the 50 cents with the processing tax on sugar. I think you can only compare the remaining 75 cents processing tax on wheat with the one-half-cent tax on sugar.

Mr. PURCELL. Will you yield?

Mr. QUIE. I will.

Mr. PURCELL. I would like to ask Mr. Creed a specific question. There will be an amendment offered this afternoon that will try to remove the 75-cent certificate. It will be offered by the same people who were so interested in not letting the farmer get an additional 50 cents for his wheat in the marketplace. They are just as inclined, apparently, to try now to take off the 75-cent certificate. Is your organization going to continue to make an effort to take off the 75-cent certificate, or are you going to do what I think you said you would do?

Mr. CREED. Mr. Purcell, I think that in view of what Mr. Belcher said where we have been able to be of some service in developing a consensus on one amendment that we do not want to overreach. And even though we do not like the entire certificate concept, I do not think that we will try to go that far.

Mr. PURCELL. Have you done anything to let these city Congressmen know that you are for the bill as it was passed with the 50 cents coming out of the taxpayers' pockets?

Mr. CREED. Before he answers that question—and since I have time, let me say that the Congress has already removed what you would or could call a processing tax—last year we gave a subsidy to the cotton mills so as to have one-price cotton and to reduce the price of cotton. It did not reduce the price. This year we are, also, removing the excise tax on automobiles, jewels, and so forth. Again this is the Congress. I do not blame it on the farmers. Blame it on the Congress. I would say that it would be perfectly justifiable to have one-price wheat, if we have one price for cotton.

The CHAIRMAN. We have one more witness scheduled.

Mr. PURCELL. I think that he can say "Yes" or "No" in three sentences. Are you now supporting the bill or are you still fighting it?

Mr. CREED. We are supporting the bill with the Cooley-Quie amendment that will be offered this afternoon.

Mr. PURCELL. Have you done anything affirmatively to support that or are you just giving a point in favor of it here?

Mr. CREED. We have done nothing further. We have had our hands full just arriving at this point. [Laughter.]

Mr. PURCELL. All right.

Mr. TEAGUE. You will not need much help, but I will offer a little, anyway. If you have your way as a preference you would increase imports and then you could get cheaper sugar and you could reduce the price of bread, could you not? You do not need to answer that, but I just suggested that.

The CHAIRMAN. Thank you very much, Mr. Creed.

Mr. CREED. Thank you, Mr. Chairman.

The CHAIRMAN. I want to put into the record without objection a statement by Congressman Langen of Minnesota and a statement by Reuben Johnson of the National Farmers' Union, and a telegram from Hon. William H. Avery, Governor of Kansas. They will be made a part of the record at this point.

(The prepared statements and telegram follow:)

STATEMENT OF HON. ODIN LANGEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman and members of the committee, it is indeed a privilege to have this opportunity to express my views on possible sugar legislation. The distinguished chairman is to be commended for his wisdom in scheduling these hearings in spite of the failure of the Department of Agriculture to submit the administration recommendations when they are needed.

Because of the tardiness of the Department, it is impossible to even comment on the recommendations that are only at this moment being analyzed. It is obvious that the Department is only now showing any interest at all in new sugar legislation because the chairman of the Agriculture Committee decided, wisely, to go ahead regardless of action by the Department.

This is not, of course, the first time that the Department of Agriculture has been negligent in formulating recommendations relative to sugar legislation and policy. And such lack of timely action in no way lessens the crying need for legislation at this time. In fact, even with the last-minute administration recommendations, it is obvious that the Congress must take the initiative if chaos in the sugar industry is to be averted.

The lack of concern shown the American sugar industry is difficult to understand, Mr. Chairman, when we consider that the domestic industry represents a prime example of how our agricultural economy can be stabilized and improved through the production of a profitable crop that keeps other surplus crops out of production. We certainly recognize the plight of American agriculture in relation to the rest of the economy, and it is unforgivable for the Department of Agriculture to further aggravate the scene by failing to adequately support the domestic sugar industry with its many growers of both beets and cane.

We're all familiar with the magnificent job that has been done by our domestic sugar producers, who have always responded with dispatch in time of need. Their wartime record was most commendable. The latest example of their quick response to the needs of the Nation occurred in 1963 and 1964 when the executive branch of our Government urged the domestic industry to produce all of the sugar it possibly could in order to alleviate the then existing sugar shortage to return sugar prices to normal levels. These producers indeed responded, but Congress failed to give thanks for their efforts. It is that oversight that resulted in the problem being faced by the industry today.

It now becomes the responsibility of the Department of Agriculture and of this Congress to show our good faith in the domestic sugar industry by enacting

legislation that gives them a fair share of this Nation's sugar consumption. As it now stands, there is an inventory of 2,740,000 tons, but the beet quota is only 2,650,000 tons. These growers and producers must be given the opportunity of disposing of these tons, which were produced at the urging of this Government.

Our old beetgrowers took a 6-percent cut in acreage this year, reluctantly, of course, but voluntarily to help stabilize supplies. Now they're faced with a similar cut unless we act with dispatch and with realism.

A number of us have introduced legislation to relieve the current situation. This legislation was introduced, not because we consider it the final answer to the problem, but because we felt we should have at least a minimum request before the Congress for consideration. I personally would like to see a bill reported that goes even further than the joint resolution offered by myself and a number of colleagues. I have long felt that the domestic producer was entitled to a larger share of the national sugar consumption. Instead of acreage cuts, we should be talking of expansion for our old growers and new opportunities for other farmers who should be allowed to raise this cash crop. It is hoped that they will be given more than usual consideration when this lucrative pie is cut for distribution.

While I realize the importance of obtaining a portion of our sugar supply from friendly nations who rely on such sales for their livelihood, it has been shown in the past the folly of relying too heavily on such markets. Instead of having to call upon the domestic industry to fill the gap when the international supply fails, we should place greater emphasis on the domestic supply in the first place so that we have a stable, steady supply of sugar readily available for all emergencies at a reasonable price to the consumer.

In this respect, it seems advisable to reinstate the proposed import fees. Not only would this be of benefit in furthering the interests of our domestic producers, but it would net the treasury many millions of dollars annually. These foreign producers already enjoy artificially high prices, and the import fee would not impose any undue hardships on these suppliers.

Mr. Chairman, we must open the door to our domestic producers and accept them as full partners. They must have the authority to market the sugar they have already produced and they must have the opportunity to grow with the rest of our economy. I respectfully urge the Committee on Agriculture to report a bill that accomplishes these worthy objectives.

STATEMENT OF REUBEN JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, I am Reuben Johnson, director of legislative services, National Farmers Union, 1012 14th Street, Washington, D.C.

The Farmers Union, as you know, has a long and I feel distinguished record of supporting legislation which we believe is both in the interest of the American farmer and in the interest of the Nation. Our support of the current sugar bill is in keeping with this record.

We are particularly interested, of course, in the effect of this measure on U.S. farmers and especially farmers who are now engaged in the production of sugarbeets and sugarcane.

We remember that some two and a half years ago, when the world was short of sugar, and prices here in the United States were soaring to 40-year records, the Government, in its wisdom, turned to these American sugar farmers and asked for greater production. The response was immediate and tremendous. The immediate gains in production were a large factor in bringing the supply and price situation under control.

The increase in production, while of untold benefit to the Nation's consumers, created certain problems for agriculture, and for the agriculturally oriented processing companies of the domestic sugar industry.

For example, in order to increase production in response to the national need, sugarbeet farmers expanded their acreage and invested in more of the machinery which is specially designed for use in sugarbeet fields. The processing companies invested in expansion of their own facilities. And so, after the emergency had been met, and the sugar markets returned to normal, the domestic sugarbeet industry found itself at a production level—and with production capacity—much greater than the industry is permitted to market under the present law.

Moreover, at the first of this year both the beet sugar industry and the mainland cane industries had inventories substantially larger than they could market this year under the present law.

Now, everyone connected with agriculture knows that it is not pleasant to impose acreage reductions nor is it pleasant to have to take the cuts. Yet it was plain the sugarbeet producers could not continue ot pile up production more than quota. The problem was to develop a way to dispose of the extra sugar already produced, and to return the industry's production to fit the industry's quota in the present quota pattern of the law.

The sugarbeet and mainland cane farmers took the first step themselves, when they asked the Department of Agriculture to impose acreage restrictions, to impose acreage reduction, on the industry this year. You will recall that previously the Department of Agriculture had announced there would be no restrictions on sugarbeet planting. This voluntary acceptance of an acreage reduction was, it seems to me, a great demonstration of responsibility toward helping the sugar program to continue to work effectively.

The second step toward a solution of the problem was taken when representatives of the entire domestic sugar industry developed, and recommended to the administration and the Congress, the domestic quota program which is part of the bill before you. The proposed increase in quotas for the domestic beet sugar producers and the mainland cane sugar producers will permit the gradual marketing of the extra production now on hand, in an orderly way, without disrupting markets, while further production adjustments are being made. At the same time, the quota pattern in the present law will not be permanently changed. The new quotas represent an increase of 375,000 tons for beet producers and 205,000 for cane producers.

It seems to us, Mr. Chairman and members of the committee, that in view of all the circumstances this is an eminently wise and satisfactory solution to the problem. The Farmers Union recognizes that sugar is a special situation, and the sugar program has worked so well over the years because the Congress—with industry cooperation—has successfully balanced the various interest involved.

I know there are some who would be happier if American farmers could produce a much larger share of our sugar needs, and there are a good many who sympathize strongly with that point of view. It is only natural that it would seem to many persons that with the sharp curtailment of acreage in surplus crops, it would be in the national interest to use some of the idle acres for producing more of a crop which is not in surplus. There is broad sympathy, I know, for the idea that the American farmers should produce more of the sugar required by the American consumer, and strong arguments can be marshalled for that point of view.

Yet we must be realistic—and recognize that change must be gradual and what may be desirable from one point of view is not always attainable at a given point in history. When the Sugar Act was first adopted in the 1930's, domestic producers had about 27 percent of the domestic market; now the proportion is in the area of 60 percent and a substantial increase is proposed.

In the light of the overall situation, Farmers Union believes H.R. 10496 deserves the approval of this committee and the Congress.

TOPEKA, KANS., *August 17, 1965.*

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

DEAR REPRESENTATIVE COOLEY: Sugarbeet production in Kansas has and will continue to be a crop of significant importance to the Kansas economy and I strongly urge that every consideration be given to the position of the Kansas Sugarbeet Growers Association, a position I heartily support, which favors the expansion of the industry to permit domestic growers the increased acreage allotments to satisfy domestic consumption.

WM. H. AVERY,
Governor of Kansas.

The CHAIRMAN. I now recognize Mr. Harvey of Indiana.

Mr. HARVEY of Indiana. I am glad to introduce a fellow Hoosier, although he is not from my district, Mr. Bleke, of Fort Wayne. He is here on behalf of the National Confectioners Association. He, himself, is executive vice president of the Wayne Candies of Fort Wayne. Mr. Bleke.

The CHAIRMAN. We are very glad to have you here.

STATEMENT OF JOHN H. BLEKE ON BEHALF OF THE NATIONAL CONFECTIONERS ASSOCIATION

Mr. BLEKE. Thank you very much, Mr. Chairman and Congressman Harvey. I have a prepared statement that has been distributed to the committee. I would like permission, if you will, sir, to summarize the statement in the time that you have remaining this morning.

The CHAIRMAN. You may do so.

Mr. BLEKE. My name is John H. Bleke. As has been mentioned before, I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind.

I would like to suggest something that is very important to us. We would like to make reference to section 206 of the current Sugar Act which authorized under certain conditions the imposition of import quotas on sugar-containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous. We are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds, and by 1962 had further increased to 76,438,522 pounds. In 1963 a further increase was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for sugar as it may be purchased for by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act.

Our foreign competitors may now acquire raw sugar at approximately 1.75 cents per pound. And this is substantiated by the prices quoted in the testimony this morning. Our domestic spot raw price now is 6.75 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions, and this is to request the committee report let it be known clearly that it intends for the provisions of the section authorizing restrictions on sugar-containing products to be implemented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We would like to present to you a recommendation which has been developed by our industry after long and careful study. We feel that it will help to assure to the consumer an actual supply of sugar. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agriculture and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is where the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act. Now what are the advantages of this plan?

Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there was sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of the U.S. supply evidenced by the domestic spot raw price rising above the price objective of the Sugar Act.

We further believe that it might not cost the Government anything to hold this sugar. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to, even gradually, buy 500,000 tons for stockpiling. It is suggested, however, that at even 3, 4, or almost 5 cents per pound the Government

could afford to pay inbound freight, storage, and domestic cartage costs and still not cost the Government money so long as the sugar was sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S.-produced farm commodities.

However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Now recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times when it would lose money on the stockpile. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

We do not believe that storage would be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

We further believe that 500,000 tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause an unfortunate dislocation in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price-supply problem.

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may

be caused by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations and might not cost the Government anything.

We appreciate very much the opportunity to present these proposals to you, Mr. Chairman. We appreciate your consideration.

The CHAIRMAN. Thank you very much. Your entire statement will be made a part of the record at this point.

(The prepared statement of John H. Bleke follows:)

STATEMENT OF JOHN H. BLEKE, IN BEHALF OF THE NATIONAL CONFECTIONERS ASSOCIATION

Mr. Chairman, my name is John H. Bleke. I am executive vice president and manager of Wayne Candies, Fort Wayne, Ind., and I appear as a member of the Washington Committee of the National Confectioners Association, which is the national trade association of candy manufacturers and suppliers of goods and services to the industry. Our manufacturer members produce approximately 85 percent of the candy manufactured in the United States.

SOURCE OF U.S. SUGAR SUPPLY

Different circumstances involving a particular matter require different handling. All the circumstances involving sugar some years ago were so different from the circumstances prevailing today, as well as those possibly occurring in the future, to require a different approach and handling of the sugar problem than was practiced some years ago. We all recall when Cuba supplied 96 percent of all the sugar we obtained from foreign sources other than the Philippines. Our mainland beet and cane producers provided the smallest part of our supplies. When we needed extra sugar on short notice, an increase in the consumption estimate would bring supplies into the United States from Cuba's almost inexhaustible reserve within a few days. Cuba is no longer with us as a sugar supplier, and as much as we would like otherwise, we think everyone will acknowledge that there is not a single source of foreign offshore supply which may be depended upon absolutely.

In making this statement, we have in mind possible dock strikes, Communist takeovers of producing countries, outbreak of hostilities in a particular producing area, or wirespread hostility, which would affect shipping lanes in general. Therefore, while there was a basis for the U.S. sugar policy of some years ago when we acquired much of our sugar supplies from foreign sources, we recognize the changing circumstances and approve of the change in the U.S. sugar policy which has resulted in our acquiring an increasing portion of our sugar requirements from domestic producing sources. We urge that this policy be continued.

Sugar is such a vital commodity to both industrial America and also for home consumption that every effort should be made to assure the availability of a continuous adequate supply. We know that the various segments of the industry worked long and hard over a period of many months to develop an agreement which the administrative branch of the Government largely supports; and, therefore, we think it should be favorably considered by the committee.

FOREIGN COUNTRY QUOTAS RATHER THAN A GLOBAL QUOTA

Secondly, we feel as most others seem to feel that we should obtain what sugar we do acquire from foreign sources on an individual country quota basis rather than a global quota basis so that our foreign supplies will have definite sources of responsibility rather than being the responsibility of no country.

STOCKPILE RESERVE

Thirdly, we would like to present to you a recommendation which has been developed by our industry after long and careful study. We have approved it from the standpoint of critical analysis. It has been discussed with officials of the Agricultural and State Departments as well as the various segments of the domestic industry. Admittedly, it has not been embraced by any of them, although keen interest and strong sympathy have been indicated by some.

The Sugar Act is designed to provide fair prices to producers and adequate supplies at fair prices to consumers. It has succeeded fully in assuring those selling in the United States of a fair price to producers. Very beneficial language is written into the Sugar Act for domestic cane and beet producers, beet processors, cane refiners, and the foreign sources which sell their sugar in the U.S. market. Language is also written into the act for the benefit of consumers. The difference is that the language designed to help every segment of the industry is effective in accomplishing its objective except the language intended to benefit the consumer. In substance, the Sugar Act benefits producers as long as the world price is below the price objective of the Sugar Act. When the world price rises above the price objective of the Sugar Act, that is when the act should become effective for consumers, but that is when the act fails.

Currently, the world sugar market is at a very low level and producers are well protected, but it can and does fluctuate highly, and when the world price rises above the price objective of the Sugar Act, the real squeeze is on consumers. In this connection we have a proposal.

Our plan is to authorize our Government to acquire up to 500,000 tons of raw sugar on the world market when it may be acquired at a price at least 3 cents per pound below the price objective of the Sugar Act. Such sugar would be held and could be released only when the U.S. price should rise above the price objective of the Sugar Act. Now, what are the advantages of this plan?

1. Most of the underdeveloped countries of the world produce sugar, and its export is important to their economies. When the world price is low, they are particularly in search of markets and in need of dollars. Our purchases at such times would be helpful to them.

2. It would in no way injure, threaten, or cause disruption to the marketing of sugar from our normal sources of supply. It is believed that some have questioned this proposal because of a fear of having sugar hanging over the market. Such a fear is unfounded because under the proposal the sugar could be released only when the U.S. price should rise to a level of one-quarter cent above the price objective of the Sugar Act. If, for example, there were sugar in the stockpile and the spot raw price were only slightly below the price objective of the Sugar Act, then the stockpile sugar still could not be released. The stockpile sugar could enter the market only if there were a genuine shortage of U.S. supply evidenced by the domestic spot raw price rising above the price objective of the Sugar Act.

3. It might not cost the Government anything. At present, admittedly, the world sugar price is at a very low level and possibly it would rise if the United States were to even gradually buy 500,000 tons for stockpiling. It is suggested however, that at even 3, 4, or almost 5 cents per pound the Government could afford to pay inbound freight, storage, and domestic cartage cost and still not cost the Government money so long as the sugar were sold above the price objective of the Sugar Act within a reasonable time. We acknowledge that the word "stockpile" is causing unfavorable reaction by many because of the unsatisfactory experience of stockpiling U.S. produced farm commodities. However, we respectfully submit that the circumstances involving sugar are entirely different from those involving other farm commodities and that whereas the results have been unfavorable in the case of these farm commodities, just the opposite would be true in the case of sugar because of the facts involved.

Let us apply some practical dollar arithmetic to this proposal. If our Government should acquire 500,000 tons of sugar under this proposal then this sugar when sold by the Government would be sold for approximately $70 million which would reflect a price of a quarter of a cent per pound above the price objective of the Sugar Act. Now, what would this sugar cost us which ultimately would be disposed of for $70 million? If this proposal were contained in the Sugar Act as it exists today we should then be able to buy the sugar at 2 cents per pound or $40 per ton or $20 million for the 500,000 tons. Ocean freight at one and a half cents per pound would cost approximately $15 million, making our

total landed cost, assuming there would be no import duty, $35 million. Carrying and storage costs admittedely would be substantial and estimated at 1.75 cents per pound, $35 per ton, or $17,500,000 per year for the 500,000 tons. Thus if the Government acquired this sugar under these circumstances, held it for a year and sold it for $70 million, there would be a profit to the Government of approximately $17,500,000. It could be held for up to 2 full years without any loss to the Government. If the Government should have to pay 3 cents per pound on the world market, it could still be carried more than a year without loss to the Government.

Recognizing that the world price for sugar is highly volatile, probably there would be times when the Government would make money and other times when it would lose money. Over the long pull it should not cost the Government very much, if anything. If it should, however, cost the Government some money, it seems that since the consumers of this country most of the time must pay much more than the world market price for sugar (currently more than three times the world market price) and recognizing the Federal payments which are expended under the Sugar Act for the benefit of other segments of the industry, it seems to us that this is a very modest proposal in behalf of consumers.

4. Storage should not be a problem. It has been suggested that raw sugar will harden after an extended period of storage. However, this should not present a problem because if after the sugar acquired for the stockpile were held for a period of months, it then could be delivered to refiners and replaced on a pound-for-pound basis by sugar which otherwise would have been delivered to refiners. This procedure could be repeated several times if necessary.

5. Five hundred thousand tons should provide helpful protection for consumers. As is well known, a genuine shortage of sugar of just a few hundred thousand tons will cause unfortunate dislocations in the market. We believe a stockpile reserve of 500,000 tons would carry us through most sugar supply shortage problems.

When the world price increases above the price objective of our own Sugar Act, as the committee well knows, psychological effects take place. The speculators enter the market and the price rises all out of proportion to the shortage. The effects on the market because of a slight shortage are well known. At the same time, if it were known that there were 500,000 tons of sugar in the Government-held stockpile which could not be touched until a spot raw price of about 7 cents per pound were reached but that at that price it then would be released, there would be no interference with regular operations, but it would serve to prevent panic and speculation. Had this been in effect in 1963 it might have prevented a most unfortunate sugar price supply problem.

WHY A SUGAR STOCKPILE WOULD BE DESIRABLE WHILE THE STOCKPILING OF OTHER FARM COMMODITIES HAS NOT BEEN SUCCESSFUL

The United States has had most unfortunate experiences stockpiling wheat, corn, cotton, and many other commodities. The United States is fully self-sufficient and then some in the production of these commodities. We have more than we need. Because of our price support policy, the U.S. price is higher than the world price, just as in the case of sugar but there the similarity ends. After the United States acquires its stockpile of corn, wheat, cotton, and other commodities at a high U.S. supported and protected price and then wishes to dispose of such surpluses, it must be sold at a lower world price for export. In the case of sugar we are proposing that the United States buy on the world market only when the world market price is depressed and sell only in the U.S. market at a higher price when the U.S. price is above the price objective of the Sugar Act. Restated, in the case of most farm commodities the United States buys in the U.S. market at the high U.S. price and then sells on the world market at the low world market price. In the case of sugar, under our proposal the United States would buy on the world market at the low world market price and then sell on the U.S. market at the high U.S. price.

Whereas the situation pertaining to sugar regarding stockpiling is far different from the circumstances pertaining to other U.S. produced farm commodities concerning stockpiling, it is very similar to the situation concerning certain metals regarding stockpiling. As in the case of sugar, the United States is not self-sufficient regarding the production of many metals. Some years ago for defense purposes the United States acquired stockpiles of various metals. In the last 2 to 3 years consumption of certain of these metals has exceeded produc-

tion, and if it were not for these Government-held stockpiles of lead, zinc, copper, and other metals, now determined to be in excess of defense needs, a quantity of each of which by acts of Congress have been released for industrial usage, very critical situations would have occurred in this country because of a shortage of these metals.

Sugar consumers need the protection of a stockpile reserve. To think that we will not again have a situation which will force the world market price above the domestic Sugar Act price objective is not reasonable thinking. Undoubtedly, it will occur again. Mr. John Crowe, vice president and general manager, Thurston Greene & Co., in an address delivered to the Food Industries' Buyers Group, National Association of Purchasing Agents, at their annual convention in New York on May 18 of this year stated as follows:

"I have devoted considerable time to the world market, because you in the audience are interested in prices, and it will take a long time to forget what the world market did to us in 1963 and 1964. You will have nothing of major concern before you hold another convention in the summer of 1966, unless the world raw price again rises above the U.S. raw price. To say this cannot happen in the next 12 months, as did our Assistant Secretary of Agriculture in a speech last week, is foolish talk. Don't watch the figures which list how much sugar the world will produce in a crop year and how much will be on hand on August 31, 1965. The thing that establishes world price levels is the residual supply, and this tends to contract when prices are too low and expand when prices are high. To put it simply, low prices drive out of the residual market, countries which cannot sell at less than the cost of production, as well as those countries which only come in once in a while to make a killing."

It is recognized that it is proposed that the foreign sources of supply, which are to be allotted the country quotas be required to maintain a reserve for the U.S. market. Certainly this should be valuable, to which our proposal should serve as a backstop, but it is not the same having sugar on foreign soil in the hands of a government whose future is not certain with impediments to transportation which may be caused by warlike activities and also dock strikes at our own ports of entry, as it is in having the sugar under U.S. control on our soil.

The current Sugar Act presents a planned economy in sugar whereby growers, processors, and foreign suppliers all are protected. In equity consumers also should be protected and particularly so since the proposal we advocate would help the underdeveloped countries, would not impede regular marketing operations and might not cost the Government anything.

IMPORT QUOTAS ON CONFECTIONERY AND POSSIBLY OTHER SUGAR-CONTAINING PRODUCTS TO PREVENT A DEFEATING OF THE PURPOSES OF THE SUGAR ACT

Lastly, we would like to make reference to section 206 of the current Sugar Act which authorizes under certain conditions the imposition of import quotas on sugar containing products in order to prevent a defeating of the purposes of the Sugar Act. The language of this section of the current act is ambiguous, and we are pleased that improved language is now being recommended by the administration.

Imported confectionery and chocolate have been a serious problem for the candy industry for many years. Each year the quantity imported has increased. Imports of confectionery and sweetened chocolate in 1948 totaled 4,121,000 pounds, in 1952 were 17,384,000 pounds, in 1956 totaled 37,621,438 pounds, in 1960 imports had increased to 59,554,765 pounds, and by 1962 had further increased to 76,438,522 pounds. In 1963 a further advance was registered to 92,852,000 pounds and for 1964 imports totaled 106,799,000 pounds. Any American industry should have no right to object to fair competition, but this does not represent fair competition. When the policy of our Government results in our having to now pay more than three times as much for sugar as it may be purchased for by our foreign competitors when they are buying sugar for manufacture into confectionery for shipment into the United States, we contend that this represents unfair competition and a defeating of the purposes of the Sugar Act. Our foreign competitors may now acquire raw sugar at approximately 2 cents per pound. Our own domestic spot raw price now is 6.75 cents per pound. Fortunately, the spread is not always this great. To eliminate this unfair competition, we seek special import restrictions and this is to request the committee in the committee report to let it be known clearly that it intends for the provisions of the section authorizing restrictions on sugar-containing products to be imple-

mented to prevent unfair competition of the nature now confronting the candy industry rather than to have the section continue as mere words without any application.

We urge your careful consideration of our recommendations.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Bleke, I am not sure that I understand your plan at all, but I would like to make one comment. Your concern for the consumer is very commendable, but I would like to point out for the record that over a 30-year period sugar has been one of the most stably priced commodities in the housewife's market basket of any commodity.

Mr. BLEKE. You are quite right; but on occasions such as in 1963 the price has gone to a very high level.

Mrs. MAY. And we consider this due partly because of the Sugar Act having worked so well.

Mr. BLEKE. We appreciate that.

Mrs. MAY. And this act does provide for extensive carryover by the processors.

Mr. BLEKE. Of course, but we are reflecting, Mrs. May, on the fact that if the sugar were held here in the United States, since the sugar price on the world market fluctuates considerably that the situation that occurred in 1963 when it went way out of proportion for the lack of a few hundred thousand tons of sugar could be avoided in the future.

Mrs. MAY. And it stabilized itself very quickly, and it was an unusual occurrence outside of wartime, would you not think?

Mr. BLEKE. We appreciate that, but it presented tremendous problems for sugar consumers.

Mrs. MAY. And it came to a stable price.

Mr. BLEKE. But by the same token it was a very dangerous situation in the life of a part of the food industry in the United States, and it had its effect on the consumers.

Mrs. MAY. And I would like to point out that the domestics and foreign growers did supply the sugar.

The CHAIRMAN. If you will permit my interrupting, are you aware of the fact that all of the producers have agreed to carry large inventories?

Mr. BLEKE. Yes, I am familiar with that.

The CHAIRMAN. Where does the foreign candy come from, from France and England?

Mr. BLEKE. From England, the Netherlands, and Germany which are basically the largest suppliers. Many other countries are getting into the supplying of candies to the United States.

The CHAIRMAN. It amounts to over 100 million pounds?

Mr. BLEKE. Yes, it does. The significant thing to us is the fact that it is growing so very, very rapidly.

You will remember that I quoted the figures that in 1948 it was a little over 4 million pounds and today it is well over 100 million pounds, and the rapidity with which it is increasing is very, very significant. I can quote you in 1964 the dollar value. We are talking about dollars leaving the United States. Well, $34 million left the United States to pay for imported candies, and we were only able to export $6 million worth of candies, a little over 15 million pounds,

and the reason that they are able to compete with us is that they are paying much less for the raw materials like sugar and lower labor costs, and this is a problem.

Further, we would like to say that if this problem gets to be worse, let us say that in a few years it is 200 million pounds, then it is more difficult to stop and it becomes a vested interest the foreign countries might want to protect.

We feel that if section 206 were implemented, this would control properly the seriousness of the problem.

The CHAIRMAN. Thank you very much.

We will now hear from our distinguished colleague, Mr. Tunney.

STATEMENT OF HON. JOHN V. TUNNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TUNNEY. Thank you very much, Mr. Chairman. I will file my statement. I, certainly, want to thank the chairman for giving me the opportunity to appear before this great committee and its distinguished chairman.

I am here today to ask that we have an amendment of the Sugar Act of 1948, as amended.

In 1962 the Congress, for the first time, included in the Sugar Act a provision which allowed new areas to be designated for the production of sugar from beets. This contributed to the growth and the expansion of the sugarbeet industry. But at the time the act was amended it did not provide for sugarcane. And it did not provide that sugarcane could be moved into new areas if there was an increased consumption of sugar and there was going to have to be an increase in the quota.

I come from an area that can grow sugarcane and grow it very well. And if there is an increase in consumption of sugar in the future and if there is a need to increase the quota of sugarcane we would like to be able to participate in that planting of sugarcane. And so it is for this reason that I ask the committee respectfully to amend the language in section 302, subsection (3) of the Sugar Act of 1948, as amended, to read:

> That in order to make available acreage for growth and expansion of the beet and cane sugar industry—

et cetera. And this would allow for sugarcane to be moved into other States other than Louisiana and Florida.

We, certainly, do not want to take anything from them that they now have, but if there is future growth we would like to be able to participate in it.

(The prepared statement of Hon. John V. Tunney follows:)

STATEMENT OF HON. JOHN V. TUNNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman and members of the committee, I want to thank you for giving me the opportunity to appear before this great committee.

I feel fortunate to represent an area highly versatile in its productive capacity and populated by a people who are imaginative and filled with the enthusiasm required to farm in a harsh desert condition. These people made a barren desert bloom. They are a thinking and a restless people always searching for new ways to improve farming techniques and experimenting with the cultivation of new crops.

More than 12 years ago farmers associated with the Sugar Cane League of Imperial County, Calif., initiated their own research on the planting of sugarcane for the production of sugar.

The research advanced to the point that on April 10, 1963, this group presented a request to the Sugar Branch of the Department of Agriculture, in New Orleans, La., for proportionate shares of the national sugarcane quota.

The proposal was discussed but no action was taken because the Sugar Act of 1948, as amended, precluded the development of new cane areas.

In 1962, the Congress for the first time included in the Sugar Act a provision which allowed new areas to be designated for the production of sugar from beets. This contributed to the growth and expansion of the sugarbeet industry. However, no provision was made to extend the same privilege to the producers of cane sugar.

These proportionate shares of cane sugar are to this day reserved for two States, Florida and Louisiana.

There is a clause in the Sugar Act of 1948, as amended, which empowers the Secretary of Agriculture to increase the national sugar quota if there is an increase in consumption as a result of changes in population and consumer demand. The Sugar Act is somewhat inconsistent in its provisions. The Secretary of Agriculture can disburse an increase in the sugarbeet quota to new producing areas; he cannot, however, give any sugarcane quotas to new areas outside of the present mainland cane sugar producing States. There are only two States now allowed to produce cane sugar, Florida and Louisiana. I believe that it is only fair that as sugar consumption increases and as the quota for cane sugar increases that new areas be given an opportunity to share in this increase. The farmers of my district are hoping to share in a very small way in an increased cane sugar quota. They know that they cannot expect to receive more than 1 percent in any increased quota.

These facts are presented to you at this time because the sugarcane farmers in my area are aware of the fact that it may be 4 years or more before Congress again considers sugar legislation.

I respectfully urge the members of the committee to extend to the cane sugar industry the same privilege now being enjoyed by the beet sugar industry.

I respectfully ask that the language in section 302, subsection (b) (3), line 2, of the Sugar Act be amended to read: "In order to make available acreage for growth and expansion of the beet and cane sugar industry, etc." This will allow a fertile farming area the chance to produce a small amount of American sugar.

The CHAIRMAN. Thank you very much. I am sure the committee will give careful consideration to your suggestion.

Mr. TUNNEY. Thank you.

(The following letters were also submitted to the committee:)

MONITOR SUGAR,
Bay City, Mich., August 13, 1965.

Hon. HAROLD COOLEY,
Chairman, House Agricultural Committee,
Washington, D.C.

DEAR MR. COOLEY: Rather than take up the time of your committee by presenting this matter orally at the hearings on sugar legislation now being conducted, we decided to write you setting forth our views.

We were a party to the industrywide agreement on sugar legislation reached March 24, 1965, which includes a suggested marketing quota for the beet sugar industry of 3,025,000 tons a year. We assumed that if this annual quota was established for the beet industry the Secretary of Agriculture would apportion it among the various companies on the basis of an equitable formula.

In the period since March 24, 1965, and again at these hearings, certain companies have requested that a provision be included in the legislation which would guarantee a minimum acreage and marketing quota for their plants. Monitor Sugar Division of Robert Gage Coal Co. in Bay City, Mich., is a single-plant independent beet sugar company.

We respectfully submit that, if other companies or plants, to an extent not covered by the acreage and marketing reserve provisions of the 1962 Sugar Act Amendments, are given a guaranteed minimum annual acreage and marketing allotment under the proposed 1965 sugar legislation, then Monitor Sugar Divi-

sion of Robert Gage Coal Co. should be given a comparable guaranteed minimum annual acreage and marketing allotment.

Please incorporate this letter in the hearing record.

Yours very truly,

CHAS. A. CORYELL, Jr., *President.*

MICHIGAN SUGAR CO.,
Saginaw, Mich., August 13, 1965.

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

DEAR MR. COOLEY: Michigan Sugar Co. operates four small to medium-sized beet sugar factories in the State of Michigan, located at Caro, Carrollton, Croswell, and Sebewaing. Our purpose in presenting this statement is to point out the following facts:

The acreage to be allotted to our growers in the years to come, with an industry sales quota of 3,025,000 short tons raw value, will not be sufficient to produce 25,000 short tons raw value of sugar in any of our plants. However, since there appeared to be industry agreement in this area, we have been willing to accept this situation as a fact of life.

Inasmuch as several beet sugar processors have requested special consideration, we should like to state our position very clearly:

1. We oppose the making of exceptions for anyone, and
2. If exceptions are to be made, they should apply equally to the growers and individual plants of multiplant companies.

Attached is an exhibit showing the recent production of the four plants of Michigan Sugar Co. and also of two of the single-plant processors requesting special consideration. It will be noted that while in those years neither of the mentioned processors even approached 25,000 short tons raw value in production, Michigan's plants have exceeded this figure or closely approached it on several occasions. In effect then the requested special consideration would constitute an increase for those processors, while for Michigan and its growers it represents a reduction.

Sincerely,

ERNEST FLEGENHEIMER,
President and Treasurer.

Comparative sugar production, crop years 1960–64

[Short tons, raw value]

Crop year	Michigan Sugar Co.				Buckeye	National
	Caro	Croswell	Carrollton	Sebewaing		
1960	19,291	8,024	23,708	[1] 30,914	14,156	14,490
1961	23,184	9,720	20,423	[1] 25,558	12,043	9,263
1962	20,690	13,007	22,963	[1] 28,016	15,483	15,004
1963	[1] 25,611	15,687	[1] 28,368	[1] 29,892	18,972	7,073
1964	[1] 29,939	20,351	[1] 26,775	[1] 28,292	18,755	7,854

[1] Years in which production exceeded 25,000 short tons, raw value.

The CHAIRMAN. The House bells have rung and we will recess now until tomorrow morning at 10 o'clock.

(Whereupon, at 12:05 p.m. the committee recessed to reconvene at 10 a.m. Friday, August 20, 1965.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

FRIDAY, AUGUST 20, 1965

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

The committee met, pursuant to recess, at 10:25 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley (presiding), Gathings, McMillan, Abernethy, Jones of Missouri, Stubblefield, Purcell, O'Neal of Georgia, Stalbaum, de la Garza, Vigorito, Bandstra, Callan, Teague of California, Mrs. May, Dole, Walker of Mississippi, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. I know that we have some very prominent and distinguished visitors to appear before us. However, we will permit anyone who desires to do so to file his prepared statement for the record because we have a long list of witnesses to be heard today, and many of them have come long distances to testify.

After these hearings are over this committee will go into executive session. We will have before us the recommendations of the administration and the recommendations of the witnesses that we have heard and we will go over all statements that have been filed or read.

We have, as the leadoff witness, a very distinguished gentleman, a former Cabinet officer, a man who has been before this committee on many occasions and a gentleman who is held in high esteem by all of the members of the committee, Mr. Oscar Chapman. We have scheduled him as the first witness. Mr. Chapman, we will permit you to lead off. I regret that many of the members are not present here today. As I have said many times, this is one of the most involved and complicated bills that this committee has ever been called upon to consider. I remember that on one occasion I said on the floor of the House, to the 435 Members, that the measure before us was so complicated and so involved that I did not have time to explain it and that they would have to take it on faith. Now we have not gotten to that point yet. The recommendations will be presented here, and the bill will be drafted by the 35 members of the committee. And with that statement, Mr. Chapman, we will be glad to hear you now.

STATEMENT OF OSCAR L. CHAPMAN; ACCOMPANIED BY BRUCE CLUBB AND MARTIN FRIEDMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO)

Mr. CHAPMAN. Mr. Chairman and members of the committee, I, probably, will not be quite as brief as you would want, but any time that you wish you may just cut me off. I would like permission to have with me my two partners, to sit with me here, because if there are any questions, they will be of aid to me.

The CHAIRMAN. You might need some assistance.

Mr. CHAPMAN. I may need some before I get through, yes, sir. The gentlemen with me are Mr. Martin Friedman and Mr. Bruce Clubb.

My name is Oscar L. Chapman. I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in the legislation now pending before this committee. For this reason, Mr. Chairman, this opportunity to appear and make their views known is most sincerely appreciated by the association and by the many thousands of our good friends in Mexico who depend upon the sugar industry for their livelihood.

My purpose in appearing here before you today is to highlight certain aspects of the bill before you which I believe merit careful scrutiny. These are the provisions for a substantial increase in domestic production, and a decrease in the proportion of sugar supplied by Latin American countries.

In order to point up our longrun concern about these aspects, I would like to consider with you in broad, long-range terms the question of where and how the United States should obtain its sugar supplies—not just its foreign supplies, but its domestic supplies as well. In this connection, I will make two main points:

First, it seems to me very questionable whether U.S. domestic production should be increased at this time because (*a*) it is more expensive than imported sugar, (*b*) U.S. consumption of sugar has stopped increasing, and may decrease substantially in the future, requiring us to stockpile the increased production, and (*c*) purchases of sugar by the United States, especially in Latin America, replace, in part, the need for foreign aid, and are consistent with U.S. international commitments.

Second, I urge that the administration proposal be amended such that a minimum of 90 percent of the foreign portion of U.S. sugar supplies be purchased from Latin America, because of traditional U.S. trade and political ties with that area. In this connection, I will explain why we feel that Mexico is properly listed in the administration bill as the leading foreign supplier.

In order to make these points as clearly, and as briefly, as possible I have had a number of charts prepared, which I will refer to from time to time. These charts are located on the easel at the side of the room, and copies of them have been appended to my written statement for your convenience.

Turning now to my first point, that it is questionable whether U.S. domestic sugar production should now be increased, I would like to make a statement that I have made to you several times in the past; namely, that the Mexican sugar producers realize that the United

States Congress must provide first for its own farmers. It has always been the position of the Mexican sugar producers that they are interested in serving only that portion of the United States market which is left over. That position is unchanged. Nonetheless, significant economic changes have been taking place in the patterns of world sugar consumption which make it questionable whether U.S. production should be increased at this time.

The first thing to realize about domestic sugar production is that it is very expensive compared to foreign production. This brings us to chart I. Chart I shows the relative cost to the U.S. taxpayer-consumer of a pound of domestically produced sugar and a pound of imported sugar. As you can see, the market price of the two is the same. However, in the case of domestic sugar you must add into the cost 0.682-cent-per-pound subsidy which is paid from the U.S. Treasury to the sugar grower. Thus, when the U.S. taxpayer-consumer buys a pound of domestically produced sugar he pays 6.72 cents out of his "consumer's pocket" and 0.682 cent per pound out of his "taxpayer's pocket." This brings the total cost of domestically produced sugar to 7.402 cents per pound.

In the case of foreign sugar, instead of taking money out of the U.S. Treasury to pay a subsidy, a duty of 0.625 cent per pound is paid into the Treasury. Thus, when the U.S. taxpayer-consumer buys a pound of imported sugar, he pays 6.72 cents out of his "consumer's pocket" and receives 0.625 cent back into his "taxpayer's pocket."

Directing your attention again to chart I, it can be seen, therefore, that for every pound of domestically produced sugar which is substituted for imported sugar, the U.S. Treasury suffers a loss of 1.307 cents. These figures may not seem very large when we talk in terms of cents per pound, but they rapidly grow to very sizable proportions when we talk in terms of millions of tons. Thus, for example, the 0.682-cent-per-pound subsidy paid to domestic growers sounds insubstantial until you realize that more than $1,600 million have been appropriated by Congress to support it since its inception in 1938, and that it now costs the U.S. Treasury in excess of $90 million a year. On the other hand, the revenue from imported sugar now pays into the U.S. Treasury in the neighborhood of $32 million every year. To put it another way, if the roughly 6.4 million tons of sugar the administration bill requires to be produced in the United States were, instead, to be imported from Latin America, there would be a direct saving to the U.S. Treasury of about $170 million each year.

As a practical matter, however, we cannot go back and dismantle the domestic sugar industry because it is very costly to the U.S. taxpayer. But is there not something that can be done about future increases in domestic production? For example, at the bottom of chart I it can be seen that the 580,000-ton increase in domestic production, which has this year been proposed, will cost the U.S. taxpayer $15,161,200 each year from now on.

But there is more to this picture than just the cost of sugar. In addition, there is a question of reasonable planning for the future. In this connection, allow me to draw your attention to chart II which shows the trend of U.S. and world consumption of sugar since 1940. As you can see, overall world consumption has increased rapidly since World War II, but this has not been true of the United States.

In the United States, we long ago reached the saturation point on per capita sugar consumption such that each person consumed an average of about 103 pounds of sugar per year. Under these circumstances, overall U.S. consumption merely increased along with the increase in population. This normally resulted in an increase in sugar consumption in the neighborhood of 175,000 to 200,000 tons per year.

Recently, however, this picture has begun to change. As you can see on chart II, the consumption of sugar in the United States has been increasing at a much slower rate since the late 1950's until now it probably is not increasing at all, and may in fact be on the verge of a downturn. One reason appears to be that the people in the United States have become very weight conscious, and have concluded that they would be healthier if they ate foods which do not contain as much sugar. At the same time chemical companies have developed artificial sweeteners which act, and taste almost like sugar, but which contains almost no calories. I will not further pursue the development of such artificial sweeteners here, except to note that I have set out in an appendix for incorporation in the record, a series of articles in trade journals from which the committee can check for themselves the accelerating pace at which such artificial sweeteners are making inroads into the sugar market.

Nor are artificial sweeteners the only competitor with sugar in the American market. Corn sweeteners have been developed in recent years which can frequently take the place of sugar. Thus, when the price of corn goes down, or the price of sugar goes up (as it did so drastically under the global quota-premium recapture scheme in effect in 1963–64), sweetener users tend to switch to corn products.

And what effect has all this had on the U.S. sugar market? Mr. Murphy, Director of the Department of Agriculture's sugar policy staff, stated it recently as follows:

> * * * there are indications that the U.S. market for sugar has ceased growing at its usual rate and may not be growing at all * * * (Sugar Reports, No. 141, February 1964; pp. 5–6).

The Secretary of Agriculture was even more explicit. In setting his consumption estimate for 1964, the Secretary said:

> For years the consumption of sugar in the United States has been stable at the rate of slightly less than 103.5 pounds, raw value per person. At that rate, consumption in 1963 would have amounted to about 9,750,000 tons and in 1964 would amount to about 9,900,000 tons. * * * It is likely that the combined effect of reduced sweetener use and of the proportionately greater use of nonsucrose sweeteners lowered sucrose consumption in 1963 by something like 1 percent. * * * Accordingly, it is estimated that the actual consumption of sugar in 1963 will have been less than 9,700,000 tons and may not significantly exceed that quantity in 1964. Sugar Reports, No. 140, January 1964, page 15.

Thus, Mr. Chairman, both the Secretary and the Director of the sugar policy staff have recognized the inroads being made by substitute sweeteners.

In chart II, we have attempted to portray for you the possible decreased sugar consumption in the United States. You will note that the chart extends the U.S. consumption line out to the year 1970. We have estimated that if the present rate of substitution continues until that year, the consumption of sugar in the United States might well have begun to decrease significantly.

This portion of my testimony is not an attack on the U.S. sugar industry, which is staffed and represented by men I have known and admired for many years. But these are facts which must be faced, and I must ask if it is wise to increase domestic sugar production when all available evidence indicates that U.S. consumption has stopped growing and may decline greatly in the future. Would it not be much wiser to continue to purchase this sugar from the friendly countries of Latin America, whose own consumption of this product is so rapidly increasing and who, as the U.S. market decreases, would be able to sell more in their own domestic market. Lastly, is it wise to now permanently increase the high cost, subsidized production of a commodity which 10 or 20 years from now we may well have to stockpile?

I would also like to point out that an increase in domestic production, which under the circumstances I have just described, necessarily implies a decrease in imports, would violate the spirit, and in some cases the letter of several internation agreements to which the United States is committed and a party.

The United States has frequently voiced its great concern about decreases and fluctuations in the foreign exchange earnings of developing countries, especially those of Latin America. Thus, in transmitting the proposed International Coffee Agreement to the President, the Secretary of State said:

> It is the Department's view that this agreement offers the best prospect of arresting any further decline in the world coffee prices, thus helping to assure stability in foreign-exchange earnings of coffee producers in some 35 developing countries in Africa, Asia, and Latin America. Since each decline of 1 cent per pound in the price of coffee reduces the foreign exchange income of these countries by almost $70 million a year, this is of great significance.

If mere fluctuations in prices are so harmful, what will happen to Latin American foreign exchange earnings when imports of an important item like sugar are substantially reduced?

The United States has repeatedly committed itself not to take such a step. Thus, for example, in the Charter of Punta del Este the following statement is found: I quoted that to you in my testimony in 1962.

> The American Republics recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign exchange incomes received from exports * * *.
>
> They therefore agree that the following measures should be taken:
>
> CHAPTER I. NATIONAL MEASURES
>
> National measures affecting commerce in primary products should be directed and applied in order to:
>
> 1. Avoid undue obstacles to the expansion of trade in these products;
>
> * * * * * * *
>
> 4. Increase their present markets and expand their area of trade at a rate compatible with rapid development.

Is the United States living up to this agreement if it reduces its purchases of low-cost Latin American sugar in order to increase its own high-cost subsidized sugar production?

I will sum up this portion of my testimony with a question: Is it wise to increase high-cost domestic sugar production in the face of decreasing consumption, in violation of the spirit of several international agreements with our Latin American neighbors, and in the

face of export surpluses readily available in the hands of these neighbors? The answer is clearly, no.

The other aspect of the proposal before you at which you should take a good hard look, is the decrease in the proportion of the foreign quota which is assigned to Latin American countries. For example, I understand that under the 1962 act OAS countries alone received 77 percent of the foreign quota, but that under the proposal for this year these same countries receive only 68 percent of the foreign quota. Both figures are far too low. The reason for this is simple. From the Alliance for Progress in 1961, to the rededication of that Alliance at the White House 3 days ago, this country has announced its special relationships with Latin American countries. If the United States claims a special interest in Latin America, it must show a special interest in that area.

One of the best ways in which this interest can be shown is to purchase in Latin America those products which are readily available there. To do otherwise will force the Latin American countries to form economic relationships with other nations. It is for this reason that I respectfully urge that a minimum of 90 percent of the foreign quota be assigned to Latin American countries.

Let me now turn to a happier part of my testimony—the case for Mexico, which it is always a pleasure to present. In this connection let me say that, no matter how much sugar the United States decides to purchase abroad, some method must be found for allocating the foreign portion of the production among the various foreign countries. A number of factors might conceivably be considered relevant in this consideration, and among them might be balance of trade with the United States, purchases of agricultural commodities from the United States, effect on the gold flow, distribution of sugar earnings within the country, capacity to supply, proximity and past performance. No matter which combination of these factors is considered, it is clear that the administration bill is correct in placing Mexico among the leading suppliers.

We have prepared two charts which will illustrate three of these factors. The first of these, chart III, shows the total sales to the United States, the total purchases from the United States, and the favorable or unfavorable balance for certain Latin American countries for the last 5 years. Note that most countries have a slightly favorable or slightly unfavorable balance of trade with the United States, with the exception of Mexico which over the past 5 years has had a total trade deficit of over $1.5 billion.

Not only does Mexico buy more from the United States than any other Latin American country, but in 1964 it bought more than twice as much as the next largest Latin American customer of the United States. It is obvious that if purchases from the United States are an important consideration, then Mexico should be the leading supplier.

A great deal of interest has also been shown in purchases of agricultural commodities from the United States. In order to put this information in its proper perspective, we have, on chart IV—I hope you will notice chart No. IV very carefully—shown three items of information. The overall length of the line following the name of each country indicates the total agricultural imports of that country from

the United States. The first part of each such line is red to indicate the amount of total agricultural imports which are made up of cash purchases. The second part of each such line is yellow to indicate the portion of total agricultural imports from the United States which are brought in under the U.S. foreign aid program.

It has frequently been suggested that the United States should assign sugar quotas to those countries which purchase the most U.S. agricultural commodities. If this factor is to be considered, then it is important to distinguish between imports from the United States which represent gifts made by the United States in the form of foreign assistance. For example, it would not seem to be wise to allocate a large quota to a country merely because it had accepted large gifts of U.S. agricultural products. Thus, the only relevant figure is the one representing actual cash purchases of U.S. agricultural products.

When actual cash purchases of U.S. agricultural commodities are considered, it is clear that here, too, Mexico leads the list by a wide margin, purchasing more than half again as much as the next largest purchaser. Other countries, of course, may have larger total imports as shown by the white line, but in such cases a significant amount is imported as a result of U.S. foreign aid assistance.

Similarly, the committee may wish to consider the gold flow problem in assigning quotas to foreign countries. The gold loss problem, of course, arises in part because the United States spends, gives away, and invests more abroad than it receives from abroad. Accordingly, it is clear that if the sugar legislation is written such that the United States obtains a larger portion of its foreign sugar requirements from those countries which will spend the receipts in the United States, then the sugar act can contribute in an important way to stemming the gold flow.

In this connection, it should be noted that not only does Mexico buy more total goods from the United States than any other Latin American country, not only does it purchase more agricultural products for cash than any other Latin American country, but also a larger percentage of its total foreign purchases are made in the United States. For example, in 1964, the latest year for which international statistics are available, 59 percent of the Dominican Republic's total foreign purchases were made in the United States, 41 percent of Peru's, and 34 percent of Brazil's. Mexico, on the other hand, purchased 69 percent of its total foreign purchases from the United States, the largest percentage of any Latin American country.

What does this mean to the United States? It means simply this that if one of the purposes of the Sugar Act is to stimulate the export trade of the United States, then it is clear that the larger the quota assigned to Mexico, the more this goal will be accomplished because these figures show that sugar dollars paid to Mexico stimulate U.S. export trade much more than sugar dolars paid to any other country. To the extent that this is accomplished, the gold flow from the United States will be reduced because the United States can pay in exports rather than gold.

Lastly, the committee may wish to consider which countries continued to ship sugar to the U.S. market during the U.S. sugar crisis of 1963–64, when the price of sugar was higher on the world market, and foreign countries could only ship to the United States at a considerable

sacrifice in earnings to themselves. At that time the Department of Agriculture issued a press release stating in part:

> The extent to which foreign countries supply our import requirements next year as needed will have a bearing on recommendations for new legislation (USDA Press Release, 3707/63, Nov. 5, 1963).

Communications were also sent to foreign sugar producers by the U.S. Department of Agriculture asking them for advance commitments to ship stated quantities of sugar to the U.S. market during 1964. In both the press release and the other communications the meaning was made very clear: Those countries which are willing to take a loss in 1964 by selling their sugar to the United States instead of on the world market would be rewarded with higher quotas when the Sugar Act was reconsidered in 1965.

In this connection, we have prepared chart V which shows the total amount of sugar shipped to the United States during 1964 by the Western Hemisphere quota countries. The blue line at the beginning of each country's shipments indicates the amount of basic quota sugar which it supplied. The red line, and the one which is most important for this purpose, shows the amount of sugar each country shipped beyond its quota, that is, sugar supplied to the United States when prices were generally higher on the world market. In this connection you will not see that there again, Mexico leads the list, shipping 288,000 tons above its quota to the U.S. market during that period as compared with the next largest supplier, the Dominican Republic, which shipped 80,000 tons. I might add that these sugar shipments resulted in a substantial loss to the Mexican farmers and producers during that year. In this connection, Mr. Chairman, I would like to remind the committee that 50 percent of the gross income from sugar sales are required by Mexican law to be paid over to the cane farmers.

I have attempted to highlight certain facts for this committee which I believe merit careful consideration in the formulation of longrun sugar policy for the United States. In doing so, I have necessarily been preoccupied with raising certain caution signals designed to avoid falling into a pattern which would lead to elimination of relatively low cost foreign sugar as a significant source of supply for the U.S. market. In this process, however, I do not want to overlook the magnificent work which has been done by this committee and by the administration in developing the proposal now before you.

In my opinion, Mr. Chairman, this committee which from an early date has urged a reconciliation of differences among domestic elements of the industry, and the administration on its part in helping reconcile these differences, and at the same time taking into account the equities of the foreign suppliers, has done a masterful job in producing the proposal now before you. I think that all concerned deserve the heartfelt thanks of all elements of this industry which is so vitally affected by this bill. While I am, of course, impelled both as an advocate and, I hope, as an objective evaluator of sugar legislation with which I have worked over the years, to call to your attention certain caveats which are vitally important from a long-run point of view, I am also impelled to express to you my admiration and respect for the remarkable job of accommodation of various interests which has been approached in the bill as represented in H.R. 10496.

In conclusion, I would again like to thank this committee for the opportunity to appear here and express the views of the Mexican sugar industry on this vital legislation. I know that this committee appreciates and understands the great interest in this legislation shown by the hundreds of thousands of people in Mexico who depend upon the sugar industry for their livelihood.

(The document entitled "Appendix" with accompanying charts follows:)

APPENDIX

ARTICLES ON THE SUBSTITUTION OF SWEETENERS

1. Sweeteners Used by Food Processing Industries, Their Competitive Position in the United States; Agricultural Economic Report No. 48, Economic Research Service, U.S.D.A., January 1964.
2. A Talk by Tom O'Murphy; Sugar Reports, Vol. 141, Pp. 5–6, February 1964.
3. Sweeteners Fatten Up; Chemical Week, Pp. 87, 89, October 27, 1962.
4. Sweeteners: Monsanto in Cyclamates Market; Oil, Paint and Drug Reporter, Pp. 3, 41, April 29, 1963.
5. Boom in Dietetic Products Boosts Sweeteners; Chemical and Engineering News, Pp. 30–31, May 13, 1963.
6. The Price of Sugar; Ice Cream Review, Pp. 22–23, July 1963.
7. Cyclamates, Already Booming in US, Taking on an International Flavor; Oil, Paint and Drug Reporter, P. 51, November 4, 1963.
8. Chemical Profile, Sweeteners; Oil, Paint and Drug Reporter, P. 9, January 6, 1964.
9. Special Report, Low-Calorie Soft Drinks; National Bottlers' Gazette, Pp. 22–32, February 1964.

The CHAIRMAN. Thank you, Mr. Chapman. I do appreciate your statement. I appreciate your views concerning Latin America and your views concerning the domestic sugar industry. We were assured by most of the representatives of the domestic sugar industry that they would not become involved in the foreign quotas. Mr. Kemp made a comment on that about the proposals which have been submitted to us by the Department. And you now have spoken about all Latin America and have dealt very magnanimously with that subject. Your statement was very complete and very thorough. We appreciate your bringing us the charts which you have presented, because they cover points which you have made.

Mr. Teague?

Mr. TEAGUE of California. I do have a question, Mr. Chairman. Mr. Chapman, as always, has done a very able job in representing his clients.

Speaking for myself, I would be much more sympathetic to the Mexican sugar industry, if their Government, the Republic of Mexico, were more helpful to us in our problems with Cuba and the Dominican Republic.

Mr. CHAPMAN. I stated in the beginning of my statement that I could not speak upon any political question involving Mexico.

Mr. TEAGUE of California. I am just making my position clear.

Mr. CHAPMAN. I can appreciate that, but I cannot comment upon that.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Mr. de la Garza?

Mr. DE LA GARZA. Mr. Chapman, on page 14 you mention the Mexican balance of trade with the United States.

CHART I

COMPARATIVE COST TO U.S. CONSUMER-TAXPAYER OF IMPORTED AND DOMESTICALLY PRODUCED SUGAR

DOMESTIC

MARKET PRICE	6.720
PLUS SUBSIDY	+.682
TOTAL COST	7.402

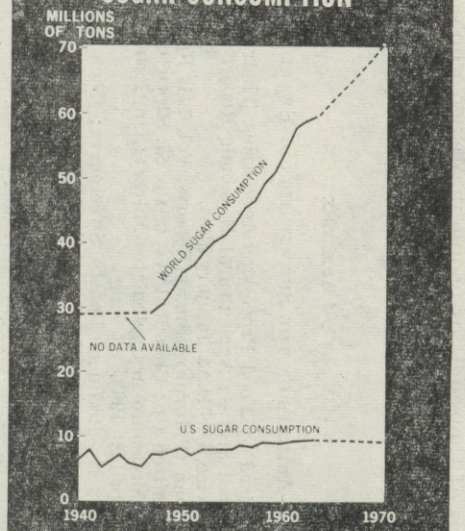
IMPORTED

MARKET PRICE	6.720
LESS DUTY	-.625
TOTAL COST	6.095

LOSS PER POUND	1.307 ¢
	X 2,000
LOSS PER TON	$26.14
	X 580,000
DIRECT LOSS TO U.S TREASURY FROM PROPOSED INCREASE IN DOMESTIC PRODUCTION	$15,161,200

CHART II

TREND OF WORLD AND U.S. SUGAR CONSUMPTION



WORLD CONSUMPTION IS INCREASING RAPIDLY, BUT U.S. CONSUMPTION IS NOT INCREASING AND MAY BE DECREASING

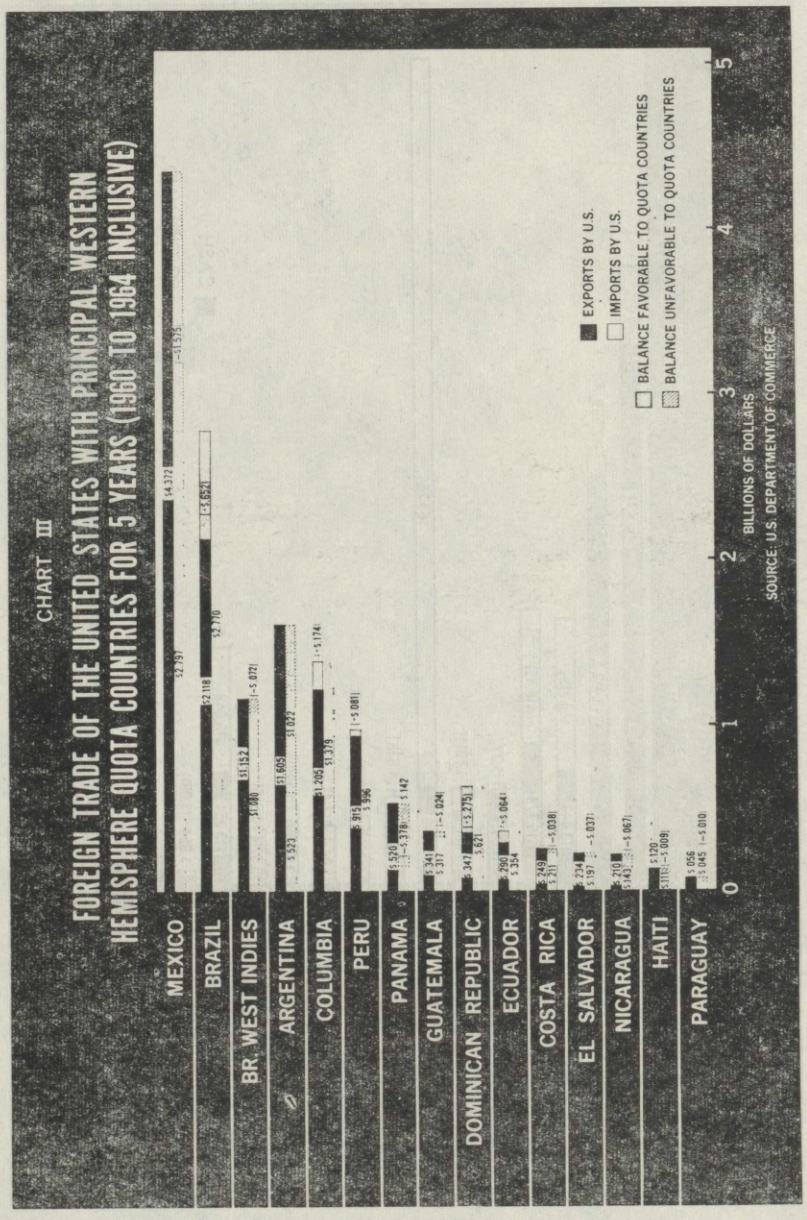
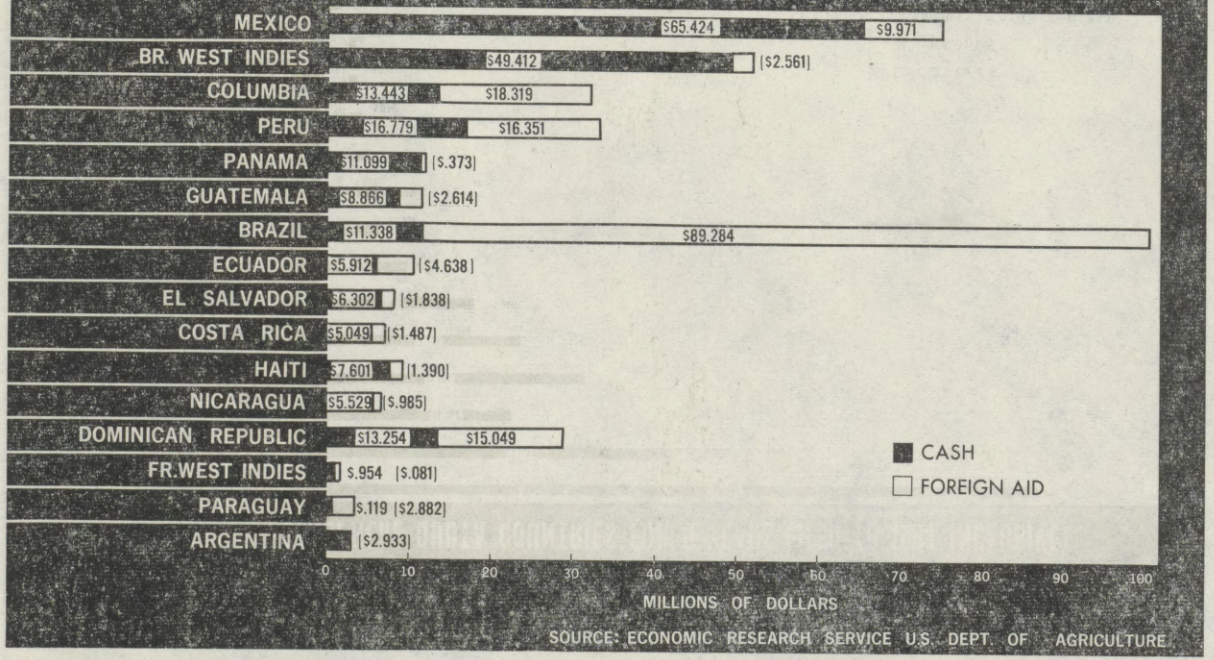


CHART III
FOREIGN TRADE OF THE UNITED STATES WITH PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES FOR 5 YEARS (1960 TO 1964 INCLUSIVE)
MEXICO
BRAZIL
BR. WEST INDIES
ARGENTINA
COLUMBIA
PERU
PANAMA
GUATEMALA
DOMINICAN REPUBLIC
ECUADOR
COSTA RICA
EL SALVADOR
NICARAGUA
HAITI
PARAGUAY
$2,797
$4,372
-$1,575
$2,118
$2,710
-$ 592
$1,152
$ 80
-$ 072
$1,605
$1,022
$1,205
$ 379
-$ 174
$ 915
$ 996
-$ 081
$ 520
$ 378
$ 142
$ 341
$ 317
-$ 024
$ 347
$ 621
-$ 275
$ 290
$ 354
-$ 064
$ 249
$ 211
-$ 038
$ 234
$ 197
-$ 037
$ 210
$ 143
-$ 067
$ 120
$ 111
-$ 009
$ 056
$ 045
-$ 010
0
1
2
3
4
5
BILLIONS OF DOLLARS
EXPORTS BY U.S.
IMPORTS BY U.S.
BALANCE FAVORABLE TO QUOTA COUNTRIES
BALANCE UNFAVORABLE TO QUOTA COUNTRIES
SOURCE: U.S. DEPARTMENT OF COMMERCE

CHART IV

AGRICULTURAL IMPORTS FROM U.S. — CASH AND FOREIGN AID

BY WESTERN HEMISPHERE COUNTRIES IN YEAR ENDING JUNE 30, 1964



SOURCE: ECONOMIC RESEARCH SERVICE U.S. DEPT. OF AGRICULTURE

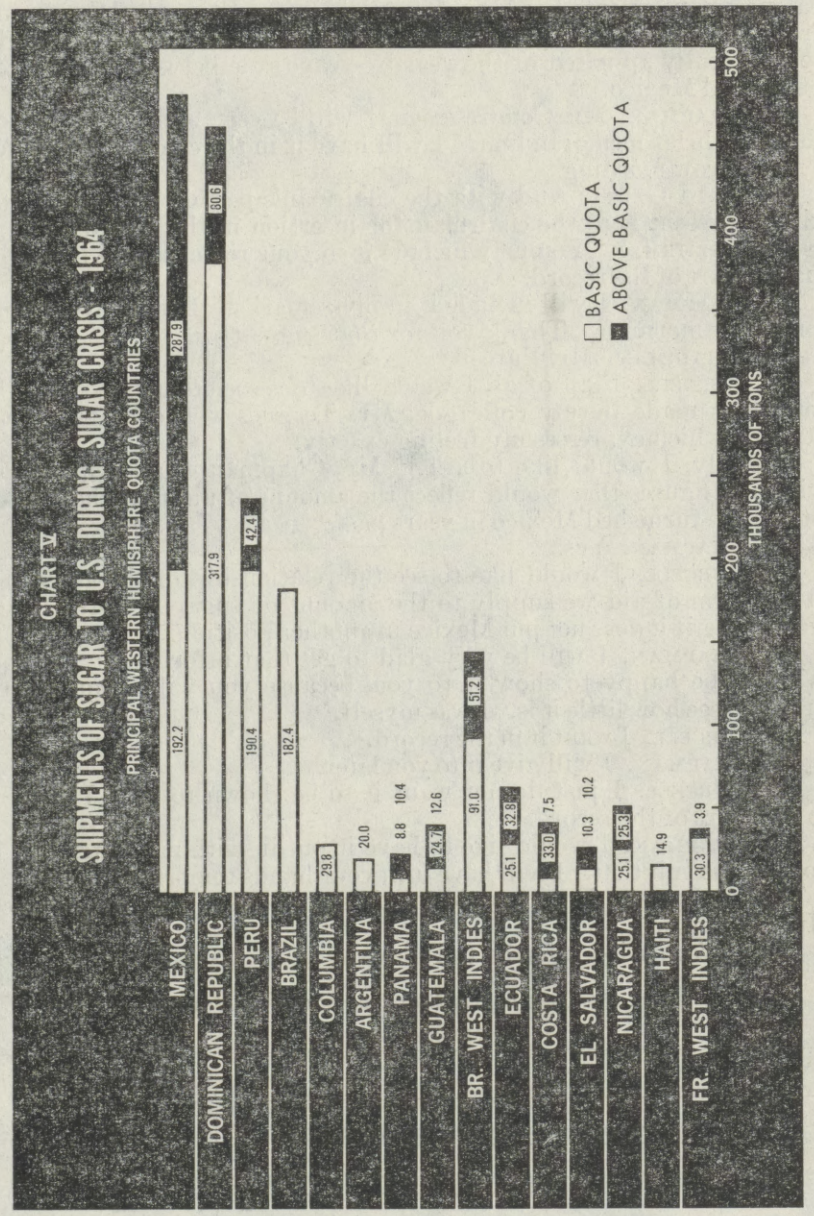


CHART V
SHIPMENTS OF SUGAR TO U.S. DURING SUGAR CRISIS - 1964
PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES
MEXICO
DOMINICAN REPUBLIC
PERU
BRAZIL
COLUMBIA
ARGENTINA
PANAMA
GUATEMALA
BR. WEST INDIES
ECUADOR
COSTA RICA
EL SALVADOR
NICARAGUA
HAITI
FR. WEST INDIES
192.2
23.3
317.9
60.6
190.4
42.4
182.4
29.8
20.0
8.8
10.4
24.7
12.6
91.0
51.2
25.1
32.8
33.0
7.5
10.3
10.2
25.1
25.3
14.9
30.3
3.9
0
100
200
300
400
500
THOUSANDS OF TONS
BASIC QUOTA
ABOVE BASIC QUOTA

Mr. CHAPMAN. Yes.

Mr. DE LA GARZA. But you lump the figure as 1.5 million. I wonder if you could later submit to the committee for the record a more detailed year-by-year statement of what the balance of trade or the balance of payments has been from the United States to Mexico and from Mexico to the United States—in order that the committee might be more fully apprised of the year-by-year trade between the United States and Mexico.

Mr. CHAPMAN. Mr. Congressman, I will be very happy to give you that in a brief memorandum. I will have it in the committee's hands by tomorrow morning.

Mr. DE LA GARZA. And with the chairman's permission, would you kindly present it to the chairman for insertion in the record?

The CHAIRMAN. You may include it in your remarks and it will be made a part of the record.

Mr. CHAPMAN. I will include it in my remarks. I will have it here tomorrow morning. Thank you for that suggestion.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. First of all I would like to associate myself with the comments made by my colleague, Mr. Teague, who emphasized an attitude which expresses my feeling exactly.

Secondly, I would like to ask if Mr. Chapman could acquaint us with any figures that would reflect the amount of aid that the United States has furnished Mexico in years past.

Mr. CHAPMAN. Yes.

Mr. PURCELL. I would like to see the relationship of the assistance in the form of aid we supply to the amount of sugar we buy. I am wondering if it does not put Mexico in another position.

Mr. CHAPMAN. I will be very glad to get that information for you. We will be happy to show it to you, because you will be quite surprised to see how little it is. I was myself.

Mr. PURCELL. I want it in the record.

Mr. CHAPMAN. I will give it to you later.

Mr. PURCELL. I just do not want it to be shown to me. I want it to be a part of the record.

Mr. CHAPMAN. I would like to have it put in with my statement, if you will permit that. I will have it in your hands tomorrow.

The CHAIRMAN. You may do so. We appreciate your appearance, Mr. Chapman.

(The information referred to follows:)

U.S. economic and military assistance to Mexico [1]

[Millions of dollars]

Year	Loans	Grants	Total
1946–48	0.0	42.6	42.6
1949–52	.3	51.0	51.3
1953–57	.0	12.0	12.0
1958	17.7	1.6	19.3
1959	.5	1.8	2.3
1960	2.7	1.8	4.5
1961	.3	4.4	4.7
1962	31.0	6.1	37.1
1963	8.6	16.6	25.2
1964	34.1	18.7	52.8
Total, 1946–64	96.1	156.6	252.7

[1] Does not include Export-Import Bank long-term loans.

Source: Agency for International Development.

Foreign trade of the United States with Mexico

[Millions of dollars]

Year	Exports from the United States to Mexico	Imports from Mexico to the United States	Mexico's unfavorable balance of trade with the United States
1955	704.9	396.8	−308.1
1956	842.7	400.9	−441.8
1957	903.6	430.1	−473.5
1958	888.4	456.8	−431.6
1959	744.2	435.3	−308.9
1960	819.6	443.3	−376.3
1961	813.0	538.1	−274.9
1962	805.2	578.2	−227.0
1963	858.0	594.0	−264.0
1964	1,076.0	643.0	−433.0
Total	8,455.6	4,916.5	−3,539.1

Source: United States Department of Commerce, Bureau of International Commerce, Office of International Trade.

(Hon. Catherine May requested and was given permission by unanimous consent to place the following statement in the record following the statement of Mr. Oscar Chapman:)

STATEMENT OF HON. CATHERINE MAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON REGARDING STATEMENT OF OSCAR L. CHAPMAN ON BEHALF OF ASSOCIATION OF SUGAR PRODUCERS OF MEXICO

Mr. Chairman, I have read and reread the statement of the representative of the Mexican sugar industry, Mr. Oscar Chapman, and my reaction is one of shocked surprise.

In the first place, I question Mr. Chapman's wisdom in including in his statement, as a representative of a foreign sugar industry, a wholly unwarranted, unprovoked, grossly unfair, and gratuitous attack on American sugar producers. I should like to remind Mr. Chapman and the Association of Sugar Producers of Mexico, who hired him to represent the association before this committee, that the Sugar Act is domestic legislation of the United States of America, and that the Mexican sugar industry has a place at this table only at the sufferance of the U.S. Congress. It is indeed poor manners, to say the least, for any foreign interests to make a plea for a preferential place in this market by launching an attack on American producers—which Mr. Chapman, as spokesman for Mexico, has done. Certainly, as far as I am concerned, it has prejudiced his case with me, as a member of this committee.

Secondly, I cannot allow Mr. Chapman's testimony to go unchallenged in the record of this hearing.

The first obvious inaccuracy occurs very early in his testimony, where he says that the administration bill contains "provisions for a substantial increase in domestic production." This is not true. The truth is that under the terms of this bill our domestic producers will have to reduce their production, and not increase it. The temporarily increased marketing rights which the bill provides for the domestic beet and mainland cane producers would enable them to market, gradually, in an orderly manner, the additional sugar they produced in response to the request of the U.S. Government.

Our Government asked for more domestic production, may I remind you, when foreign producers failed to meet their obligations to this market. But this bill anticipates reduced, not expanded, domestic production. Both domestic beet and mainland cane producers have already taken acreage cuts this year, and further cuts are anticipated for next year, under the terms of this bill. Mr. Chapman, therefore, is mistaken when he says that the administration bill contains "provisions for a substantial increase in domestic production."

Equally misleading are Mr. Chapman's attempts, by questionable use of statistics, to show that domestically produced sugar costs American consumers more than foreign produced sugar. He completely ignores the fact that in the same markets domestically produced beet sugar never sells for more and usually

sells for less than refined cane sugar made from imported raw sugar. He also completely ignores the obligations the American producer must meet in order to qualify for the conditional payments which Mr. Chapman calls a "subsidy." American producers must pay minimum wages, established by the Government, to the workers in their fields. They must not hire any child labor. They must comply with acreage restrictions, and they must meet other stringent requirements. He fails to point out that the Mexican sugar industry, although receiving the U.S. price, is not obligated by the Sugar Act to meet any of the requirements the domestic producers must meet in order to receive that price. The Sugar Act does not require Mexican producers to pay minimum wages to their workers or to comply with any of the other restrictive provisions which apply to the domestic industry.

Mr. Chapman also ignores the very basic fact that every pound of sugar produced in the United States, on American farms, in American factories, adds to the economic strength of our Nation, while every pound of sugar we buy from Mexico or any other foreign country diminishes the employment of Americans and adds to our balance-of-payments problem. If Mr. Chapman is going to draw from statistics on the balance of trade between the United States and Mexico, he should use the full statistics which reflect such Mexican income as tourist expenditures of American citizens in Mexico, and should not insult this committee with partial references to trade between the two countries.

In addition, Mr. Chapman has ignored the fact that Mexico has not been among those foreign countries in which production of sugar is a main source of national income as is the case with many foreign suppliers of raw sugar to the United States. Mexico enjoys many other potential exports to the United States.

In Mr. Chapman's sudden concern for the state of the U.S. Treasury, I am surprised that he did not propose reinstatement of an import fee on foreign sugar—which the administration some months ago said it would include in its sugar legislation recommendations, but which the administration abandoned under pressure from Mexico and other foreign countries. In the absence of such a suggestion by Mr. Chapman, his attempt at promoting equity seems strangely out of place.

Particularly strange is his statement in view of the fact that Mr. Chapman is a former Secretary of Interior. As such, he should know—and I am sure he really does know full well—the importance of the beet sugar industry to reclamation projects of theWest, and to American agriculture in all the areas where it is produced. Mr. Chapman surely knows that the Untied States has been making heavy expenditures in an effort to reduce production of surplus crops. He surely knows that if American farmers cannot grow sugarbeets they must turn to other crops which may be in surplus. When American farmers are allowed to increase sugarbeet plantings, they can divert acreages of surplus crops.

Mr. Chairman, I am sure that at least some of my colleagues share my view that Mr. Chapman, by the very nature of his unwarranted and nonfactual statement, has not helped Mexico's request for a larger share of the U.S. sugar market.

The CHAIRMAN. We will now call Mr. John W. Tatem, vice president, South Puerto Rico Sugar Co. We are very glad to have you here and we will be glad to hear from you now.

STATEMENT OF JOHN W. TATEM, JR., VICE PRESIDENT, SOUTH PUERTO RICO SUGAR CO.; ACCOMPANIED BY WALTER STERLING SURREY, SURREY, KARASIK, GOULD & GREENE, WASHINGTON, D.C.; AND AMBASSADOR JOSEPH FARLAND, DIRECTOR, SOUTH PUERTO RICO SUGAR CO.

Mr. TATEM. Mr. Chairman and members of the committee, I have filed a full statement which I will now summarize. I am proud to have with me the former Ambassador of the Dominican Republic, the Honorable Joseph Farland, a director of our company, and our Washington counsel, Walter Sterling Surrey.

My name is John W. Tatem, Jr., I am vice president of South Puerto Rico Sugar Co., a U.S. corporation, the stock which is listed on the New York Stock Exchange and which is owned by approximately 7,000 stockholders.

Our company produces sugar in the Dominican Republic as well as in the State of Florida and in Puerto Rico. I will confine my testimony to our Dominican interests. I do so not only because our domestic interests were amply represented here, but more importantly because this is the only opportunity your committee will have to hear any testimony on the Dominican Republic.

Before I turn to questions of Dominican sugar, I would like for a moment, in my individual capacity, to speak of the present circumstances in the Dominican Republic.

President Johnson's order on April 28, 1965, directing the U.S. Armed Forces to Santo Domingo, was the outgrowth of a difficult decision, a decision with grave implications—a decision that was absolutely necessary.

I can say with all sincerity I wish conditions had not made it necessary, but the fact is what was done was done to prevent a Communist takeover. It would indeed be tragic, however, if what was prevented by force would now insidiously be accomplished by economic deterioration or just by lack of enough will on the part of everyone—Dominicans, ourselves, all of the peoples of the Western Hemisphere—everyone who has a stake in preserving the integrity of this small republic, and through it, of the entire Inter-American system.

The recent Declaration to Dominican People provides for a general amnesty and a guarantee of the rights of all Dominican citizens. Now you and I know that in these circumstances the organized, trained, and dedicated Castroite elements will continue unabated their efforts to capture the Dominican Republic. You and I know that only if the Dominican Republic quickly rebuilds its war-torn economy, only if poverty, unemployment, bewilderment, and confusion are substantially eliminated—only then will the Communists have really lost this war. Only then will our policy have been assured of a meaning in the hindsight of history, and the tragic loss of Dominican and American lives find lasting justification.

The importance of the efforts to rebuild the Dominican economy and to defeat the Communist objectives is clearly recognized by the OAS and by the United States. In his historic remarks on the fourth anniversary of the Alliance for Progress just this past Tuesday, President Johnson eloquently stated our country's intentions. He said:

> I know that all of you (OAS countries) share the wish that the future government, chosen by the Dominican Republic and by the Dominican people themselves, will be devoted to the principles of liberal democracy and social justice; and that you share as well the intention of my country to help them rebuild that strife-scarred land.

Whether the Dominicans can take the necessary meaningful first steps in rebuilding their country depends on the status of their economy. Permit me, therefore, to summarize briefly for you the makeup of that economy.

The economy is a sugar economy. The Dominican Republic is the only independent country in the free world where sugar is the principal source of income. The Dominican sugar industry accounts for

more than two-thirds of all wages and salaries paid by the industrial sector. It employs upward of 85,000 people, the largest labor force on the island. Sugar and the Dominican Republic are synonymous. Herein lies the problem: if the sugar industry sags, the Dominican economy collapses.

Increase production is not the answer. Many years ago testimony was given before this committee that the intention of the Dominican sugar producers was to increase their then total sugar production from a little less than three-quarters of a million tons to 1 million tons, and to stabilize production at that general level. That level was reached over 5 years ago; and there it remains.

Of these 1 million tons of sugar that can be produced in the Dominican Republican, a little over 10 percent is consumed locally. This differs radically from Mexico and Brazil, for example, which consumed in 1964 domestically 74 percent and 78 percent of their production and even Peru, which consumed 41 percent. The Dominican sugar industry does not have any such benefit of a large or expanding domestic market.

Dominican sugar must, therefore, look to the foreign markets for a home. But, unlike the British West Indies, which has the preferential Commonwealth market to absorb on the average 75 percent of its production, or Australia and South Africa, with 70 percent and 75 percent, respectively, either consumed locally or exported to the Commonwealth market, Dominican sugar has no built-in foreign preferential market.

The impact of this on the Dominican economy is frightening: approximately 90 percent of its total sugar production must be sold abroad. The only stabilized market available to it is the United States. What the Dominican sugar industry does not sell in the United States, it must sell in the distressed world market. (See chart I, attached.)

That so-called world market almost always has been and is now a dump market for homeless sugar. It is a market which easily can be manipulated by the Cuban-Soviet bloc.

Since the Dominican economy is a sugar economy, it obviously follows that Dominican sugar export earnings are the basis of its international balance of payments. Dominican sugar exports account for over 50 percent of its total export earnings. The price the Dominican Republic receives for its sugar, therefore, is the real determinative factor of what the Dominicans can buy abroad to assist in the development of their economy. (See chart II, attached.)

In terms of the administration quota proposal, this means that out of a potential production of 1 million tons, 100,000 tons would be sold locally at 6 cents per pound, 386,000 tons to the United States at 5.80 cents per pound, and 514,000 tons to the world market at yesterday's price of 1.75 cents. The average price received for all Dominican sugar would be, therefore, 3.70 cents per pound.

Mr. Chairman, we should now check this average price against the cost of production. In our company, the cost of production is over 4½ cents. I can assure you that our company is a very efficiently managed enterprise.

The largest producer of sugar in the Dominican Republic, a government-owned entity accounting for two-thirds of the production, has by eliminating featherbedding and by following the advice of an out-

side consulting firm, managed in the past 2 years to reduce its costs from a reported 7 cents to 5.5 cents. I am advised that with the return of stable conditions the costs will go down to 5 cents. But despite these commendable efforts, the average price it will realize under the administration bill is only 3.7 cents.

What then is the solution? The solution lies initially in this committee room.

Mr. Chairman, I therefore wish to recommend for your deliberations certain principles:

My first recommended principle is that you can determine the allocation of the foreign sugar quota by first utilizing a formula as an initial guideline. We propose that the most objective formula is to calculate first the average of shipments to the United States over the 3-year period 1962 to 1964, inclusive, which was the term of the last Sugar Act.

In this connection, however, the 130,000 tons allocated to the Dominican Republic under the terms of the honeybee bill should be treated today in any calculations as a part of the available Cuban reallocation. I am sure I need not review how that provision came about, nor why it had to come about, nor need I elaborate on the hope that this time the basic sugar legislation will completely and properly deal with the Dominican problem.

In arriving at the basis of the application of this formula, I fully support all that Mr. Chapman has said so well and forcefully with respect to allocating 90 percent of the foreign quota to our traditional Western Hemisphere suppliers. I must say, in this connection, that it is with real astonishment that I find in the administration bill that of the faraway suppliers—those in Africa, Europe, and the Far East—compared to the basic 1962 legislative quotas only one had its basic quota reduced slightly, four of the larger of such producers had their basic quotas doubled, and six received a basic quota for the first time.

In the Western Hemisphere, on the other hand, as compared with your action in 1962, 14 of our neighboring suppliers had their basic quotas substantially reduced, while 2 received a quota for the first time and only 1 supplier, a small one, had its quota increased. I wonder where some of the bureaucrats were when President Johnson said just a few days ago at the Alliance commemorative ceremony: "We will try to maintain a regularly expanding market for the sugar that is produced by Latin America." The basic quota is the permanent fixture, the instrumentality by which a regularly expanding market can be assured. The simple fact is that as the bill now reads 14 Latin American suppliers have had their basic quota permanently reduced, while the faraway suppliers had theirs increased.

I would also propose that any country importing any sugar should not be given a quota. This would eliminate a repetition of the cruel jest of Dominican sugar being sold at the distressed world price to a faraway supplier which found itself short of sugar after it had made substantial sales to the United States at 6 cents.

My second recommended principle is that there be taken into account the use of dollars earned from sugar exports to buy goods in the United States. I believe we have a right to expect that our exports will be benefited by the opening up of our sugar market. Thus where the dollars earned from sugar sales to the United States in the past

are not reflected in increased dollars spent in the United States. The figures arrived at under the proposed formula should be adjusted downward.

Those countries which increased their imports from the United States as a result of increased sugar dollars should have their quota correspondingly increased. I might point out that the Dominican dollar imports went from $30 million in 1961 to $113 million in 1964, which was far more than the Dominicans earned out of their dollar sugar sales. (See chart III, attached.)

There should also be taken into account that those countries which have consistently increased their sugar production in hopes of obtaining a larger U.S. quota, obviously should not be so rewarded. This committee has for years warned against overproduction. This warning can have meaning only if it is taken into account in adjusting the proposed quotas.

My third recommended principle is that very special situations be given weight in adjusting the proposed quota. The Dominican Republic constitutes such a special situation.

I suggest that the result of the calculations and judgments up to this point would yield a Dominican quota of approximately 600,000 tons. In light of the special situation, however, I would urge that this figure be revised so that its basic quota and its share of the Cuban reallocation total not less than 750,000 tons, plus a regular share in the deficit reallocations and the distribution of increased growth.

It may be quite properly asked of me why the executive branch has not recommended this action? I can only surmise. By calculating quotas strictly in accordance with a mathematical formula, the potential charge of preferential treatment to any country is avoided. This best explains why the quotas should be determined by the Congress, which need not defend its actions to every foreign ambassador.

Mr. Chairman, I can only reflect that if this country could make the hard decision to risk American lives in a small Caribbean country in order to preserve its 3 million people from Communist enslavement and maintain the integrity of the inter-American system, can it be so hard to vary a mathematical formula to help insure the lasting meaning and success of that first basic decision?

I can only reflect that those countries of the OAS which voted for the first time for the creation and use of an inter-American force to protect one of its members from Communist subversion, cannot really oppose this economic decision which may involve for them a little less quota—but no risk of lives.

I can only reflect that those countries, which opposed the use of OAS armed force for reasons of principle involving views on international intervention, would not want to seek to extend those views to opposing increased help in the form of a larger quota.

The provision of the quota which I have suggested will not solve the Dominican problem. At most, it will provide a means whereby the principal economic activity of the country, that is to say, the production of sugar, can meaningfully contribute to the rehabilitation of the Dominican economy. Also it will provide a way whereby the Dominicans themselves can take those first steps toward lasting economic and political independence.

If ever the phrase "trade, not aid" had significant meaning, that case is before you for decision. If ever the wisdom of preserving the allocation of the quota for decision by the Congress has been questioned, all doubts can be resolved by you by determining the Dominican quota by judgment rather than by strict adherence to mathematical formulas.

A long, hard road lies ahead for the people of the Dominican Republic, indeed for all the people of the Western Hemisphere, if the threat of Communist subversion is to be eliminated from this small island republic in the Caribbean. The great minority of the Dominican people want to work to that end. This committee, by the exercise of its collective wisdom and judgment, can help them immeasurably to help themselves.

Thank you.

(The complete statement of John W. Tatem, Jr., follows:)

TESTIMONY OF JOHN W. TATEM, JR., SOUTH PUERTO RICO SUGAR CO.

Mr. Chairman, members of the committee, my name is John W. Tatem, Jr., I am most grateful for the opportunity to appear before you. I am not a professional witness; this is my first appearance before any congressional committee. I am a businessman, serving as vice president of South Puerto Rico Sugar Co., a U.S. corporation, the stock of which is listed on the New York Stock Exchange, and which is owned by approximately 7,000 stockholders. I hope my lack of experience in testifying can be offset by the convictions I hold and the information I wish to pass on to you.

Our company produces sugar in the Dominican Republic as well as in the State of Florida and in Puerto Rico. I will confine my testimony to our Dominican interests. I do so not only because our domestic interests were amply represented here, but more importantly because this is the only opportunity your committee will have to hear any testimony on the Dominican Republic. Existing financial limitations, imposed by present circumstances in the Dominican Republic, have prevented anyone from testifying on its behalf.

Before I turn to questions of Dominican sugar, I would like for a moment, in my individual capacity, to speak of the present circumstances in the Dominican Republic. In this area, I believe I can speak with knowledge. I lived in the Dominican Republic for over 40 years and I am presently responsible for the Dominican operations of our company.

President Johnson's order on April 28, 1965, directing the U.S. Armed Forces to Santo Domingo, was the outgrowth of a difficult decision, a decision with grave implications—a decision that was absolutely necessary. One could anticipate the Communist criticisms; one could also anticipate the concerns and misgivings of those who honestly were troubled by this radical departure from past policy.

I can say with all sincerity I wish conditions had not made it necessary; I can also say with absolute conviction that because of the President's decision the Dominican Republic today is not an ally of Castro Cuba.

What has been done has been done to prevent a Communist takeover. It would indeed be tragic, however, if what was prevented by force would now insidiously be accomplished by economic deterioration, or just by lack of enough will on the part of everyone—Dominicans, ourselves, all of the peoples of the Western Hemisphere—everyone who has a stake in preserving the integrity of this small republic, and through it, of the entire inter-American system.

The recent Declaration to Dominican People, signed by the Organization of American States Special Committee, including the U.S. Ambassador to the Organization of American States, Ellsworth Bunker, provides for a general amnesty and a guarantee of the rights of all Dominican citizens. Effectuation of the Organization of American States Declaration to Dominican People will mean that, internally, in that small island republic of 3 million people, as in any free society, those who follow the false premises of communism will be free to advocate them.

Now you and I know that in these circumstances the organized, trained, and dedicated Castroite elements will continue unabated their efforts to capture the Dominican Republic. You and I know that only if the Dominican Republic

quickly rebuilds its war-torn economy, only if poverty, unemployment, bewilderment, and confusion are substantially eliminated—only then will the Communists have really lost this war. Only then will our policy have been assured of a meaning in the hindsight of history, and the tragic loss of Dominican and American lives find lasting justification.

The importance of the efforts to rebuild the Dominican economy and to defeat the Communist objectives is clearly recognized by the Organization of American States and by the United States. The Declaration to Dominican People, broadcast in Santo Domingo on August 8, declares:

"* * * we affirm our intention to help the Dominican people in their efforts to build the democratic institutions that are the only effective defense against communism.

"However, if these institutions are to be built, the nation's economy must be saved. At the moment it is on the point of ruin."

In his historic remarks on the fourth anniversary of the Alliance for Progress just this past Tuesday, President Johnson eloquently stated our country's intentions. He said:

"I know that all of you [Organization of American States countries] share the wish that the future government, chosen by the Dominican Republic and by the Dominican people themselves, will be devoted to the principles of liberal democracy and social justice; and that you share, as well, the intention of my country to help them rebuild that strife-scarred land."

The American newspapers of last week reported a major AID program currently being considered to assist in the establishment of a true "Caribbean showcase." The article quotes a top U.S. Government official:

"We're prepared to make a substantial and generous contribution. But, in the last analysis, anything we do will depend on the Dominicans and how far they're willing to go in helping themselves."

I believe this latter statement to be so obvious that it bears repeating, lest its obviousness obscure its basic significance. United States dollars cannot, by themselves, provide a sound Dominican economy that will furnish the base from which a lasting democracy can be established. Our aid, our taxpayers' money, can only provide needed assistance to support the efforts of the Dominican people.

It is the Dominican people who through their efforts, their willingness to work, their perseverance, and their ability to sacrifice today for a free and better life tomorrow—it is only these victims of a long tyranny, and the equally tragic vacuum that tyranny inevitably leaves in its wake, who can make the meaningful and counting first steps toward a better world.

Whether the Dominicans can take those first meaningful steps depends on the status of their economy. Permit me, therefore, to summarize briefly for you the makeup of that economy.

The economy is a sugar economy. The Dominican Republic is the only independent country in the free world where sugar is the principal source of income. The Dominican sugar industry accounts for more than two-thirds of all wages and salaries paid by the industrial sector. It employs upward of 85,000 people, the largest labor force on the island. Sugar and the Dominican Republic are synonymous. Herein lies the problem: if the sugar industry sags, the Dominican economy collapses.

One course would be to accept this dependence on sugar as some preordained fate and increase that dependence by increasing production. Fortunately, that has not been the course that has been followed. Many years ago testimony was given before this committee that the intention of the Dominican sugar producers was to increase their then total sugar production from a little less than three-quarters of a million tons to 1 million tons, and to stabilize production at that general level. That level was reached over 5 years ago; and there it remains.

In our company, the South Puerto Rico Sugar Co., the program today is not to seek an increase in production, but a decerease in the nonlabor costs of production, to improve land utilization in order to produce the same amount of cane from less acres, to use the free acres for other diversified activities, and to increase the production of byproducts.

These policies have been determined because of the realities of the Dominican sugar economy and the world sugar market. Of the 1 million tons of sugar that can be produced in the Dominican Republic, a little over 10 percent is consumed locally. This differs radically from Mexico and Brazil, for example, which consumed in 1964 domestically 74 and 78 percent of their production, and even Peru, which consumed 41 percent. The Dominican sugar industry does not have any such benefit of a large or expending domestic market.

Dominican sugar must, therefore, look to the foreign markets for a home. But unlike the British West Indies, which has the preferential Commonwealth market to absorb on the average of 75 percent of its production, or Australia and South Africa, with 70 and 75 percent, respectively, either consumed locally or exported to the Commonwealth market, Dominican sugar has no built-in foreign preferential market.

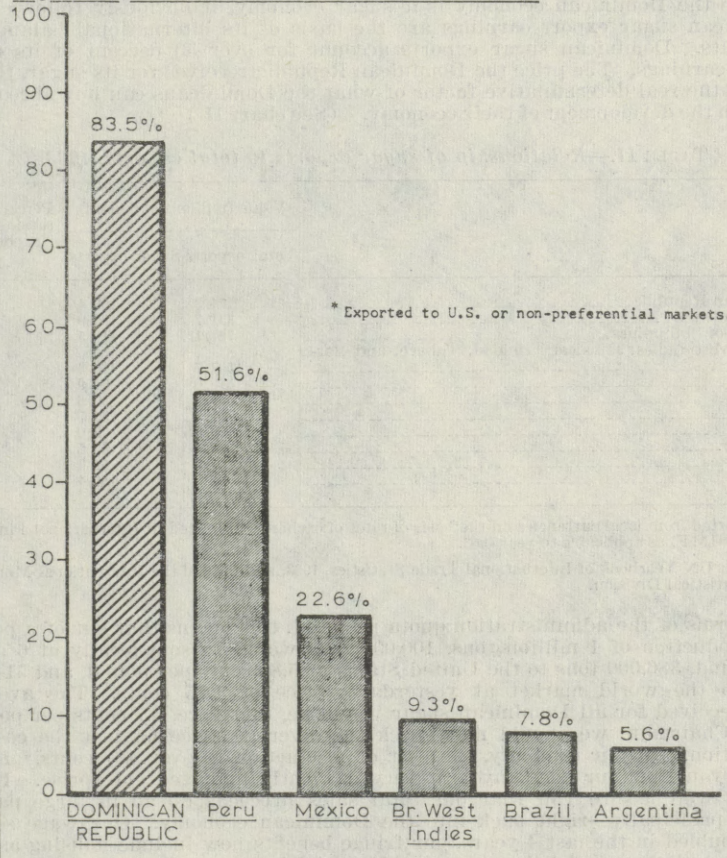
Unlike every other Western Hemisphere country, the Dominican Republic alone cannot turn to a large domestic market or alternatively to a built-in preferential foreign market.

The impact of this on the Dominican economy is frightening: approximately 90 percent of its total sugar production must be sold abroad. The only stabilized market aavilable to it is the United States. What the Dominican sugar industry does not sell in the United States, it must sell in the distressed world market. (See chart I.)

Chart - I

THE DOMINICAN REPUBLIC MUST SELL NEARLY ALL ITS SUGAR PRODUCTION TO THE U.S.A. OR TO THE DISTRESSED WORLD MARKET

Sugar Exports* As a % of Production - 1964



Source: Table I

TABLE I.—*Exports as a percent of group-year production, 1964*

	1964 crop year production	Net exports, 1964	Exports as percent of production
	Thousand tons	*Thousand tons*	*Thousand tons*
Dominican Republic	1,000	835	83.5
Peru	915	472	51.6
Mexico	2,368	536	22.6
British West Indies	1,520	1,210	79.6
Less preferential markets		1,068	70.3
Net		142	9.3
Brazil	3,939	307	7.8
Argentina	1,063	60	5.6

Source: U.S. Department of Agriculture data.

That so-called world market almost always has been and is now a dump market for homeless sugar. Generally, only about 10 percent of the total sugar production of the world, that sugar which is not sold in a stabilized, regulated domestic market or a stabilized, regulated foreign market, goes into the world market. It is a market which easily can be manipulated by the Cuban-Soviet bloc.

Since the Dominican economy is a sugar economy, it obviously follows that Dominican sugar export earnings are the basis of its international balance of payments. Dominican sugar exports account for over 50 percent of its total export earnings. The price the Dominican Republic receives for its sugar, therefore, is the real determinative factor of what the Dominicans can buy abroad to assist in the development of their economy. (See chart II.)

TABLE II.—*Relationship of sugar exports to total exports, 1963*

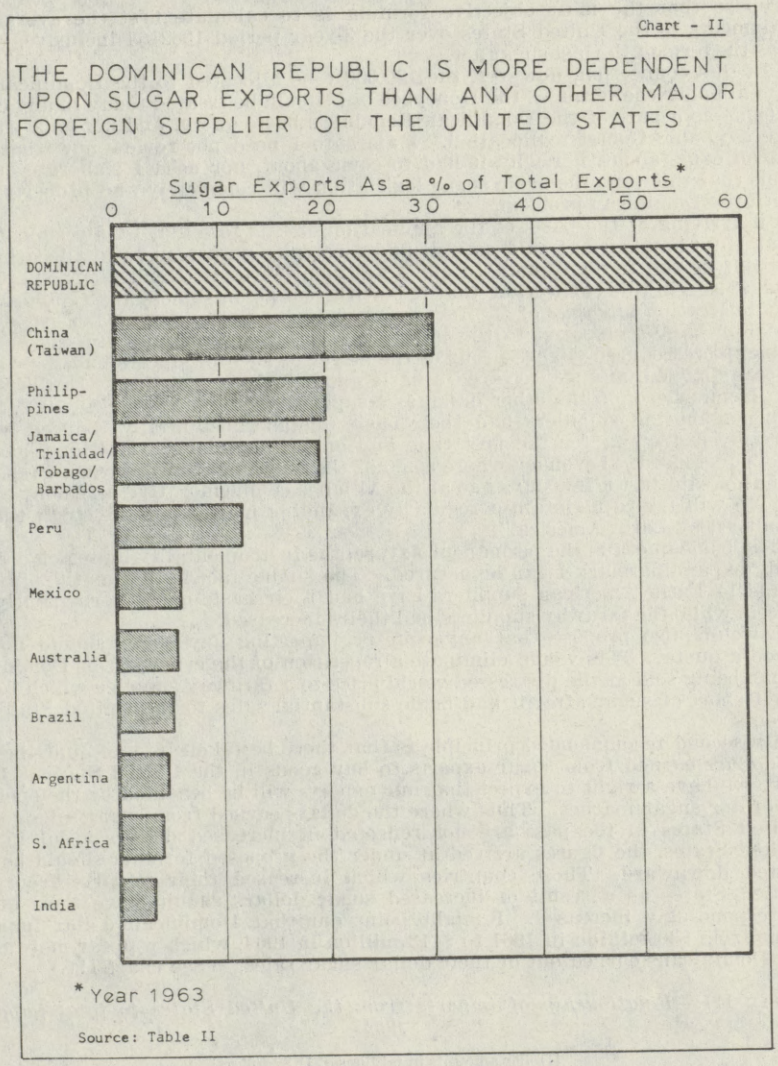
	Value (millions of dollars)		Percent [1] of total (sugar exports)
	Total exports	Sugar exports	
Dominican Republic	174.3	100.4	57.6
China (Taiwan)	331.7	101.9	30.7
Republic of Philippines	727.1	146.5	20.1
British West Indies: Jamaica, Trinidad, Tobago, and Barbados	597.7	116.3	19.5
Peru	540.0	64.9	12.0
Mexico	984.0	59.6	6.1
Australia	2,784.7	159.7	5.7
Brazil	1,406.5	72.9	5.2
Argentina	1,365.1	67.5	4.9
South Africa	1,267.3	54.3	4.3
India	1,602.2	56.4	3.5

[1] Converted from local currencies on the basis of rates of exchange indicated in International Financial Statistics (IMF) as applicable to year 1963.

Sources: UN Yearbook of International Trade Statistics, 1963, and data of the International Monetary Fund, Statistical Division.

In terms of the administration quota proposal, this means that out of a potential production of 1 million tons, 100,000 tons would be sold locally at 6 cents per pound, 386,000 tons to the United States at 5.80 cents per pound, and 514,000 tons to the world market at yesterday's price of 1.75 cents. The average price received for all Dominican sugar would be, therefore, 3.7 cents per pound.

Mr. Chairman, we should now check this average price against the cost of production. In our company, the cost of production is over 4½ cents. I can assure you that our company is a very efficiently managed enterprise. I can equally well assure you that our total sales proceeds do go in large part—indeed principally—right back into the Dominican economy. Our wage scales have doubled in the last 4 years, our fringe benefits now include housing assistance, vacation pay, sick leave pay, and special bonuses related to sales prices. In addition to a substantial export tax, our net earnings are taxed by the Dominicans at a 38-percent rate. And when our average gross sugar revenues



are in excess of 5.825 cents free on board per pound (as when the world market exceeded the U.S. price), the excess is presently taxed 100 percent.

The largest producer of sugar in the Dominican Republic, a government-owned entity accounting for two-thirds of the production, has by eliminating feather-bedding and by following the advice of an outside consulting firm, managed in the past 2 years to reduce its costs from a reported 7 cents to 5.5 cents. I am advised that with the return of stable conditions the costs will go down to 5 cents. But despite these commendable efforts, the average price it will realize under the administration bill is only 3.7 cents.

What then is the solution? I can answer this by first saying where one can find the solution. The solution lies initially in this committee room. The solution will be found in the formula the Congress adopts for allocating the foreign share of the U.S. sugar market.

Mr. Chairman, I wish to recommend for your deliberations certain principles:

My first recommended principle is that you determine the allocation of the foreign sugar quota by first utilizing a formula as an initial guideline. We

propose that the most objective formula is to calculate first the average of shipments to the United States over the 3-year period 1962–64 inclusive, which was the term of the last sugar act.

In this connection, however, the 130,000 tons allocated to the Dominican Republic under the terms of the Honeybee bill should be treated today in any calculations as a part of the Dominican Republic's basic quota, and not as a part of the available Cuban reallocation. I am sure I need not review how that provision came about, nor why it had to come about, nor need I elaborate on the hope that this time the basic sugar legislation will completely and properly deal with the Dominican problem.

In arriving at the basis of the application of this formula, I fully support all that Mr. Chapman has said so well and forcefully with respect to allocating 90 percent of the foreign quota to our traditional Western Hemisphere suppliers. I must say, in this connection, that it is with real astonishment that I find in the administration bill that of the faraway suppliers—those in Africa, Europe, and the Far East—compared to the basic 1962 legislative quotas only one had its basic quota reduced slightly, four of the larger of such producers had their basic quotas doubled, and six received a basic quota for the first time. In the Western Hemisphere, on the other hand, as compared with your action in 1962, 14 of our neighboring suppliers had their basic quotas substantially reduced, while 2 received a quota for the first time and only 1 supplier, a small one, had its quota increased. I wonder where some of the bureaucrats were when President Johnson said just a few days ago at the Alliance commemorative ceremony:

"We will try to maintain a regularly expanding market for the sugar that is produced by Latin America."

The basic quota is the permanent fixture, the instrumentality by which a regularly expanding market can be assured. The simple fact is that as the bill now reads 14 Latin American suppliers have had their basic quota permanently reduced, while the faraway suppliers had theirs increased.

I would also propose that any country importing any sugar should not be given a quota. This would eliminate a repetition of the cruel jest of Dominican sugar being sold at the distressed world price to a faraway supplier which found itself short of sugar after it had made substantial sales to the United States at 6 cents.

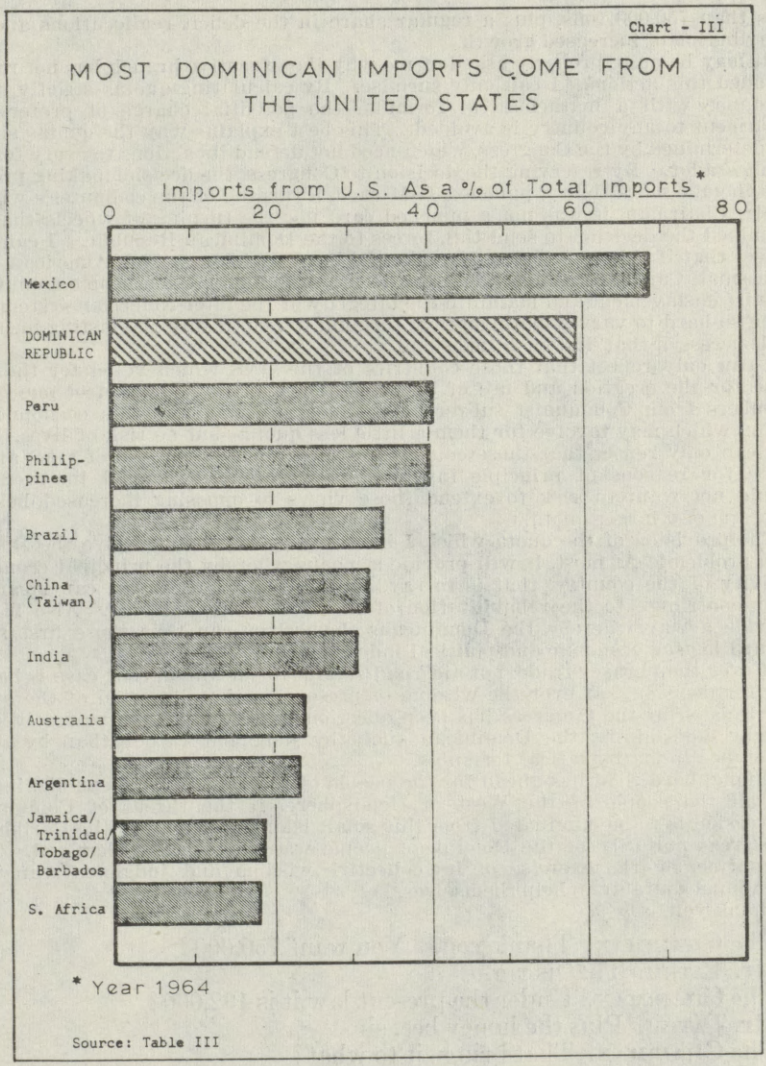
My second recommended principle is that there be taken into account the use of dollars earned from sugar exports to buy goods in the United States. I believe we have a right to expect that our exports will be benefited by the opening up of our sugar market. Thus where the dollars earned from sugar sales to the United States in the past are not reflected in increased dollars spent in the United States, the figures arrived at under the proposed formula should be adjusted downward. Those countries which increased their imports from the United States as a result of increased sugar dollars should have their quota correspondingly increased. I might point out that Dominican dollar imports went from $30 million in 1961 to $113 million in 1964, which was far more than the Dominicans earned out of their dollar sugar sales. (See chart III.)

TABLE III.—*Relationship of imports from the United States to total imports, 1964*

[Dollar amounts in millions of U.S. dollars]

	Total imports	Imports from United States	Imports from United States as a percent of total
Mexico	$1,492.0	$1,023.3	68.6
Dominican Republic	191.2	113.2	59.2
Peru	579.7	236.1	40.7
Republic of Philippines	847.7	340.6	40.2
Brazil	1,265.6	436.5	34.5
China (Taiwan)	425.0	139.1	32.7
India	2,270.6	704.2	31.0
Australia	2,977.7	725.4	24.4
Argentina	1,077.4	255.5	23.7
Jamaica, Trinidad, Tobago, and Barbados	767.6	147.6	19.2
South Africa	2,150.0	408.9	19.0

Source: IMF, Supplements to International Financial Statistics.



There should also be taken into account that those countries which have consistently increased their sugar production in hopes of obtaining a larger U.S. quota, obviously should not be so rewarded. This committee has for years warned against overproduction. That warning can have meaning only if it is taken into account in adjusting the proposed quotas.

My third recommended principle is that very special situations be given weight in adjusting the proposed quota. Thus, and I have no particular country in mind, if a country has consistently thwarted United States and Organization of American States policies, that factor should be considered.

What I do have clearly in mind, however, is that the Dominican Republic constitutes a very special situation and affirmatively should be considered as such in this legislation. I suggest that the result of the calculations and judgments up to this point would yield a Dominican quota of approximately 600,000 tons.

In light of the special situation, however, I would urge that this figure be revised so that its basic quota and its share of the Cuban reallocation total not

less than 750,000 tons, plus a regular share in the deficit reallocations and the distribution of increased growth.

It may be quite properly asked of me why the executive branch has not recommended this action? I can only surmise. By calculating quotas strictly in accordance with a mathematical formula, the potential charge of preferential treatment to any country is avoided. This best explains why the quotas should be determined by the Congress, which need not defend its actions to every foreign Ambassador. By reserving the decision to Congress, the decisionmaking process can include more than a punched IBM card, a turning of the computer's wheels.

Mr. Chairman, it was not a punched card nor the turning of wheels that determined the decision to send U.S. forces to the Dominican Republic. I can only reflect that if this country could make the hard decision to risk American lives in a small Caribbean country in order to preserve its 3 million people from Communist enslavement and maintain the integrity of the inter-American system, can it be so hard to vary a mathematical formula to help insure the lasting meaning and success of that first basic decision?

I can only reflect that those countries of the OAS which voted for the first time for the creation and use of an inter-American force to protect one of its members from Communist subversion, cannot really oppose this eocnomic decision which may involve for them a little less quota—but no risk of lives.

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A long, hard road lies ahead for the people of the Dominican Republic, indeed for all the people of the Western Hemisphere, if the threat of Communist subversion is to be eliminated from this small island Republic in the Caribbean. The great majority of the Dominican people want to work to that end. This committee, by the exercise of its collective wisdom and judgment, can help them immeasurably to help themselves.

Thank you.

The CHAIRMAN. Thank you. You want 750,000?

Mr. TATEM. That is right.

The CHAIRMAN. Under the present law it is 192,000?

Mr. TATEM. Plus the honey bee, sir.

The CHAIRMAN. That brings it to what?

Mr. TATEM. That is 130,000 more or 322,000 tons.

The CHAIRMAN. Thank you very much.

Mr. de la Garza.

Mr. DE LA GARZA. On page 9 you state that the largest producer is a Government-owned industry?

Mr. TATEM. That is right, sir.

Mr. DE LA GARZA. I disagree with you when you say that featherbedding is out and everything is going to be eliminated by being run by the Government. I do not think that is possible in any case.

How is the profit distributed?

Mr. TATEM. Frankly, there have been no profits. It has been operating and substantial operating improvements have been made. They hope to make further improvements, but no Dominican pro-

ducer can hope to produce sugar at a profit with an average price of 3.7 cents.

Mr. DE LA GARZA. I have a rather difficult time understanding your statement speaking for the Dominican people, in view of the fact that, at least, everything that I have heard about it is that part of the problem there is—well, I do not know what word to use—the way in which the financial situation of the country is handled—to put it that way—so that it would seem to me that in some respects here you are even casting accusations at other countries for participating or not participating in the OAS and using the OAS preferential treatment to be given to the Dominican Republic, but the extent of the information that I have gotten is that none of the profits or none of the money that comes into this country gets to the people that you say will be benefited.

Mr. TATEM. To answer that would be quite a lengthy answer. However, sir, I will try. As I stated in my testimony, the Dominican economy is completely dependent on sugar and without a proper sugar industry or proper prices and markets it has a failing economy. The Government, you well know, has changed quite a bit over the last few years. However, if the Dominican Republic is to survive and is to become a member of our family—our political family, let us say—then the basic economy must be put in order which can only be done by stabilizing the sugar industry. Our high wages and taxes assure that the people are benefited.

The CHAIRMAN. To what extent is the South Puerto Rico Sugar Co. owned by Americans?

Mr. TATEM. It is a U.S. corporation, sir, on the New York Stock Exchange. The majority of the stock certainly is American owned.

The CHAIRMAN. It is an American corporation?

Mr. TATEM. Absolutely. It is incorporated in the United States.

The CHAIRMAN. Mr. Abernethy.

Mr. ABERNETHY. I understand that most of it is consumed domestically and that a certain amount of it comes to the United States. Where does the remainder go?

Mr. TATEM. To the distressed world market. That is the only market other than the United States, to which we can sell sugar.

Mr. ABERNETHY. For instance, where will it go—could you designate where?

Mr. TATEM. It will go to Europe, Japan. And as I pointed out in one case, some of it even went to South Africa.

Mr. ABERNETHY. At one time you had a very substantial business in the British market.

Mr. TATEM. We have been fortunate in selling a larger amount of sugar to the United States, as our sales to the British market, which is really the clearinghouse for most of the world sugar, had substantially diminished.

Mr. ABERNETHY. On an average, what do you get for sugar in Great Britain?

Mr. TATEM. Right now the spot price is $1.75 a hundredweight for any Dominican sugar sold abroad outside the United States.

Mr. ABERNETHY. Thank you.

The CHAIRMAN. That is per hundred pounds?

Mr. TATEM. 1.75 cents per pound.

The CHAIRMAN. And your cost of production is what?

Mr. TATEM. About 4.5 cents—a little over.

The CHAIRMAN. Thank you very much.

We will now call on Mr. Arnold Shaw, representing the sugar producers and sugar workers of Peru. Will you please eliminate as much repetition as possible and come right down to the situation in Peru.

We will now be glad to hear you.

STATEMENT OF ARNOLD SHAW, COUNSEL FOR PERUVIAN SUGAR PRODUCERS ASSOCIATION AND FEDERATION OF PERUVIAN WORKERS; ACCOMPANIED BY JAMES P. FREEBORN, VICE PRESIDENT, LATIN AMERICAN GROUP, W. R. GRACE & CO.; AND JULIO CRUZADO, SECRETARY GENERAL, FEDERATION OF PERUVIAN SUGAR WORKERS

Mr. SHAW. Mr. Chairman and members of the committee, you will be pleased to note that my remarks are shorter than anyone who has appeared before me and may set an example for those who follow.

My name is Arnold Shaw, a practicing attorney here in the capital. I have the honor of appearing before you on behalf of the sugar producers and the sugar workers of Peru. Because of the shortness of time, I ask permission to submit for the record a copy of my formal, full-length statement, and I will confine myself to a summary of the highlights.

In view of the importance of this legislation to Peru's sugar workers and their families, they have sent Senor Julio Cruzado, Secretary General of Peru's Confederation of Workers, the equivalent of our AFL–CIO, to Washington to work with me. I take the greatest pleasure in introducing to the committee Mr. Cruzado who is sitting with me now in case you have any questions for him later. And on my left is Mr. James P. Freeborn, vice president of the W. R. Grace & Co., who is here to help me answer technical questions and to interpret for Mr. Cruzado.

At the outset I wish to express our gratitude to President Johnson for his foresighted decision to oppose any additional tariff or import fee on sugar imported into the United States. We also wish to congratulate him for his recent declaration on the occasion of the fourth anniversary of the Alliance for Progress when he said:

> We will also try to maintain a regularly expanding market for Latin American sugar.

In view of that most important statement, you can imagine our surprise, Mr. Chairman, when later that same day the executive branch released its draft sugar bill and we discovered that its proposed share of the U.S. foreign quota (ex the Philippines) for the Alliance for Progress nations had dropped from the 77 percent assigned in the 1962 Sugar Act to only 68 percent in the proposed bill.

This is hardly consistent with the President's announced goal of trying to maintain a regularly expanding market for Latin American sugar.

Virtually all Alliance nations would suffer under the new proposal, but the workers and producers of Peru would probably suffer the most. Peru's basic quota would be cut back from 192,000 tons in 1962

to only 101,000 for the next 6 years, putting Peru well below the Dominican and Mexican quotas in spite of their identical treatment under the act since 1957.

And before that, ever since World War II, Peru was the largest of the foreign suppliers to the United States, if one excludes Cuba, which, like the Philippines, enjoyed a special relationship with this country, and I have an attachment explaining this, No. 1. While the quantity Peru shipped during this time was not great, the fact that Peru supplied between 45 and 50 percent of all sugar the United States purchased from these foreign suppliers is not inconsequential.

I would like now to explain why the proposed cutback in the U.S. market would harm Peru more than any other country in Latin America except the Dominican Republic.

Of the 16 Alliance for Progress nations exporting sugar to the United States since the Castro takeover of Cuba (1961–64), the following is true:

(1) Peru ranks second (with Haiti) in the percentage of total exports that are accounted for by sugar.

(2) Peru ranks second in the percentage of her total production which she must sell outside of her own protected home market. The figure is 63 percent, and I have an attachment explaining that, No. 2.

By both tests, only the Dominican Republic is more dependent on the U.S. market than is Peru.

Based on the charts submitted by Mr. Chapman—I do not recall the number—but it has to do with purchases of agricultural products, Peru runs second in that chart, purchasing $60 million cash for the year ending June 1964. And I might add that Peru does not have a significant income from the U.S. tourists with which to buy the agricultural products we are speaking of.

In addition, the U.S. sugar market is especially important to Peru's sugar workers and their families.

I would like to present for the record a statement by Mr. Julio Cruzado which he brings to us from the sugar workers of Peru, which is in the form of a letter, which I should like to read.

The CHAIRMAN. Who is Mr. Cruzado?

Mr. SHAW. This gentleman is the "George Meany" of the Peruvian labor union. I introduced him at the outset.

The CHAIRMAN. Before you present that statement, what is the average daily wage of a cane cutter in Peru?

Mr. FREEBORN. I can give you an average of the total wages for the workers, including voluntary and legal fringe benefits, it is currently running at just under $1,700 per year.

The CHAIRMAN. How much?

Mr. FREEBORN. $1,700 per year annually including all cash and noncash benefits.

The CHAIRMAN. What is his take-home pay for cutting cane all day? Somebody said it was in the area of 50 cents per day.

Mr. FREEBORN. It is in the area of $2.

The CHAIRMAN. $2 a day and not 50 cents. How many hours does he work?

Mr. FREEBORN. He does not have a workout day. They have a special system that they call the tarea. The workload is set by custom and bargaining which involves cutting a number of furrows. They work about 6 hours, or they can work at their own pace.

The CHAIRMAN. And they make about $2 a day?

Mr. FREEBORN. That is in cash. They have free housing, a measure of food ration, free hospital care, free schools, and recreation and social benefits of this nature, plus special pension laws that are set by the Peruvian Government.

The CHAIRMAN. All right, thank you.

Mr. SHAW (reading Mr. Cruzado's letter):

CETEPE,
CONFEDERATION DE TRABAJADORES DEL PERU,
August 20, 1965.

Mr. CHAIRMAN: In the name of the one and a half million workers who belong to the Federation of Workers of Peru, and especially on behalf of the 50,000 affiliated workers from the sugar industry, I wish to express to this committee our very deep appreciation for this opportunity to make known to you our great concern at certain aspects of the administration bill to extend the Sugar Act.

Two important factors have contributed to a tremendous increase in the economic progress of the workers employed in the Peruvian sugar industry and their 200,000 dependents.

The first was the Alliance for Progress and its stimulus to the economic and social development of Peru.

The second was the increase in Peru's shipments of sugar to the United States after Castro took over Cuba.

The sugar exports to the United States are the key to the increase in payroll and hospitals and schools and other fringe benefits which represent slightly over 100 percent improvement in the total remuneration in cash and other benefits since 1960.

All of this is gravely threatened by the executive branch proposal for a permanently reduced volume of sugar exports to the United States in the new bill.

Today, there are several union contracts pending renewal. By agreement between management and labor, the bargaining sessions have been put off until further notice, pending the outcome of the U.S. Congress action on the new sugar bill. This delay, plus some early signs of the economic crisis looming for the Peruvian sugar industry, have already stimulated the Communists to work harder to gain influence of organized sugar workers.

Only recently the free and democratic labor movement has lost two major unions to small Communist power groups who have capitalized on the effect on the industry of the reduced quota imposed on Peru in 1965 and the extremely low level of the world sugar price.

We have lost, to the Communists, the union of one of the major estates in the north. This estate is in very severe financial difficulties and struggling to avoid bankruptcy. It could not, of course, continue the annual wage increase which has become customary in the last 5 years in Peru.

The second union taken over recently by Communists is that of one of the major and most socially advanced estates in Peru. This year's wage settlement featured an increase of 9 percent on the average which is still OK, as this estate has other industries which helped to avoid a more severe reduction in the rate of increase of wages. Yet as this represented a slight reduction from last year's increase this was enough for the Communists to convince the rank and file to throw out the leaders of the union and replace them with some of their own faithfuls. To us this is just as serious as if the Communists took over the General Motors or the Ford locals of the United Auto Workers.

That is why, Mr. Chairman, I urge the committee, please to give careful consideration to the broader issues surrounding Peru's current social and economic position, and especially the struggle of the free and democratic labor unions against the Communist elements who seek to conquer organized labor. Any reduction in labor's living standards, purchasing power, or in the level of employment, as a result of a low sugar quota in the United States, would play into the Communists hands and imperil the future development of the free labor movement in Peru.

Respectfully yours,

JULIO CRUZADO,
Secretary General.

Mr. FREEBORN. I may just add that they are employed all year around and there is no migratory labor at all in the industry.

Mr. SHAW. From the foregoing, I think it is clear that the U.S. sugar market is probably more important to Peru than to any other country in Latin America, except the Dominican Republic. It is also more important to Peru than to virtually all nations outside the Alliance, most of which have guaranteed access to other preferential markets.

It is equally true, if I may say so, that Peru is of some importance to the United States—the second test by which one should judge the national interest of the United States in determining quota allocations. Just this week, Under Secretary of State Thomas Mann set forth one significant measure of a nation's importance to the United States when he said there should be—

a direct relationship between U.S. financial assistance and the efforts made by recipient nations towards achieving economic growth and social progress.

Thus the United States has a vital stake in the economic and social transformation now underway in Peru. Some of you may have had occasion to read the cover story article in the March 12 issue of Time which documents this. I would like to request that it be made part of the record.

The CHAIRMAN. What is it that you want to make a part of the record?

Mr. SHAW. A copy of the Time magazine.

The CHAIRMAN. We cannot put that in the record. We will put it in the files of the committee.

Mr. SHAW. I will accept the chairman's decision.

President Balaunde is rapidly moving Peru's 12 million people toward the achievement of the following: 100,000 new homes by 1970, free education for all, the irrigation of 200,000 desert acres in the north, penetration highways to unlock the riches of the Sierra and the jungle lowlands. His national peace corps Popular Cooperation movement is regarded by senior U.S. officials as a model for the entire continent.

It is this program that Communist-led elements are desperately seeking to disrupt through the terrorist and guerrilla activities in the Sierra and elsewhere. The recent murder of seven Peruvian national guardsmen in the Andes, the explosion of several bombs in downtown Lima, student mobs rioting in the streets, and a 60-day suspension of the Constitution—all attest to the fact that Peru's adversaries are not idle.

Thus the challenge of extremism and the progress of moderation both make South America's third largest nation of considerable importance to the United States.

But the demonstrable importance of Peru to the United States, and the U.S. sugar market to Peru does not dispose of the executive branch's proposal to drastically reduce Peru's sugar quota for the next 6 years. I would like, therefore, to discuss it for a few moments.

In late 1961, the U.S. Government informed foreign producers that increased exports of sugar to the United States in 1964, would have a strong bearing on its recommendations to the Congress concerning future country quotas. The purpose was to assure an adequate supply

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of sugar to the United States at a time when, because of the 1962 act's global quota, the United States had inadequate protection against the worldwide shortage and higher world prices which then existed.

Once this offer of extra reward was made, the Government of course had to honor its commitment. But this did not require that shipments in 1964 be given double weight or that 1963–64 shipments would be the only factors considered. Nor did it require that the formula be applied for 6 years or more.

This commitment was never intended, nor understood, to mean this. Such an extensively handsome reward could never be considered a quid pro quo. In fact, since all nations who sacrificed substantially in 1964 have received increased quotas for 1965, they will more than make up, this year alone, whatever they lost in 1964. As the world price of sugar thus far this year has averaged 3 cents less than the U.S. price, foreign producers with increased 1965 quotas will make roughly 3 cents more per pound on their increased 1965 U.S. sales than they would have made if required to sell that increased quantity on the world market. This gain will more than offset whatever financial loss resulted from increased sales to the United States in 1964, as is clearly shown in the attached table (attachment No. 3).

Thus it can be fairly said that the U.S. obligation will be fully met by the close of 1965.

There is only one other reason why certain officials seem to feel that it would be useful to base future country allocations on the 1963–64 performance record. They believe that it is the best basis for determining which nations in the future will be prepared to meet U.S. requirements should the world price again exceed the U.S. price.

But as Under Secretary of Agriculture Schnittker himself testified on Wednesday:

> Under the proposed legislation, foreign suppliers would have further incentive to service our market at all times because they would be assured of a price more than double the present world price. The price would be attractive to efficient producers but not so high as to encourage production unduly. Exporting countries would be further encouraged to service our market at all times because nonperformance in any year would be grounds for reducing a country's quota in future years (p. 5).

He further said:

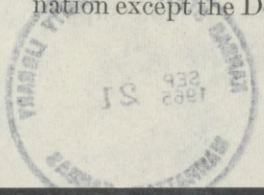
> If any country fails to fill its quota, its quota in future years would be reduced except upon a finding of force majuere by the Secretary * * * Thus, countries would have incentive to maintain reserve stock for the U.S. market of the order of 15 percent of their quota (p. 12).

It seems clear, therefore, that the so-called 63–64 formula in the executive branch bill is neither justified in the name of guaranteed future deliveries, nor in the name of a due reward.

The United States, therefore, is once again free to allocate its foreign sugar quota on the basis of its broader national interests.

We have already seen that the U.S. sugar market is more important to Alliance nations than to virtually all nonmembers most of whom enjoy access to other preferential markets.

And within the Alliance, while everyone is equal, we like to think that some are more equal than others. For example: The U.S. sugar market is more important to Peru than to any other Alliance nation except the Dominican Republic.



Added to this is Peru's importance to the United States and her proven capacity over the last several decades to supply U.S. requirements.

Under these circumstances the interests of the United States clearly would not be served by the adoption of the Peruvian quota proposed in the executive branch draft. All relevant facts points to the conclusion that Peru should be preceded only by the Dominican Republic.

If this is done and if the Alliance' share of the U.S. quota is increased justice will be done and the national interests of the United States and all other nations will be served.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Shaw.

The next witness we will call is Mr. Albert S. Nemir, who is accompanied by Herbert C. Hathorn, on behalf of the Sugar and Alcohol Institute of Brazil.

Mr. PURCELL. Could I ask one or two questions of the previous witness?

The CHAIRMAN. Yes.

Mr. PURCELL. Who owns the sugar companies in Peru?

Mr. SHAW. The sugar companies are all privately owned. There are five or six fairly substantial ones, fairly large, and the rest go all the way down to small farms. I believe there are 53 units in all and, approximately 50 percent are owned by the larger companies and the balance are owned by the small ones.

Mr. PURCELL. Are they owned by the citizens of Peru?

Mr. SHAW. All private citizens of Peru, yes; except W. R. Grace & Co., of course.

Mr. FREEBORN. And International Basic Economic Corp. also has a controlling interest in the sugar business.

Mr. SHAW. W. R. Grace & Co. is on the New York Stock Exchange and that would be, of course, owned by American citizens, also, to a great extent.

Mr. PURCELL. I do not know whether you can do so now, but can you give us figures on the various companies. If you cannot do it now, will you place it in the record?

Mr. FREEBORN. I might be able to answer that in some degree, because we do not have an insight into the profit-and-loss statement of all of them.

Mr. PURCELL. Yes, that is what I wanted.

Mr. FREEBORN. One of the major companies is on the verge of bankruptcy at the moment. The Grace Co.'s share of the Peruvian production is about 18 percent. And one of those companies is losing money under its sugar operations. The other one is slightly profitable. I would say that, probably, the loss is representative of the industry as a whole—somewhere between a slight profit and a loss. The reason being, of course, that the sales to the very depressed world market at $1.75, substantially below the average cost of production. The Peruvian Government made a survey this year with the assistance of representatives of management and labor and arrived at a mean production figure of about 4.52, that is $4.52, excluding the more conspicuous exchanges, taking the broader spectrum of the cost of production, which was $4.52.

Mr. PURCELL. Maybe so, but I do not catch on to that very quickly. Maybe you answered my question. You say $4.52?

Mr. FREEBORN. The cost of production.

Mr. PURCELL. I am not a mathematician but I can read figures. Can you just give me some figures?

Mr. FREEBORN. I can give you the projected figures.

Mr. SHAW. We will be very glad to submit them.

Mr. FREEBORN. We can do that for our two companies, anyway. I could give them to you now. One of them is projected to lose $500,000 on sugar this calendar year, and the other one to make a profit of $385,000, which is a return on investment which is completely negligible.

Mr. PURCELL. I do not mean to ask you to do it now, but can you give us a figure on U.S. aid to Peru?

Mr. FREEBORN. Yes, I can do that. I will be glad to do so.

Mr. SHAW. We will be very happy to do so.

(The information follows:)

W. R. GRACE & Co.,
New York, N.Y., August 24, 1965.

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

DEAR MR. COOLEY: During the course of my appearance before your committee on H.R. 10496, I was asked to supply for the record certain information concerning ownership and earnings of Peruvian sugar companies. The information follows:

1. *Ownership.*—Of the 53 Peruvian sugar producers, there are 10 large producers (over 70,000 tons per year), 5 medium (between 5,000 and 20,000 tons), and 38 small (less than 5,000 tons) sugar estates employing approximately 50,000 workers. In terms of production, 72 percent of the Peruvian sugar industry is owned by Peruvian companies. The W. R. Grace Estates accounted for 18 percent and those of International Basic Economy Corp. 4.7 percent.

2. *Earnings.*—No precise figures are available on Peruvian sugar industry overall earnings but it is generally known that virtually all producers are in a loss position for the year 1965 to date and are forecast to lose money for the entire year.

One of the major estates is in virtual bankruptcy and is negotiating with the Peruvian Government for special tax relief and with its creditors for a moratorium on its obligations.

Figures are available with respect to the three sugar estates which are controlled by U.S. interests.

Negociacion Azucarera Nepena S.A., in which the International Basic Economy Corp. has a major interest, lost $581,000 in the first 7 months of 1965 and estimates a loss for the entire year of approximately $800,000 on forecast production of 42,500 tons. Total capital employed in the company is $4.2 million.

The two estates owned by W. R. Grace & Co. are projected to lose $151,000 in 1965 on total gross assets of $46.8 million:

A. Soc. Paramonga Ltda. lost $316,000 between January and July. It forecasts a $536,000 loss for the year 1965. Gross assets are $21.3 million.

B. Cartavio S.A. to date has profits of $230,000 and projects earnings of $385,000 for the entire year. The gross assets of the company are $25.5 million.

The two major factors causing these losses are:

(*a*) Increases in the cost of production. In the case of the Grace Estates, total cost of production rose by about 60 percent over the last 3 years. Labor costs, which represent over one-half of the total production costs, rose by 142 percent since 1960. In 1964 total labor costs represented 49 percent of net sales. For 1965, labor costs are estimated at 61.5 percent of projected net sales.

(*b*) The disastrous drop in the world sugar prices which are now at a post-World War II low of $1.75 per 100 pounds.

I hope that the foregoing information will be helpful to the committee.

Sincerely,

JAMES P. FREEBORN.

U.S. economic assistance to Alliance for Progress nations—1 year, July 1, 1964–June 30, 1965, including loans, grants, technical aid, Peace Corps and food for peace

Brazil	$546,500,000	Panama	$31,400,000
Chile	242,600,000	Argentina	29,800,000
Mexico	231,900,000	El Salvador	27,800,000
Dominican Republic	159,600,000	Costa Rica	25,700,000
Colombia	58,800,000	Guatemala	23,000,000
Equador	54,100,000	Paragquay	14,900,000
Venezuela	50,900,000	Honduras	7,800,000
Peru	50,700,000	Haiti	4,600,000
Nicaragua	40,800,000	Uruguay	4,200,000
Bolivia	32,900,000		

Mr. PURCELL. I would like to add there this. As you know, I have traveled over the country pretty extensively helping the American farmers. And we have found few American farmers that are making money, and I have not found anybody out in the agricultural districts that is making money. And I have not seen anybody here today in rags. It seems inconsistent to me that nobody has any money, and yet they seem to be able to travel halfway around the world and to come to town. And these American farmers come to Washington, not by ones or twos, but by droves. I am interested in figuring out how come.

Mr. DE LA GARZA. May I ask one question?

The CHAIRMAN. We have about 40 more witnesses. But go ahead. I do not mean to cut you off.

Mr. DE LA GARZA. Due to the fact that the gentleman comes here representing the Peruvian Confederation of Workers, their secretary general, I would just like, if I might, to ask him a question in Spanish.

The CHAIRMAN. Go ahead.

Mr. DE LA GARZA. (In Spanish.) It is an honor to receive in this committee the secretary general of the Confederation of Workers of Peru and we welcome you here. And when you return to your country, carry warm greetings to your colleagues and tell them in spite of what they may have heard, most of us are on your side.

Mr. CRUZADO. (In Spanish.) The organized workers of Peru recognize their historical duty to preserve the essential liberties which are the best bastions of defense of democracy.

Whatever this committee can do to help resolve the problems of my people, the workers of my country will be most grateful.

(The statement of Mr. Shaw follows:)

STATEMENT OF ARNOLD F. SHAW ON BEHALF OF THE PERUVIAN SUGAR PRODUCERS' ASSOCIATION AND THE FEDERATION OF WORKERS OF PERU

INTRODUCTION

Mr. Chairman and members of the committee, my name is Arnold Shaw. I am a practicing attorney in Washington, D.C. I appear as counsel to the Peruvian Sugar Producers' Association and to the Federation of Workers of Peru.

The Peruvian Sugar Producers' Association is a trade association located in Lima, Peru. This voluntary organization has no connection with the Government of Peru and receives no Government subsidy. Therefore, I represent

businessmen in Peru who pay taxes to their Government and wages to their employees so that the country of Peru and its people have a vital interest in the legislation under consideration.

The Confederacion de Trabajadores Azucareros, the Peruvian Sugar Workers' Federation, is an association grouping the free trade unions to which the workers in virtually all the sugar estates of Peru are affiliated. This Peruvian Federation of Sugar Workers is in turn affiliated with the Confederacion de Trabajadores del Peru, the local equivalent to our own AFL–CIO, one of the free world's most vigorous and progressive labor organizations.

I am pleased to introduce to this committee Señor Julio Cruzado, secretary general of the Peruvian Workers' Federation, the leader of all organized labor in Peru.

In January of this year Señor Cruzado led a group of union leaders from the Federation of Sugar Workers who visited Washington to express their concern at the trend which they foresaw in the U.S. sugar legislation. They invited representatives of the Peruvian Sugar Producers Association to join them in a combined labor-management team to visit the U.S. Departments of State, Agriculture, and Labor, Members of Congress, including the distinguished chairman of the House Committee on Agriculture; the Inter-American Committee for the Alliance for Progress and the AFL–CIO and inform themselves as to the prospects for Peru under the new Sugar Act and inform these officials of their country's problems. In addition to assisting us in preparing this brief, the secretary general of the Peruvian Workers' Federation wishes to express directly the concern of its members and especially that of the Peruvian sugar workers in a letter addressed to the honorable chairman of this committee which I will beg him to include in the record of these hearings.

The Honorable Leonidas Cruzado, secretary general of the Peruvian Sugar Workers' Federation, attended the 1961 hearings. He has since then been elected to the Peruvian Senate representing one of the major sugar producing regions in Peru. It is a tribute to the vigor and effectiveness of the democratic process in Peru that a man like Mr. Cruzado, who worked for years as a sugar-boiling-house operator in Peruvian sugar mills, has risen to be one of the leading members of the senate of his country. Unfortunately, the demands of his senatorial obligations prevents him being present today at these hearings.

By the way, Mr. Chairman, the Messrs. Cruzado are not related to one another.

Before addressing myself to my assignment here in representation of the Peruvian sugar industry and labor, I would like to express on their behalf Peru's admiration for the outstanding speech of the President of the United States on the occasion of the celebration of the fourth anniversary of the Alliance for Progress. I know that people in all walks of life throughout the Americas will respond very warmly to the hopes expressed by the President for greater economic freedom and social justice for the underprivileged of the Western Hemisphere.

We wish to pay particular tribute to the very statesmanlike considerations which caused the President to propose that the Congress of the United States eliminate the special import fee on sugar which would have made the U.S. market virtually unremunerative for the average producer in Latin America. We express the fervent hope that both Houses of Congress will agree that the national interest of the United States makes it imperative that sugar legislation as finally enacted by the Congress does not include such a measure which would be so damaging to the economies of the producer nations.

The workers and producers of the Peruvian sugar industry also are extremely pleased with the statement of policy expressed by President Johnson with respect to the U.S. desire to expand the market for Latin American sugar which is a mainstay of the economies of the countries of Latin America.

It, therefore, came as a great shock for us to note that under the proposed distribution formula in the administration's bill the OAS countries received only 68 percent of all U.S. foreign sugar imports (excluding the Philippines) versus 77 percent under the quota distribution provided for in the Sugar Act of 1962. This is hardly consistent with President Johnson's declaration on Tuesday that the United States "will also try to maintain a regularly expanding market for Latin American sugar."

In the testimony which he presented so eloquently before this committee earlier today, my distinguished colleague, Mr. Oscar Chapman, presented brilliantly the case for a greater share of the U.S. sugar market for Latin American

producers who are members of the OAS. The Peruvian sugar producers and the Peruvian workers associate themselves completely with the views expressed by Mr. Chapman.

The workers and producers whom I represent and, of course, the Peruvian Government were even more shocked at the reduction in Peru's participation in the U.S. market under the administration's bill. We are aware that this does not result from a desire to discriminate in any way against Peru and its sugar industry, but is the result of the mechanical application of the mathematical formula used for the establishment of country quotas for 1965 which the administration proposes to perpetuate for at least 5 years, if not more.

I will address myself to the negative aspects of this formula at a later point in my statement. However, I would like first to describe the importance to the United States of Peru at this moment in history.

The importance of Peru to the United States

We noted with great interest a statement of Under Secretary of State Thomas Mann quoted in the New York Times of August 17, 1965. The Under Secretary proposed in Brazil last week that there should be "a direct relationship between U.S. financial assistance and the efforts made by recipient nations toward achieving economic growth and social progress."

We are in wholehearted agreement with this as one important standard for determining the importance of a nation to the United States from the point of view of U.S. economic assistance.

In fact, since trade is far more effective than aid in this respect and since sugar trade must of necessity be allocated by country quotas, we strongly recommend that this same standard be applied in determining country sugar quotas.

The United States has a vital stake in the success of the economic and social transformation now underway in Peru. Some of you may have had occasion to read the cover story in the March 21 issue of Time which dealt with what was termed as a "new conquest" in Peru.

The Time article sets forth Peru's enormous economic and social progress under the dynamic leadership of President Belaunde whose programs have awakened great hopes in the hearts of the Peruvian people. I would like to request that it be made part of the record of these hearings.

President Belaunde has set Peru's goals very high: 100,000 new homes by 1970; free education for all; the irrigation of 200,000 desert acres in the north; penetration highways to unlock the riches of the Sierra and of the jungle lowlands, just to name a few of his major objectives. Peru is leading its neighboring countries in a project to build a 3,500 mile marginal highway on the eastern slopes of the Andes.

The country is carrying out its own version of the Great Society and the antipoverty program. It has a national peace corps through its popular cooperation movement. This is certainly one of the greatest self-help efforts in the history of the Americas and senior U.S. officials have recently indicated that they regard it as a model operation to be emulated wherever possible throughout the hemisphere.

This is the program that the Communist-led elements are seeking to tackle head on through the terrorist and guerrilla activities in the Sierra which led to the recent murder of seven Peruvian national guardsmen and a 60-day suspension of constitutional rights.

In sharing with the United States the ideals of making a better life for its people, Peru has naturally invited attacks from those behind the Iron, Bamboo, and Sugarcane Curtains who work for the frustration and demise of the Alliance for Progress. This fact, if nothing else, should convince the United States that the success of Peru's economic and social forward drive is vital. The people of Peru need and welcome, of course, only positive assistance to their great endeavor, and in considering the most effective form of this needed assistance it is impossible to choose between aid and trade.

Suffice it to say that aid as it is conceived today simply cannot do the whole job or even the largest part of it. Aid is only a very small part of the total armament that must be brought to bear on the economic and social problems of Peru and other developing countries of Latin America. Trade is a much bigger weapon. The total volume of trade between the Americas—$7 billion in 1964—dwarfs the size of our overall aid programs to Latin America which totaled only $318 million in the same year.

Per capita, the amount of aid is insignificant—$1.43 per person in Latin America in 1964 versus the average of $30.31 per capita per annum we spent in re-

building Great Britain during the years of the Marshall plan, and the $27.33 we spent in Greece for the same purpose, not to mention the $18.47 per capita spent on rebuilding the economy of Germany, our defeated enemy.

Aid alone therefore will never do the job. At best, it can serve importantly as an economic catalyst to the rest of the nations of Latin America. The real job of development has to be done by trade and by the Latin American countries themselves; their governments, and most especially the private sector.

The importance of the U.S. sugar market to Peru

The Peruvian sugar industry grouping 53 large, medium, and small sugar producers is a vigorous member of Peru's private sector. It is a large-scale employer and a substantial taxpayer. It is not subsidized in any way. On the contrary it pays more taxes than other industries in Peru and in addition bears the cost of social facilities such as schools and hospitals which are furnished free out of tax revenue to other industries. As the country's oldest major economic activity, traditionally it has been a source of investment capital for the other sectors of the Peruvian economy. Obviously, curtailing the export income of the Peruvian sugar industry and the Government's assured and predictable tax income from sugar exports to the United States will put the Government's programs under the Alliance for Progress in serious jeopardy.

The nation that ranks next to the Dominican Republic in terms of the importance of the U.S. sugar market to her welfare is quite clearly Peru:

1. Sugar exports for 1961–64 were 11 percent of total Peruvian exports, the second highest in Latin America (with Haiti).

2. Of total exports, 17.5 percent were sold at risk on the world market, again the second highest in Latin America.

3. Only 36.8 percent of Peru's total sugar production was sold in a protected home market, again the second lowest among OAS producers. (See attachment.)

In addition, Peru's economy is still heavily dependent upon agriculture with over half the total working population deriving its livelihood from agricultural activity; about 20 percent of its gross national product is derived from agriculture. It is primarily an exporting country; 23 percent of its gross national product is generated by its exports. Sugar is the second largest of its agricultural exports.

Some 50,000 workers are directly employed in the Peruvian sugar industry and they support in turn some 200,000 family members and indirectly normally as much as 300,000 workers in supporting our allied activities. This is why I am appearing before you today not only on behalf of the sugar producers of Peru but also on behalf of the Federation of Workers of Peru, a vital element in Peruvian organized labor and one of the most progressive unions in Latin America.

While I am not representing the Peruvian Government at these hearings, I should also point out that it has a vital stake in Peru's exports to the U.S. market because the sugar industry paid slightly over $20 million in taxes in 1964, or 3.3 percent of the total budget for the Central Government of Peru for that year.

The Peruvian sugar industry's standards of employment are among the highest in the nation and are by far the most favorable in all of Peruvian agriculture. This is the result of long days and weeks of arduous negotiations each year between the producers and the very vigorous sugar workers' unions—a democratic process which compares most favorably with the standards of the United States in this area. The experts on Latin America of the AFL–CIO who maintain a close contact with the labor situation in Peru and the union leadership can bear witness to this fact, I am sure.

The Peruvian sugar worker is the highest paid agricultural worker in Peru. He earns somewhere between three and six times the national average agricultural wage. His wages and benefits put him on a par with the highest paid industrial workers. In addition, he enjoys many recreational and educational advantages not available to the rest of the country's farm labor. Virtually 100 percent of the work force is employed the year around and there is little or no migratory labor employed in the production of sugar in Peru.

Peru is above all a free enterprise country, its most vigorous advocate in Latin America. The respective roles of the Government and of private enterprise in the country's development have been sharply defined on lines which reflect the same philosophies as those of the United States. In these as in many more respects the Peruvian way of life resembles our own in this country.

That is why the United States cannot fail to contribute in every way to the success of this model experiment on democratic progress which promises to fulfill more successfully the goals of the Alliance for Progress than in any country in Latin America. In effect it should become the showcase for the Alliance for Progress.

That is why the United States must not curtail in any way the trade which is the bulwark of the Peruvian economy.

That is why the national interest of the United States requires the assurance to Peru of a fair and substantial share of its sugar market.

In thus fostering Peru's trade, the United States will be able to minimize the need for aid which will not only be of benefit to the U.S. taxpayer, but, if I may say so, will also lighten to a modest degree the legislative burden on the hard-working members of the U.S. Congress who must deal each year with the complexities of the aid program.

Echoing, therefore, Mr. Mann's concept that the United States will help those who will help themselves, it would seem that Peru would deserve special consideration with respect to economic assistance from the United States. We all agree, I am sure, that this assistance should best be rendered in the form of trade and not of aid.

The special relationship between the people of the Americas; the common goals that are pursued in the United States and the countries to the south; the special concern of the United States for the welfare of Latin America which helped give birth to the Alliance for Progress; and, last but not least, the preoccupation expressed by the President for the future market for Latin American products—none of these factors are adequately reflected in the provisions in the administration's bill governing United States sugar imports from Latin America.

There are those who continue to believe that the United States national interest requires some special treatment for Latin American raw materials and agricultural products in the United States. This led the OAS member countries that produce sugar to vote unanimously on a resolution on April 21, 1965, requesting that the United States consider reserving 90 percent of its foreign sugar imports, exclusive of the Philippines, for the Latin American countries that are members of the OAS. This percentage is in keeping with the past record.

Prior to Cuba falling into the Communist hands, well over 90 percent of the United States imports of foreign sugar used to come from Latin America. There was in effect, therefore, at that time, a massive market in the United States for Latin American sugar. The administration's bill does nothing to reestablish that preference. On the contrary, as I mentioned previously, Latin America's relative participation in the United States sugar market will decline sharply from 77 percent under the proposed bill. In fact, virtually every Latin American country would suffer a sharp cutback in its basic quota compared to 1962.

In contrast, the majority of supplier countries outside Latin America have increased quotas under the administration's bill and there are newcomers that had no quotas under the 1962 Sugar Act and previous legislation. Furthermore, a number of these countries who received a statutory quota under this bill, or whose quotas have been increased, are members of the British Commonwealth or the French community. They enjoy preferential markets in the United Kingdom and France. Those that sell to the United Kingdom receive approximately the equivalent of the average United States market price, while those that sell to France are paid, I understand, somewhere between 7 and 8 cents a pound for their sugar. It is difficult for us to understand the equity of assuring these producers a second preferential market in competition with Latin American producers when the latter are given no preferential treatment in the United Kingdom or in France.

Not only did virtually all Latin American countries suffer a cutback, but Peru was cut back far more than any other to the prejudice of the producers, the union members and the national treasury.

A reduced quota for Peru is not justified

Under the 1962 act Peru was treated on an equal basis with the Dominican Republic and Mexico. All three countries were allocated the same 6.71 percent in the proration of the foreign imports. Under the 1955 act and prior legislation, the Peruvian quota was superior to that given to both Mexico and the Dominican Republic. Peru used to supply between 45 and 50 percent of all foreign sugar imported into the United States from World War II to 1957 (excluding such nations as Cuba and the Philippines which had a privileged position both as

to tonnage and as to duty). Peru, therefore, has a historic position as a major supplier to the United States.

Under the proposed bill and after reallocating the Cuban quota, the Peruvian quota would work out at 240,824 tons versus 390,135 tons for Mexico and 385,854 tons for the Dominican Republic, at a level of U.S. sugar consumption of 9.7 million tons per annum. Bearing in mind the economic distress in which the latter country finds itself today and the fact that sugar traditionally represents over 50 percent of the Dominican Republic's total exports, the Peruvian sugar industry recognizes that the Dominican Republic has a claim to a slightly larger quota among the OAS sugar-supplying countries. We also recognize the special geographic position of Mexico and the economic and social significance of its sugar production.

Under the proposed bill Peru's quota would be 38.3 percent less than that of the Dominican Republic. Yet, its 5-year record of exports to the United States shows that Peru exported only 24.8 percent less to the United States than the Dominican Republic.

The bill gives Peru a quota of 37.6 percent lower than Mexico's, whereas the latter exported only 9 percent more to the United States than Peru. Sugar represents 11 percent of Peru's total exports versus 6.4 percent in the case of Mexico. Peru's sugar industry is far more dependent on export than Mexico's. Mexico consumed three-fourths of its sugar internally, whereas Peru only consumes a little over a third. Fluctuations in the export market, therefore, have a tremendous leverage on the economy of the Peruvian sugar industry, whereas a relatively modest price increase on the domestic market of Mexico can offset any loss suffered by Mexico's industry in the export market.

A combination of these factors leave the Peruvian industry with the feeling that they were unfairly treated in being relegated to the position as a supplier of sugar to the United States so markedly inferior to that of the Dominican Republic and Mexico.

That Peru's labor unions recognize the importance of sugar to the welfare of their members, the stability of their country's economy and its ability to resist communism, is evidenced by these comments from the memorandum which the Peruvian Federation of Workers addressed to various U.S. Government agencies and other parties whom Mr. Cruzado visited in January of this year:

"Peru's successful drive to drastically reduce Communist influence in her labor unions and to lead the hemisphere's opposition to Castro also warrants recognition.

"Past experience has demonstrated that the great bulk of additional income generated by increased sugar sales to the United States is plowed back into Peru for constructive purposes through company expenditures for schools, housing, health, and expanded plant and equipment and through increased Peruvian Government revenues produced by export and corporate income taxes."

The main beneficiary of the increased U.S. sugar quota received by Peru has been organized labor. For instance, from 1960 to date the total cost of labor and wage benefits in some of the major sugar estates has gone up by 139.3 percent or at the average annual rate of increase of 19 percent. If the 1965 act rolls back Peru's quotas to the levels existing prior to the fall of Cuba, we will not be able to maintain the same high wages and benefits now in existence in the Peruvian sugar industry.

We all know that the U.S. sugar legislation in the past has had the interest of the consuming public as its primary preoccupation. It has not been necessarily an instrument of foreign policy. The same may not be said, of course, of the administration's bill with its broader discretionary powers to concel quotas or suspend imports.

However, we cannot but note the very limited considerations used in calculating the 1965 quotas in the absence of the usual careful study and review by the appropriate committees of the Congress. The special conditions that prevailed last year presented the usual thorough scrutiny by the very experienced members of this committee. We regret, therefore, that the 1965 formula is used as the basis for the proration of foreign sugar imports in the new bill which will run until 1971. This will be to the detriment of Latin America as a whole and especially of the Peruvian sugar industry.

We are well aware of the reasons why Peru fared so badly under this formula.

Foremost is that the complex and unpredictable mechanism of the Sugar Act of 1962 was detrimental to Peru's performance as a supplier of sugar.

Peru has completely free marketing with each producer selling his own sugar—the Government does not intervene. There is no single seller or bureaucratic marketing organization. Its seasonal crop pattern did not match the scheduling of imports under the global quota system.

Peru traditionally has no carryover stocks. In addition, the 1 million tons of global quota authorized by the U.S. Department of Agriculture for 1964 was authorized early in the year. And, under Sugar Regulation No. 317, chapter VII, title 7 of the U.S. Department of Agriculture Agricultural Stabilization and Conservation Service, the set-asides for the global quota had to be filed "not more than 95 days before the departure date and not more than 140 days prior to the importation date in the continental United States." Therefore, because Peru's sugar production cycle is such that only about a third of its annual production is available in the first half of the year, it was impossible for Peru to make as good a showing as many other nations. The global quota was closed before much of Peru's sugar was available.

These were some of the key factors which contributed in great measure to Peru's relatively lower exports in 1964. Long-range planning by each producer under a more predictable quota system than the unlamented global quota system would have helped performance immeasurably.

If the 1965 formula aims to reward those who shipped heavily in 1964 for the loss of the differential between the U.S. market and world price when the latter was higher, then the purpose was well and truly achieved in 1965.

It is quite certain that those foreign producers who found themselves in a position to increase their U.S. shipments during the first half of 1964 would for the next 6 years or more receive an increased U.S. quota, irrespective of other factors affecting the U.S. national interest. I say 6 years or more because once such quotas are in effect for 6 years they tend to become permanent.

Such an arrangement could never be considered a quid pro quo. In fact it would be one of the most one-sided commercial agreements in recorded history. And yet this single-factor formula is the sole factor for the determination of the administration's quota recommendations for the new sugar legislation which will run for the 6 years starting with January 1, 1965.

This is true in spite of the fact that those countries receiving increased quotas for 1965 will more than make up this year alone whatever they lost by selling to the United States rather than to the world market in 1964. The world price of sugar thus far this year has averaged less than 2½ cents and the U.S. price for foreign sugar has averaged over 5½ cents after deducting the duty, freight, and insurance.

Foreign producers with increased 1965 quotas can therefore be expected to make roughly 3 cents more per pound on their increased 1965 sales to the United States than they would have made if required to sell on the world market. This gain will more than offset whatever financial loss resulted from increased sales to the United States in 1964, as is shown in attachment 3.

Thus the measurable quid pro quo will have been more than met by the close of 1965. It may be that the countries which increased their sugar sales to the United States in 1964 expected to receive an increased quota for more than 1 year as their reward. But they also expected the world market to remain at a reasonable price level, and this has not been the case. Thus it could be fairly stated that the obligation of the United States will be freely met by the close of 1965. The United States will then be free once again to pursue its own broader national interest in allocating country quotas.

There is only one other reason why certain officials seem to feel that it would be useful to base future country allocation on the 1963–64 performance record. They believe that it is the best basis for determining which nations in the future will be prepared to meet U.S. requirements should the world price again exceed the U.S. price. As one of them put it, "Since the U.S. Government has no power to require foreign countries to sell to the United States in time of shortage, the United States cannot merely say thank you and goodby to those nations who came to its rescue at such a time."

This implies that there is no better way to assure an adequate U.S. supply than by the continuance of the "1963–64 formula" as the sole basis for allocating quotas over the next 5 years.

However, many officials and most experts believe that it would be far more effective to have a new Sugar Act with increased basic quotas but provide the same economic sanctions such as in the administration bill to assure fulfillment of these quotas. The sanctions would assure an adequate supply.

They would be the stick to go with the carrot represented by the average historical differential between the U.S. and world market price. It is certainly not in the best interest of the United States to be so unforgiving as to perpetuate ad infinitum the discriminatory and often punitive 1963–64 formula.

A formula more responsive to the broader national interest of the United States and the economic welfare of Latin America is imperative.

This formula should be based on the following two factors of overriding importance.

First, the allocation of the foreign quota should be done in an orderly manner providing certainty for 5 years or more in order to assure an adequate supply of sugar to American users over the years and at a reasonable price. This has always been the basic purpose of the act.

Second, the allocation of the foreign quota should take into account the importance of a nation or region to the United States and the importance of the U.S. sugar market to that nation or region. Over the years, until recent deviations from past administrative norms, this second factor was one important test of how the foreign quota was in fact allocated. It is hoped that this year the Congress will once again restore this standard to its rightful and proud place as a defender of U.S. national interest.

A mathematical formula which combined these two factors and then maximizes the national interest of the United States will not be easy to find. But as Chairman Cooley has said time and again, the one place you will not find it is in the proposal which takes into account only shipments of sugar in the United States in 1963 and 1964, with double weight given to 1964.

One can and one must hope for the return of Cuba to the Western Hemisphere community of free nations. The quota provisions of the administration bill must therefore be judged in this context. The Latin American sugar-producing countries' sugar economies must not be made dependent for a fair share of the U.S. market upon the continued dominations of Cuba by the Communists; it would certainly not be in harmony with the hemisphere's common effort to resist the attempt of the Communist countries to enlarge their foothold in Latin America.

Considering the continued downward trend in the Sugar Acts of 1955 and 1962 and under the 1965 bill of Peru's basic quota, that is of the quota Peru can count on without benefiting from Cuba's present distress, there are reasons for Peru to be downhearted.

The table which follows shows the basic quota of Mexico, the Dominican Republic, and Peru, under the 1955–62 accounts as well as under the administration bill:

[In tons]

Country	1955	1962	1965	Including (December 1965 versus 1955)	1965 versus 1962
Mexico	13,500	190,000	162,946	149,446	(27,054)
Dominican Republic	32,750	190,000	164,750	132,000	(25,250)
Peru	56,000	190,000	101,700	45,700	(88,300)

As will be seen, Peru, which has had a higher quota in 1955 now will have the lowest of the three countries. Her basic quota of 101,700 tons would compare with the 451,470-ton average shipments in 1960–64.

Over the period 1955–65, its quota would have increased by only 81.6 percent against 110 percent for Mexico and 400 percent for the Dominican Republic.

Comparing the 1965 bill to the 1962 act, it is proposed to cut Peru back by 88,300 tons or 46.5 percent whereas Mexico is reduced only 14.3 percent and the Dominican Republic 13.3 percent.

CONCLUSION

We have already seen that the U.S. sugar market is more important to Alliance nations than to virtually all nonmembers, most of whom enjoy access to other preferential markets.

And within the Alliance, while everyone is equal, we like to think that some are more equal than others. For example; the U.S. sugar market is more important to Peru than to any other Alliance nation except the Dominican Republic.

Added to this is Peru's importance to the United States and her proven capacity over the last several decades to supply U.S. requirements.

Under these circumstances the interests of the United States clearly would not be served by the adoption of the Peruvian quota proposed in the executive branch draft. All relevant facts point to the conclusion that Peru should be preceded only by the Dominican Republic.

If this is done and if the Alliance's share of the U.S. quota is increased justice will be done and the national interests of the United States and all other nations will be served.

Thank you.

U.S. sugar imports from Peru [1]

[Attachment No. 1]

Year	Peru charges against quota	Total foreign charges against quota	Peru as percent of foreign quota
	Short tons	*Short tons*	
1934	8,017	29,750	26.95
1935	5,539	10,977	50.46
1936	5,557	29,024	19.15
1937	53,573	89,155	60.09
1938	56,256	75,114	74.89
1939	38,599	62,021	62.24
1940	13,250	17,336	76.43
1941	108,808	189,934	57.29
1942	6,097	39,235	15.54
1943	2,021	113,923	1.8
1944	[2]	106,010	[2]
1945	36,106	87,416	41.30
1946	46,353	46,353	100.00
1947	41,397	44,732	92.54
1948	25,385	61,892	41.01
1949	21,589	51,565	41.87
1950	30,733	61,396	50.06
1951	[3]	12,666	[3]
1952	22,810	50,767	44.93
1953	53,891	111,011	48.55
1954	55,364	113,264	48.88
1955	55,663	118,524	46.96
1956	59,077	126,667	46.64
1957	80,093	217,272	36.86
1958	86,867	278,698	31.17
1959	95,527	278,665	34.28
1960	138,827	432,553	32.09

[1] The data do not include Cuba, Philippines, domestic beet, mainland cane, Hawaii, Puerto Rico, Virgin Islands. When sugar quotas were in effect, data are final charges against sugar quotas. Quotas were not in effect Sept. 11, 1939, to Dec. 26, 1939, and Apr. 22, 1942, to Dec. 31, 1947—data for these periods are total quantities entered from offshore areas.

[2] In wartime 1944 there was no U.S. quota system in effect and no shipping space was allocated to Peru for shipment of sugar to the United States.

[3] In 1951 Peru shipped its quota equivalent to 21,131 short tons to the United States, but United States refiners made the unilateral decision to reexport this and other imported sugar so that no charge was made against the Peruvian quota.

Source: Sugar Statistics and Related Data (U.S. Department of Agriculture), vol. 1 (1961), p. 159.

Average 1961–64

[Attachment No. 2]

Country	Metric tons, raw value			Percent of production consumed domestically	Percent of production exported, preferential market	Total percent of production consumed domestically and exported to preferential markets
	Production, 1961–64	Domestic consumption, 1961–64	Exports to preferential markets, 1961–64			
United Kingdom	(1)					
Canada [1]	569,978	3,420,931		600.2		600.2
Netherlands [1]	2,144,657	2,801,394		130.6		130.6
Ireland [1]	555,653	667,563	20,950	120.1	3.8	123.9
Venezuela	1,095,599	1,035,748		94.5		94.5
Argentina	3,453,097	3,159,491		91.5		91.5
India	11,466,132	10,395,346	40,664	90.6	.34	90.9
Brazil	12,054,644	10,868,830		90.2		90.2
Colombia	1,559,715	1,401,420		89.9		89.9
Reunion	906,332	29,588	766,813	3.3	84.6	87.9
Paraguay	156,465	139,548		87.7		87.7
Belgium	1,652,070	1,407,345		85.2		85.2
Mauritius	2,291,250	109,255	1,701,044	4.8	74.1	78.9
Guatemala	482,198	333,294		77.8		77.8
British Honduras	116,699	9,693	81,951	8.3	70.2	78.5
France	8,119,273	6,314,897		77.8		77.8
Mexico	6,707,612	5,143,671		76.6		76.6
South Africa	4,774,610	2,814,312	715,246	59.3	15.7	75.0
Turkey	2,200,418	1,648,305		74.9		74.9
French West Indies	1,033,782	52,037	719,992	5.0	69.6	74.6
Panama	90,602	74,452		70.9		70.9
El Salvador	247,363	175,361		70.9		70.9
Ecuador	568,815	387,264		68.1		68.1
Malagasy	395,913	155,778	120,289	36.7	30.6	67.3
British West Indies and British Guiana	2,211,327	178,842	1,215,874	8.1	55.0	63.1
Australia	6,808,013	2,321,886	1,626,899	34.1	23.9	58.0
Costa Rica	314,199	177,131		56.4		56.4
Fiji	1,035,311	64,764	505,186	6.3	48.8	55.1
Nicaragua	346,388	188,129		54.2		54.2
Haiti	272,000	143,575		52.8		52.8
Peru	3,131,543	1,151,501		36.8		36.8
China (Taiwan)	3,268,942	497,658		15.2		15.2
Dominican Republic	3,405,875	418,530		12.3		12.3
Southern Rhodesia	(2)					

[1] Net import country.
[2] Not available.

[Attachment No. 3]

ESTIMATE OF LOSSES IN 1964 AND GAINS IN 1965 FOR COUNTRIES MAKING ABOVE-AVERAGE SHIPMENTS OF SUGAR TO THE UNITED STATES IN 1964

The attached table estimates that, under the formulation explained in the accompanying footnotes, those nations which most lost money by making above-average shipments to the United States in 1964 will have more than made up for these losses by the end of 1965. This is because these same nations are being permitted to make above-average sales to the United States in 1965, at a time when the U.S. price is well in excess of the world price. Thus as the table shows the additional sums earned in 1965 more than offset estimated losses in 1964.

NOTES TO ATTACHED TABLE

This table only includes those countries which made above-average shipments of sugar to the United States in 1964 and thus may claim to have suffered financially by supplying sugar to the United States. Losses for 1964 were calculated for those countries by comparing their 1964 shipments with their 1964 basic quotas. The excess amount shipped in 1964 over 1964 basic quota has been considered the amount of sacrifice; that is, the greater than required amount sold to the United States to meet its needs at a time when the U.S. price was lower than the world price.

The differential between the U.S. price and the world price in 1964 was determined by taking the average price for the first 6 months of 1964. This time period was selected for the reason that it was during this period primarily that sales to the United States were committed. It is, of course, not possible to determine exactly the loss since exact sales prices cannot be determined regardless whether sales were made at average prices or at a fixed price. The problem with gaging the loss is further complicated by the fact that if those countries had sold on the world market instead of on the U.S. market in an effort to obtain the higher world market price, no doubt such efforts would have resulted in a lower world price. It does appear, however, a fair gage to select 1964 first 6 month averages as a basis of establishing the amount of money lost by those nations selling more than normal amounts to the United States.

As in the case of calculating sacrifice, gains in 1965 are established by taking the difference between the 1964 basic quotas and the 1965 quotas, which were established by the Department of Agriculture, by use of a formula designed to reward nations shipping to the United States in 1964. The dollar amount of the gain in 1965 has been calculated by taking the average price differential for the first 6 months of 1965. This has been selected, again, as an estimate, consistent with the price formula used in calculating losses for 1964.

Estimated losses, 1964, and estimated gains in 1965 on sales of sugar to the United States resulting from the difference between U.S. and world prices

Country	1964 quota	1964 shipments to United States	Shipments above quota	Loss in 1964 on above quota [1] shipments (in thousands of dollars)	1965 quota	1965 quota exceeds 1964 quota (short tons)	1965 gain on quota [2] (in thousands of dollars)	Net gain, 1965 over 1964 loss (in thousands of dollars)
Australia	40,366	215,098	174,732	4,682.8	193,069	152,703	10,506.0	5,823.2
British Honduras	974	5,988	5,014	134.4	4,342	3,368	231.7	97.3
Costa Rica	19,720	40,526	20,806	557.6	36,041	16,321	1,122.9	565.4
El Salvador	10,326	20,571	10,245	274.6	17,904	7,578	521.4	246.8
Fiji Islands	9,981	54,517	44,536	1,193.6	47,059	37,078	2,551.0	1,357.4
Malagasy Republic	0	11,559	11,559	309.8	7,586	7,586	521.9	212.1
Mexico	255,521	480,120	224,599	6,019.3	403,225	147,704	10,162.0	4,142.7
Nicaragua	25,079	50,340	25,261	677.0	41,947	16,868	1,160.5	483.5
Panama	8,832	19,216	10,384	278.3	14,986	6,154	423.4	145.1
South Africa	20,326	119,960	99,634	2,670.2	109,408	89,082	6,128.8	3,458.6
Southern Rhodesia	0	10,260	10,260	275.0	9,197	9,197	632.8	357.8

[1] At U.S.-world price difference of $26.80 per short ton.
[2] At U.S.-world price difference of $68.80 per short ton.

The CHAIRMAN. We will now hear from Mr. Nemir.

STATEMENT OF ALBERT S. NEMIR OF A. S. NEMIR ASSOCIATES; ACCOMPANIED BY HERBERT C. HATHORN, ON BEHALF OF THE SUGAR AND ALCOHOL INSTITUTE OF BRAZIL

Mr. NEMIR. Mr. Chairman, I am Albert S. Nemir of A. S. Nemir Associates, and I am accompanied today by Herbert C. Hathorn. Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government.

We appreciate the opportunity to present our request for a fair participation by Brazil in the foreign quota allocations of sugar to be made under H.R. 10496. I wish we could have made this a three-page statement, Mr. Chairman, but this bill as written is unfair to Brazil, the largest exporter in the Western Hemisphere with the greatest available sugar supplies for export and the greatest reserve stocks for emergency supplies and the greatest potential for expansion.

Improved political and economic conditions: I am sure the committee members are aware of the great change which occurred in the Brazilian Government as a result of the overthrow of the Goulart regime in April 1964 through a revolution widely supported by the people of Brazil. In the words of the American Ambassador to Brazil, Mr. Lincoln Gordon, this revolution—

> may well take its place alongside the initiation of the Marshall plan, the ending of the Berlin blockade, the defeat of communistic aggression in Korea, and the solution of the missile base crisis in Cuba, as one of the critical turning points in mid-20th-century world history.

We presented in 1962, when testifying at the sugar hearings, compelling reasons why it would be mutually beneficial to the United States and to Brazil, and wholly in accord with the purposes of the Sugar Act, for Brazil to receive a substantial sugar quota within the U.S. system. Those same reasons apply equally well today, but we respectfully submit that the record of the Government of Brazil under President Marshal Humberto Castello Branco, should remove the objections we encountered during our last appearance. The new Government has made rapid and dramatic strides in the short period since April 1964, both in the internal life of the Brazilians and in world affairs. Internally, steps have been taken to:

1. Institute an austerity program to combat inflation, including withholding tax legislation.
2. Enter into an investment guarantee agreement with the United States to make certain American investors are fully protected in the future should they participate in the development of Brazilian economic resources and productive capacities.
3. Amend Brazilian law to speed up legal remittances abroad of profits, dividends, royalties, and payment for technical services.
4. Expedite settlement of expropriation cases the previous government had not yet resolved.
5. Institute internal reforms in government and eliminate corruption.

In the international field:

1. On May 13, 1964, a little more than a month after the revolution, Brazil severed diplomatic relations with Cuba.
2. Brazil responded at once to the request of the OAS to send troops to form part of the peace force in the Dominican Republic. This action was approved on May 19 by the Brazilian Chamber of Deputies by a vote of 190 to 99 with a resolution authorizing dispatch of troops, and on May 20, the Senate followed suit by a vote of 39 to 9. Immediately thereafter more than a thousand troops were sent to the Dominican Republic at a cost to Brazil of $1 million a month, and it is worth noting that Brazil is the only Latin American country sending more than a token force. At the request of the OAS, Brazil made available Gen. Hugo Panasco Alvin to serve as commander of the OAS forces in the Dominican Republic. Subsequently, Brazil joined the United States and El Salvador in furnishing representatives to serve on the OAS ad hoc Peace Committee.

In short, we submit that Brazil is actively demonstrating, both at home and to the world, her capacity for leadership as a member of the community of nations working together to meet the challenge of today's world.

BRAZIL'S 1965 QUOTA INEQUITABLE

Mr. Chairman, the spot world price of sugar for the past few months has been around 2 cents a pound, and this is less than one-half the cost of producing sugar in any country of the world. Currently, Brazil is forced to sell on the world market over three-fourths of her export supplies at these dumping prices. Much of this is the result of the Department of Agriculture's formula for allocations for 1965 which gives double weight to 1964, the year in which U.S. imports were the lowest in over 20 years. We request that consideration be given to adjust this inequity to Brazil. The formula does not follow the foreign quota guidelines established by the Congress in 1962, nor is it in line with the criteria and objectives which have been a part of the Sugar Act for the last 31 years. These objectives are:

(1) To regulate commerce among the several States with the territories and possessions of the United States and with foreign countries.

(2) To protect the welfare of consumers of sugar and of those engaged in the domestic sugar producing industry—an adequate and stable supply.

(3) To promote the export trade of the United States.

We petition the committee to increase Brazil's quota by applying the criteria established by the Congress. There are overwhelming political reasons to reward Brazil now, whereas the justification is greatly diminished for continuing Cuba's quota at 57.77 percent of permitted foreign imports from countries other than the Philippines. Brazil needs assurance of a substantial permanent quota now. This could be accomplished without necessarily changing the existing quota of any other foreign country now supplying the United States. A small transfer from Cuba to Brazil could be restored from future growth should the Congress wish.

REASON FOR DISREGARDING 1964 IN ESTABLISHING BRAZIL'S QUOTA

It is well known to this committee as well as to housewives, refiners, industrial users, and the entire sugar trade, that 1963 was a more critical year than 1964 in the U.S. supply price problem. It is also well known to this committee that the domestic beet crop was to be the highest in history. Therefore it was an unusual situation when the United States asked for the commitment of 1 million tons of the global quota as early as December 1963 and January 1964. Furthermore this was only two-thirds of the total global quota of 1,503,861 tons to be allocated for 1964.

It is true that Brazil only committed her basic quota and did not offer to supply against this initial nonquota request. Brazil's crop position was then unclear after 2 years of bad weather, and while she produces sugar continuously throughout the year, the heaviest period of production is in the last half of the year when both the north and the south areas produce sugars simultaneously—chart 3. I would like to say that these points are elaborated on the charts. I do not have time to do that now, but they are there.

When the crop was known by mid-1964, the United States was oversupplied and unable to allocate the remaining 503,861 tons. This deprived the Brazilian Government, new as of April 1964, of the oppor-

tunity to supply additional quantities of sugar. World prices dropped below U.S. prices by June 1964. The result was substantial benefits for those who quickly committed sugars in 1963 and January 1964, and actual penalty for those who deferred offers.

It is wrong to Brazil to use a formula that ignores the objectives of the act that have endured for 31 years and gives continuous benefits based on one extraordinary situation. It is wrong to ignore the new Government, particularly since the most substantial contribution to the U.S. supply crisis was given by Brazil in 1963. We believe the year 1963 was a far more important contribution when the world shortage was obvious and the U.S. supply situation was critical. In that year, Brazil supplied 468,822 short tons, raw value, the second largest contribution of any supply country in the Western Hemisphere.

Mr. Chairman, if selling to the United States at a price below the world price is the basis for rewarding contributing countries, then 1963 would have been a more representative year to have been given double weight. We call your attention to table 13 of your committee's print of August 16, 1965, called "Selective Data on Sugar Under the Sugar Act as Amended by the Sugar Act Amendment of 1962," where it can be seen that world prices exceeded U.S. prices in 11 months out of the year, whereas, in 1964, the situation existed for only 5 months out of the year.

JUSTIFICATION FOR INCREASING BRAZIL'S QUOTA NOW

(1) Brazil a large and dependable supplier of sugar. We show that in chart No. 2. Brazil is the largest producer of cane sugar supplying the U.S. market and has the greatest potential for expansion. The 1964–65 crop which ended on May 31, 1965, totaled 4,100,000 tons. This clearly established that Brazil's rhythm of production and her export potential are fully recovered from the drought crops of 1962 and 1963.

The 1965–66 crop, which began on June 1, is scheduled for authorized production of over 4,500,000 short tons, raw value, and the Brazilian Sugar & Alcohol Institute has authorized an export quota of 980,578 short tons. Records of the institute show that the Brazilian sugar industry has a crushing capacity of 332,513 tons of cane per 24 effective hours which would permit production of about 5,500,000 short tons, raw value, on the basis of installed capacity at this time.

(2) Importance of sugar exports to Brazilian economy, as shown in chart 1. Sugar in the Brazilian economy is particularly important in the northeast where production is in excess of consumption. The export trade of Brazil is concentrated in this region as, for example, in 1965–66 Pernambuco has an authorized allocation for export of 440,003 short tons, raw value, and Alagoas is authorized to export 226,287 short tons, raw value. This is the area where United States AID and the Brazilian Northeast Development—SUDENE—Agency are jointly concentrating their efforts on much-needed improvement.

AID has been studying agricultural development and adjustment in the area to establish agrarian reform with a view to acting jointly with the Brazilian Government to rehabilitate the area, stressing improvement in social conditions, raising per capita income and nutri-

tional standards, including increasing the efficiency of the utilization of land and other resources of the area.

The northeast has lost its former outlet for sugar for domestic consumption in the center and south. There is, therefore, an ideal opportunity to improve the situation in the northeast by using sugar export dollars to finance acquisition of needed materials. Studies have established, for example, the difficulty of the food supply of the northeast and the fact that the needed expansion of local production of foodstuffs, which will require fertilizers, processing equipment, marketing facilities, and certain other types of food, will not diminish the need for imported wheat.

In the northeast the sugar industry is associated with the economic well-being of the 25 to 30 million people. Sugar exports make a major contribution in achieving mutual goals of both the Governments of the United States and Brazil.

(3) Agricultural trade potential, shown in charts 4 and 5. Brazil, as the largest importer of U.S. agricultural commodities in Latin America contributes substantially to the objective of the act "to promote the export trade of the United States." In 1964, Brazil's imports of agricultural commodities totaled $147.1 million. (See chart No. 4.) This was primarily much-needed wheat as Brazil's production potential is currently less than 10 percent of requirements which have averaged between two to two and a half million tons for the past 10 years.

Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined. With a population of over 80 million persons, or very nearly one-half the population of Latin America, and with unfavorable experience with national production of wheat, it is obvious that Brazil will be an important market for substantial imports for the next decade, or at least within the framework of the current term of the proposed Sugar Act.

Studies show that Brazil will need upward of 1 million tons of wheat annually, in addition to the usual purchases under existing agreements with Argentina and Uruguay. Brazil will provide in the future one of the largest cash markets for U.S. wheat of any country in the world as the current program for economic growth is achieved.

In presenting Brazil's case to the Congress in 1962 a definite proposal was made concerning sugar-wheat trade. The proposal was well received by the House Committee on Agriculture. However, as we previously stated, political considerations worked against its acceptance. The potentialities for sugar-wheat trade continue to exist as Brazil still will have the problem of importing large quantities of wheat and still has the balance of trade and foreign exchange problems. For example, on August 13 the Brazilian Government, through her Embassy in Washington, presented officially a proposal for the importation of 300,000 tons of wheat for the next 2 or 3 months which involved sugar receipts for a portion of her needs.

We have a cable making an offer for immediate purchase of 200,000 tons of wheat for 100,000 tons of sugar.

The CHAIRMAN. May I interrupt you right there? You mean that you have agreed to buy 200,000 tons of wheat?

Mr. NEMIR. Yes.

The CHAIRMAN. For how much sugar?

Mr. NEMIR. 100,000 tons of sugar.

The CHAIRMAN. That is in the agreement?

Mr. NEMIR. It is in the works now—it will be presented on Monday.

(4) Brazil has an excellent record as a supplier to the U.S. market: Until the Sugar Act was amended in 1962 Brazil was not within the quota structure of the United States and was forced to sell on the world market (average) exports of around 850,000 short tons, raw value. She was the only large producer of sugar exporting substantial quantities without the benefit of a sheltered market. In 1962 Brazil was given her first opportunity to participate in the U.S. quota system. Brazil did contribute to the extent permitted in 1961 when approximately 330,000 tons were shipped to the United States out of the total exports in that year of 837,000 short tons, raw value. It is obvious that had she been permitted, she would have shipped the entire amount to the United States inasmuch as world prices were substantially below the U.S. price.

In 1962 Brazil's exports were 538,000 tons, of which 406,000 tons were supplied to the United States. Brazil has honored all of her sugar commitments to the United States.

During the year 1963 when world prices exceeded U.S. prices for 11 months and sugar was scarce, Brazil exported 469,000 short tons to the United States. This year of 1963, the first full year of operation under the new Sugar Act of 1962, more nearly reflected the basic quotas established by the Congress than did other years to date. It was influenced the least by administrative action since the latitude therefor was reduced by the fact that the 1962 amendments were in full effect and the United States needed sugar.

The abnormal and unrepresentative year of 1964 has already been referred to herein. It is worth while again to highlight its major features. Only 2,371,000 tons of sugar were required from foreign sources other than the Philippines. This was the lowest annual amount imported during the past 22 years and was nearly 1 million tons less than imports in 1963.

Furthermore, the United States withheld over 500,000 tons of the global quota announced in December 1963. Actually, the allocation to foreign countries was substantially completed early in 1964.

At the same time, Brazil's supply potential for 1964 was unclear after 2 years of adverse weather. The Goulart government was on its last legs, so to speak, and honored only their basic quota and deferred offering additional sugars until later when supplies available for export would be more clearly defined. After April 1964 the new revolutionary government had no opportunity from that time on to offer sugars since the U.S. market was closed because of the oversupply of sugars on hand.

When the 1965 quotas were announced by the Department of Agriculture giving double weight to 1964, we protested that the quotas announced constituted a major diversion from the basic formula established by the Congress in the Sugar Act under section 202(c)(3),

(A). It was not fair to the new Government of Brazil to place on it the burden of the peculiar situation that arose out of the action taken by the Department in allocating the 1964 quotas so early in the year and it is double penalizing to use the unrepresentative year 1964 as a continuing measure for the future. Brazil, while it has production throughout the year and has stocks on hand greatly in excess of any other major exporter of sugar to the free world, does have a concentration of production in the second half of the year. Most of the major Western Hemisphere sugar producers are geared to the first half of the year, or December–May. Brazil's concentration of production in the second half of the year offers added insurance that is of value in year-to-year operation of the Sugar Act. Had the call of sugars come in the second half the advantage would have been to Brazil.

May we also call the committee's attention to page 4 of the proposed bill H.R. 10496 allocating quotas to foreign countries. The bill, while professing to give great consideration to developing Latin American countries, in fact, actually reduces their participation by 14 percent and increases countries outside the Western Hemisphere by 89 percent. (See table III attached.) Brazil, despite her great size, is a developing country and this bill actually reduces her basic quota from about 180,000 tons provided for in the 1962 act to about 90,000.

In 1962 we were confronted at the hearings with the expropriation matter and Brazil's quota was held fractionally under that of other major Western Hemisphere supplies. The situation today is completely reversed and we hope the committee will take this into consideration in arriving at an equitable quota for Brazil.

In summary, Mr. Chairman, and members of this committee, we respectfully ask that Brazil's position be reexamined in the light of her qualifications to meet the criteria and objectives of the Sugar Act against the new background of Brazil today.

Brazil will honor any basic quota and allocation which may be granted to her.

We thank you for this opportunity to be heard.

(The document entitled, "List of Charts and Tables" with accompanying charts and tables, follows:)

LIST OF CHARTS AND TABLES

Chart 1: Authorized sugar production by major areas and by States for the 1965–66 crop. Also shows authorized production for export by States.

Chart 2: Monthly figures for the period 1960 through June 1965 showing end of month stocks, production, exports, and consumption.

Chart 3: Brazilian sugar production by areas and months for the calendar year 1964. While sugar production occurred in each month of the year, heaviest period of production is in the period July–December.

Chart 4: Brazil was the largest importer in Latin America of U.S. agricultural commodities in 1964.

Chart 5: Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.

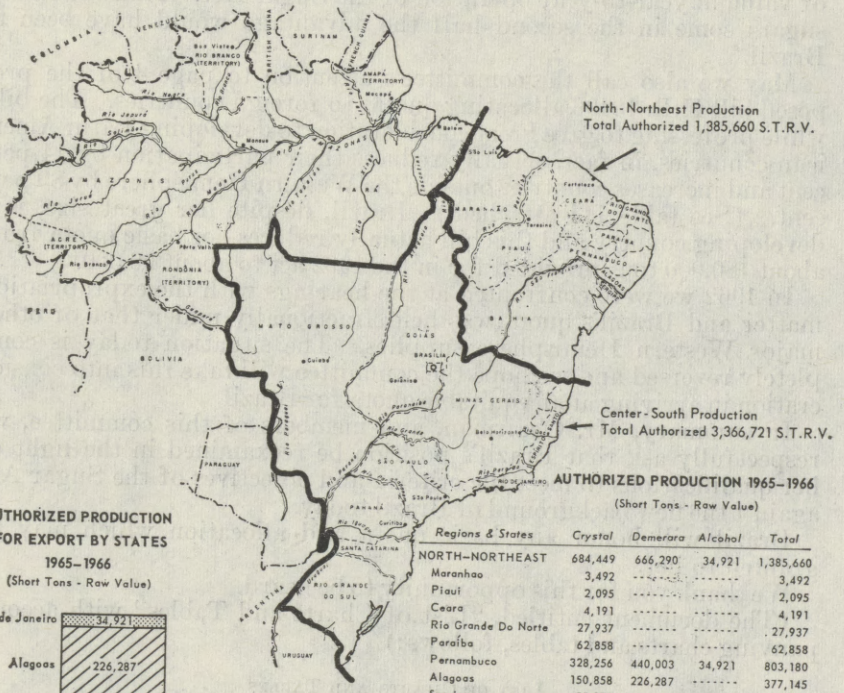
Table I: Monthly production by States of sugar authorized for export in 1965–66.

Table II: Brazil's sugar exports by area destination, 1957–64.

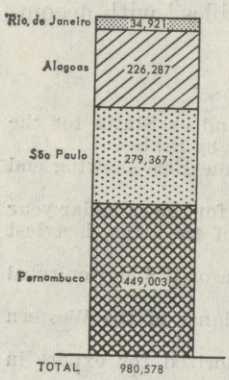
Table III: Comparison of the provisions of the proposed bill with provisions in the 1962 act.

Chart 1

AUTHORIZED SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1965-1966
4,752,381 Short Tons, Raw Value



AUTHORIZED PRODUCTION FOR EXPORT BY STATES 1965–1966
(Short Tons - Raw Value)



AUTHORIZED PRODUCTION 1965–1966
(Short Tons - Raw Value)

Regions & States	Crystal	Demerara	Alcohol	Total
NORTH–NORTHEAST	684,449	666,290	34,921	1,385,660
Maranhao	3,492	-------	-------	3,492
Piaui	2,095	-------	-------	2,095
Ceara	4,191	-------	-------	4,191
Rio Grande Do Norte	27,937	-------	-------	27,937
Paraíba	62,858	-------	-------	62,858
Pernambuco	328,256	440,003	34,921	803,180
Alagoas	150,858	226,287	-------	377,145
Sergipe	55,873	-------	-------	55,873
Bahía	48,889	-------	-------	48,889
CENTER SOUTH	2,895,289	314,288	157,144	3,366,721
Minas Gerais	146,668	-------	-------	146,668
Espírito Santo	17,460	-------	-------	17,460
Rio de Janeiro	506,353	34,921	17,460	558,734
São Paulo	2,025,410	279,367	139,684	2,444,461
Paraná	167,620	-------	-------	167,620
Santa Catarina	20,953	-------	-------	20,953
Rio Grande do Sul	2,095	-------	-------	2,095
Mato Grosso	1,746	-------	-------	1,746
Goias	6,984	-------	-------	6,984
TOTAL BRAZIL	3,579,738	980,578	192,065	4,752,381

To express the figures in raw value, the factor 105.6 was used for production, 106 was used for direct consumption and 102 for export sugars.

The factor .0698417280 was used for changing 60 kilogram sacks to short tons in "production weight"

Chart 2

SUGAR—Comparison of Production, Consumption, Exports and Stocks in Brazil, 1960-1965

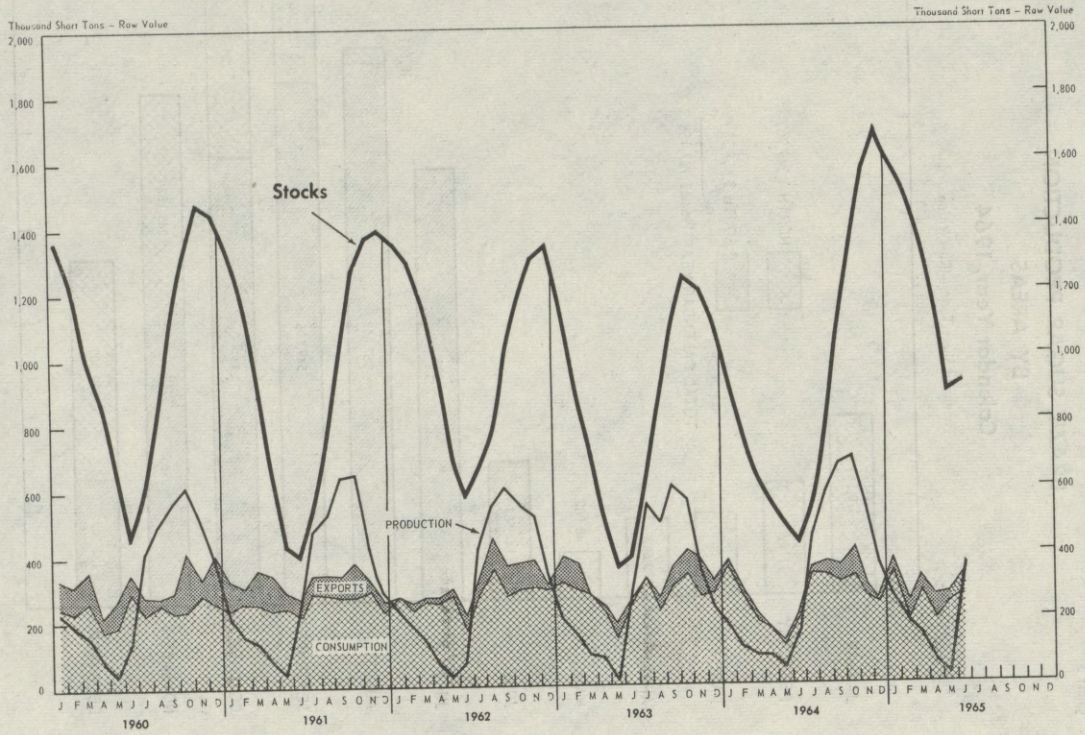
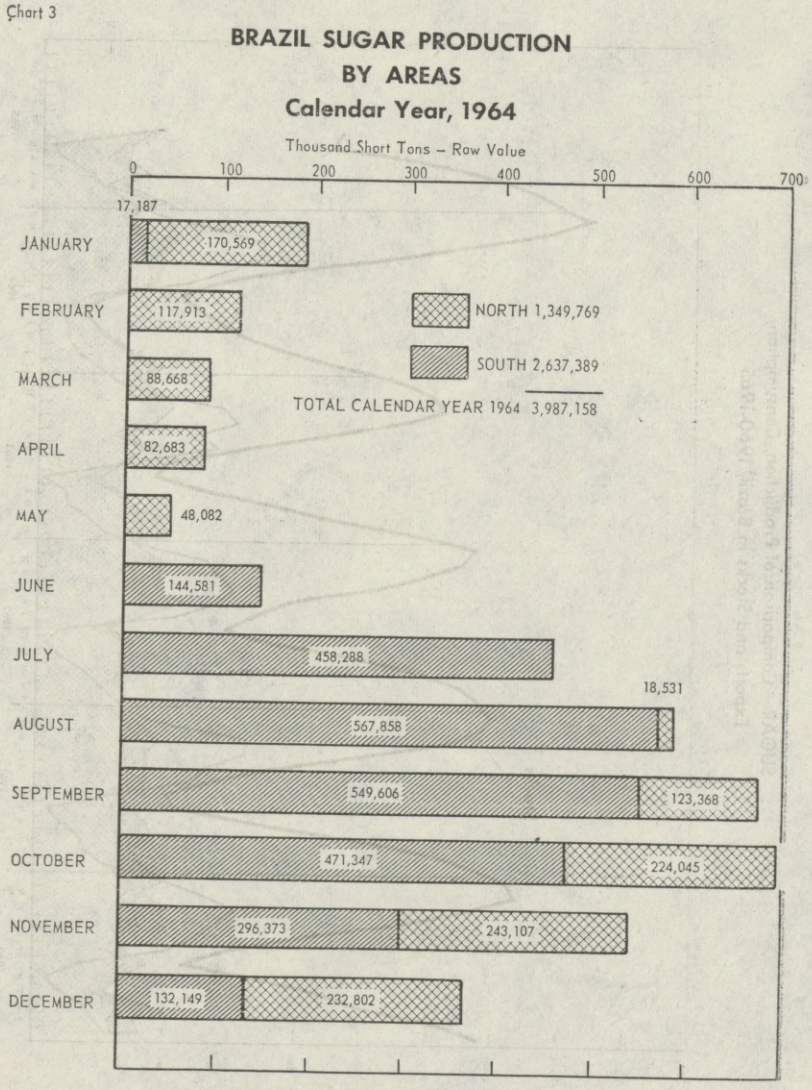
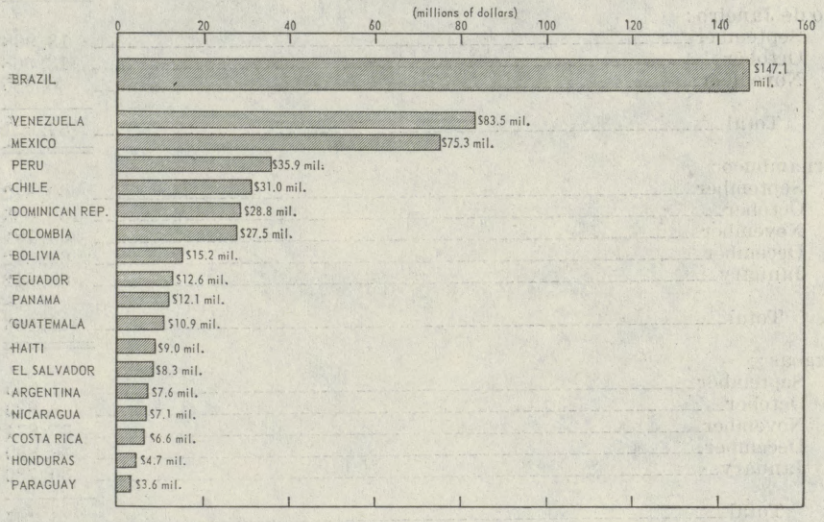


Chart 3


BRAZIL SUGAR PRODUCTION
BY AREAS
Calendar Year, 1964
Thousand Short Tons – Raw Value
0
100
200
300
400
500
600
700
JANUARY
17,187
170,569
FEBRUARY
117,913
MARCH
88,668
APRIL
82,683
MAY
48,082
JUNE
144,581
JULY
458,288
AUGUST
18,531
567,858
SEPTEMBER
549,606
123,368
OCTOBER
471,347
224,045
NOVEMBER
296,373
243,107
DECEMBER
132,149
232,802
NORTH 1,349,769
SOUTH 2,637,389
TOTAL CALENDAR YEAR 1964 3,987,158

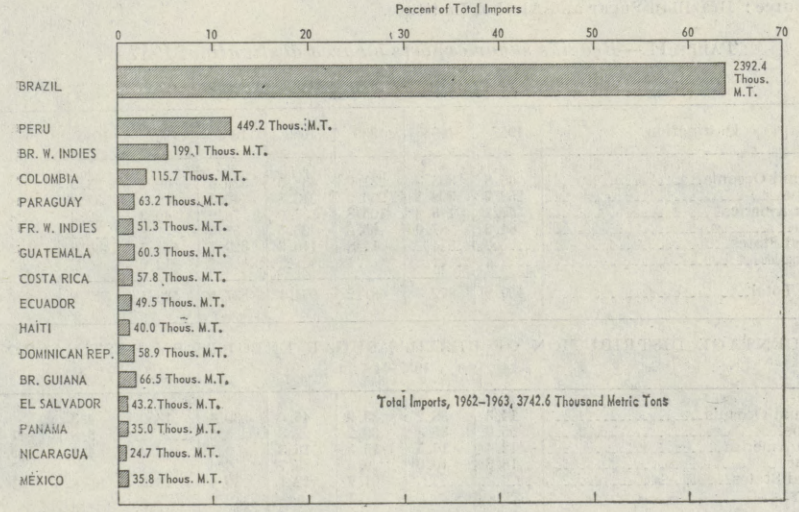
Brazil was the Largest Importer of United States Agricultural Commodities in Latin America—in 1964



SOURCE: Foreign Trade Statistical Section, U.S.D.A. from unpublished material.

Brazil Alone Imports More Wheat Than the Balance of the Western Hemisphere Countries Below Combined

IMPORTS OF WHEAT FROM ALL COUNTRIES*



*Including Flour

SOURCE: World Grain Trade - Foreign Agricultural Service, U.S. Department of Agriculture - FAS - M -53 (Rev.) May 1965

BRAZIL

TABLE I.—*Authorized periods for production for export, 1965–66*

State and period	*Short tons, raw value*
São Paulo: June–August	279,367
Rio de Janeiro:	
September	13,968
October	13,968
November	6,985
Total	34,921
Pernambuco:	
September	69,842
October	139,683
November	90,794
December	69,842
January	69,842
Total	440,003
Alagoas:	
September	41,905
October	48,889
November	55,874
December	48,889
January	30,730
Total	226,287
Grand total	980,578

NOTE.—To express the figures in raw value the factor 105.6 was used for production; 106 was used for direct consumption; and 102 for export sugar.
The factor .0698417280 was used for changing 60 kilogram sacks to short tons in "production weight."

Source: Brazilian Sugar and Alcohol Institute.

TABLE II.—*Brazil's sugar exports by area destination, 1957–64*

THOUSAND SHORT TONS, RAW VALUE

Destination	1957	1958	1959	1960	1961	1962	1963	1964
Asia and Oceania	65.8	333.3	231.0	438.5	329.6	69.7	23.5	------
Europe	252.7	308.1	266.9	213.8	46.3	------	31.8	64.2
South America	57.1	143.9	105.8	157.0	76.6	49.3	22.3	28.8
Africa	84.2	87.0	65.6	35.5	55.3	------	------	23.3
United States	------	------	11.8	116.3	329.7	406.5	469.6	182.3
Others	------	------	.1	------	------	12.6	------	------
Total	459.8	872.3	681.2	961.1	837.5	538.1	547.2	298.6

PERCENTAGE DISTRIBUTION OF BRAZIL'S SUGAR EXPORTS BY DESTINATION, 1957–64

Asia and Oceania	14.3	38.2	33.9	45.6	39.4	13.0	4.3	------
Europe	55.0	35.3	39.2	22.3	5.5	------	5.8	21.5
South America	12.4	16.5	15.5	16.3	9.1	9.2	4.1	9.6
Africa	18.3	10.0	9.6	3.7	6.6	------	------	7.8
United States	------	------	1.7	12.1	39.4	75.5	85.8	61.1
Others	------	------	.1	------	------	2.3	------	------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Quandro VI from recent Brazilian report.

NOTE.—To express the figures in "raw value" the factor 105.6 was used for total production; the factor 106 was used for direct consumption; and 102 for export sugars, e.g.: 90 multiplied by 106 equals 95.40; 10 multiplied by 102 equals 10.20; raw value, 105.60.

Source: Brazilian Sugar and Alcohol Institute.

TABLE III.—*Comparison of the provisions of the proposed bill with provisions in the 1962 act*

Country	Quotas		Percent changes 1965 over 1962	Percent of total excluding Cuba	
	1962 act	Proposed H.R. 10496		1962 act	Proposed act
Cuba	57.77	57.77			
Mexico	6.71	7.29	+8.6		
Dominican Republic	6.71	7.21	+7.5		
Peru	6.71	4.50	−32.9		
Brazil	6.37	4.14	−35.0		
British West Indies	3.19	2.28	−28.5		
Argentina		1.19			
Ecuador	.88	.93	−5.7		
Nicaragua	.88	.76	−13.4		
Guatemala	.71	.66	−7.0		
Costa Rica	.88	.65	−16.1		
Colombia	1.06	.52	−51.9		
Haiti	.71	.35	−50.7		
El Salvador	.36	.32	−11.1		
Panama	.53	.27	−49.1		
British Honduras	.35	.08	−77.2		
Venezuela		.05			
Paraguay	.35				
Total countries in Western Hemisphere excluding Cuba	36.40	31.20	−14.3	86.2	73.9
Australia	1.41	3.49	+147.5		
India	.71	1.81	+154.9		
South Africa	.71	1.81	+154.9		
China, Republic of	1.24	1.26	+1.6		
France, French West Indies, and Reunion	1.06	.95	−10.4		
Fiji Islands	.35	.85	+142.8		
Mauritius		.28			
Southern Rhodesia		.17			
Swaziland		.17			
Malagasy Republic		.14			
Ireland		.04			
Belgium		.03			
Turkey		.03			
Netherlands	.35				
Total countries outside Western Hemisphere	5.83	11.03	+89.2	13.8	26.1

The CHAIRMAN. Mr. Nemir, I want to congratulate you. I think that this is a splendid statement and your arguments are very persuading. I am amazed that you went into this thing so factually.

You indicate here that the Latin American quotas have been reduced by 14 percent and that the other countries' quotas have been increased by 89 percent.

Mr. NEMIR. Yes, sir. That is in the table at the back—the last table in the list.

The CHAIRMAN. Well, as I have said and I keep repeating, the administration has submitted a recommendation to us and as I have indicated before, in 1962, going to a global quota program brought chaos into the market and then the situation developed where they were sending telegrams around the world to secure sugar to supply the U.S. needs.

You have been around here as long as most of us. And we have great respect for all the people who have prepared this proposal by the administration, but it is, certainly, not binding on us. I am sure that the members of the committee will want to work their will on these problems. I can assure you that the committee will give con-

sideration to your recommendations and the recommendations of the others who have appeared here.

Thank you all very much for your appearance here today.

We have another distinguished gentleman here. Mr. John A. O'Donnell, counsel for the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. We will be glad to hear from you now.

STATEMENT OF JOHN A. O'DONNELL, REPRESENTING THE PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, last week when it appeared that the committee was prepared to take up Sugar Act amendments without a bill, I forwarded a brief background memorandum of the Philippine sugar producers to the members of the committee. In the interest of time, I respectfully request that I be permitted to introduce this memorandum now as a part of the record.

The CHAIRMAN. Very well, sir; without objection that may be done.

(The memorandum referred to follows:)

PHILIPPINE SUGAR MEMORANDUM

I. HISTORICAL BACKGROUND

Sugar commerce between the United States and the Philippines has been of long duration. In the 1880's exports to the United States averaged more than 200,000 tons annually. After the Spanish-American War, under various formulas, these exports increased steadily and reached an aggregate of approximately 1,250,000 tons in 1933. Legislation in the United States thereafter established fixed quotas for foreign suppliers. As a result, the annual export of sugar from the Philippines to the United States actually was reduced but the advantage of stabilization was obtained.

During World War II the sugar industry in the Philippines was completely destroyed. Sugar trade, in effect, ceased for the duration. Planting was disorganized and demoralized. Physical equipment was damaged or demolished.

Under the terms of a trade treaty between the United States and the Republic of the Philippines and the provisions of the Sugar Act of 1948, the Philippines were assigned an annual quota of the U.S. sugar supply of 980,000 tons. This quota remained static for many years although in 1960 Philippine producers were asked by the United States to supply an additional amount to the extent of 15 percent of the deficit created by the termination of sugar imports from Cuba which has averaged approximately 3.2 million tons annually. Philippine suppliers immediately responded to the request of the U.S. Department of Agriculture to furnish emergency supplies.

In 1962 amendments to the Sugar Act of 1948 adopted by the Congress raised the annual basic quota of the Philippines to 1,050,000 tons. In addition, it was agreed that the Philippines would be allotted a substantial pro rata of the deficits in the supplies of other countries which failed to meet their assigned quotas. The 1962 amendments to the Sugar Act established for the first time a so-called global quota of 1,500,000 tons which would be allocated to suppliers on a first-come, first-served basis. Behind the global quota principle was the mental reservation that Cuba might soon return to the society of respectable free nations and would again receive a quota in the U.S. sugar market.

The following is a brief résumé of the development of sugar quotas established by the United States for Philippine suppliers:

(*a*) From 1937 to 1941 pursuant to understandings between the United States and the Commonwealth of the Philippines, a duty-free sugar quota for the Philippines of 850,000 tons was subject to full duty on entering the United States; therefore, in effect, the Philippines only filled the basic quota of 850,000 tons.

(*b*) After the termination of World War II, a basic quota for the Philippines was established at 980,000 tons per year.

(*c*) The amendments to the Sugar Act adopted in 1958 did not increase the quota for the Philipines although that country had attained its independence and had experienced a complete rehabilitation of its sugar industry. The President of the United States, however, at the time of enactment of the amendments of 1958 stated that at the next revision of the law, the needs of the Philippines would be recognized.

(*d*) The 1962 amendments to the Sugar Act brought about an increase in the basic Philippine quota to 1,050,000 tons annually. There was no legal restriction upon increasing the quota. In effect, the Philippine Trade Revision Act of 1955, in article II, paragraph 1, provided: The establishment of the limitations on the amount of Philippine raw and refined sugar that may be entered or withdrawn from warehouses, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

This proviso specifically empowers the Congress to increase sugar exports from the Philippines and impliedly promises such an increase.

Commencing with the Cuban emergency of 1960, the Philippines, in order to meet the increased demands of the United States, added greatly to their facilities and were able to supply to the U.S. market, in addition to the domestic consumption of the Philippines of about 600,000 tons annually, the following exports:

	Short tons		*Short tons*
1960	1,165,000	1963	1,195,000
1961	1,355,000	1964	1,219,000
1962	1,256,000		

The sugar industry in the Philippines has always been geared to consumption requirements in the United States. Sugar planters and millers have arranged for planting, production, and export programs exclusively with a view to ultimate absorption in the United States of all of their production in excess of Philippine domestic consumption. It may be explained parenthetically that the Philippines has a small quota in the world market which it filled only once in a minor barter arrangement when exchange controls were in effect in the Philippines.

With the encouragement and cooperation of the United States, the Philippines have not participated in the world market and have, in effect, created a source of supply only for the American consumer. Sugar and copra are the leading products of the Philippines. Sugar is often the No. 1 export. The total investment in the sugar industry in the Philippines has reached the impressive total of $750 million. Approximately 3 million people, out of a total of a population of 30 million, are dependent upon the sugar industry, either directly or indirectly, for their livelihood. Banks, insurance companies, shipping lines and other businesses and institutions have a great stake in this industry. The first to benefit from any increase in the Philippine share of United States consumption are the 35,000 farmers who are the recipients of no less than 65 percent of the sugar quotas. In the Philippines most sugar is grown by small farmers who are analogous to small businessmen in the United States.

The Philippines depend on sugar for an average annually of an estimated one-fourth of their dollar exchange which brings in finished goods from abroad. A recent Department of Commerce press release indicates that the Philippines continue to trade more with the United States than any other country. In 1963 total imports from the United States were valued at $319.8 million—up $53.6 million from 1962. Imports of American farm products alone were valued at $53.8 million; of this, $17.4 million was in wheat, $14 million was in cotton and $15.7 million was in milk and cream. On the other hand, it should be added that the United States' share of Philippine exports dropped from 43 percent in 1962 to 41 percent in 1963, the lowest percentage in recent history. The conclusion is inescapable that United States-Philippine international trade is interwoven with sugar export from the Philippines to the United States. No nation can buy if it cannot sell.

The Philippines have never engaged in trade with the Communist countries nor do they have diplomatic relations with any of them. Communism is barred by law in the Philippines.

II. CURRENT CONDITIONS AND PROSPECTS FOR IMMEDIATE FUTURE

Philippine sugar is derived from cane. Shipments are made to refineries mostly on the Atlantic coast of the United States. Sugar in general is a product that can be produced in almost any country in the world, either in the form of beets in the temperate climate or cane in the tropics. This situation is taken into consideration by the U.S. Government in determining how, when, and to what extent its sugar demands will be met.

For about 30 years prior to 1962 a quota system established by law divided the supply of the U.S. sugar market between domestic producers and foreign suppliers on the one hand, and, on the domestic scene, between the beet and the cane areas, respectively. The Philippines do not presume to suggest proportions of allocation or any other direction in the domestic U.S. production of sugar.

From the time the country quota system was adopted in the United States during the 1930's, sugar was mostly in oversupply. Only on two occasions before the termination of the Cuban quota did the price in the world market equal or exceed that in the American market. After the virtual abandonment of an exclusive country quota system under the provisions of the 1962 amendments to the Sugar Act, prices in the world sugar market spiraled to an almost unprecedented high in a very short time. In the period of apparent undersupply, the United States made demands on producers at home and abroad to which the Philippines, among others, responded at once. Necessarily, additional lands, facilities, and workers were called upon to augment the Philippine output. Even marginal lands were devoted to growing this presently attractive crop.

It is understandably difficult now to eliminate the additional resources in the Philippines which were marshaled at the moment when the United States required additional sugar supplies and the Philippines furnished them without question. The facilities in the Philippines for the production of sugar are adequate and can be used as long as the U.S. market continues to absorb the total product in excess of Philippine domestic requirements, and the prices are realistic.

A study by the U.S. Department of Agriculture substantiates the conclusion which has been reached in this memorandum. Its report published as early as February 14, 1961, states:

"The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the Republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960 it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar producion is relatively high cost."

The unique position of the Philippine sugar industry because of the historical connection between the United States and the Philippines continues to be recognized by the U.S. Government. This seems to be appropriate for the reason that Philippine sugar producers regard only the U.S. market and the conditions imposed by the U.S. Congress and the executive department.

As an indication of the recognition of the Philippine position in sugar, the 1962 amendments to the Sugar Act continue the Philippine basic quota of 1,050,000 tons annually until the end of 1966, whereas the country quotas allowed to other foreign suppliers terminate at the end of 1964. Also, there is no import fee imposed on Philippine imports within the limits of their basic quota, such as are charged to other foreign suppliers now enjoying country quotas.

Although the Philippines must necessarily continue to occupy their special relationship to the United States in the sugar industry and in a measure are removed from some of the conflicts which bestir competitive forces in the United States, the Philippines are not entirely isolated from concerns which are faced by sugar producers everywhere in the world, particularly cane and beet producers in the United States.

Regardless of what other situations obtain in the world and are of concern to the United States, the specific and unique problems of the Philippines persist, among them being the following: The Philippines are very distant from the shores of the United States and a shipment of sugar from Manila or one of the other ports of the Philippines to a port in the United States consumes 45 days; the Philippines seek no other outlet than the United States for sugar exports and have no intention of making arrangements other than those which have existed between the two countries for many years and still remain valid.

The Philippines, induced by the requirements of the U.S. market, are now producing an estimated 2 million tons of sugar annually, thus providing for a domestic requirement of approximately 600,000 tons and the filling of these basic quota and additional needs of the United States to make up deficit prorations and participate in the Cuban reserve.

During 1964–65, at the present rate of production, the Philippines will have an estimated 500,000 tons above its indicated requirements.

The uncertainty which beclouds the minds of Philippine producers and the fears of elimination of some areas and individuals who were invited to enter the sugar field during emergency conditions in the United States can only be allayed by the stabilization of the sole outlet for Philippine sugar and the guarantee of this condition for a considerable period of time. The result of any other provision by the United States will be widespread unemployment, discontent, and economic upheaval in a country which has been laboring hard to surmount the difficulties of the early days of its independence immediately following the devastation of World War II.

In these troublesome times, mention should be made of our 1947 Military Bases Agreement with the Republic of the Philippines, permitting us to maintain and operate military bases there. These bases are of the greatest importance and utility to our Armed Forces and to our defense position in the Far East. They are on the direct route between our country and South Vietnam. Not only is Clark Air Base vital to our 13th Air Force, and Subic Bay and Sangley Naval Bases to our 7th Fleet, but we derive special advantages in their use and operations because of the close relationship and association which our two countries and our people have enjoyed in the past. Ten thousand Filipinos at this moment are serving in our Navy. Thousands of Filipino civilians and technicians are employed at our military bases.

Sugar is the lifeblood of the Philippine economy and we must keep our friend and ally strong.

III

Without wishing to appear presumptuous or making opinionated proposals to the Congress and other authorities in the U.S. Government, the sugar producers of the Philippines respectfully suggest that:

The basic quota of sugar imports from the Philippines to the United States be increased to 1,250,000 tons annually.

PHILIPPINE SUGAR ASSOCIATION.[1]
NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES.[2]
JOHN A. O'DONNELL, *Counsel.*

Mr. O'DONNELL. I am John A. O'Donnell, of Washington, general counsel of the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines. I have appeared before this committee on earlier occasions in connection with proposed sugar legislation, but it might be well again to describe the interests I represent.

The Philippine Sugar Association embraces 25 leading processing mills in the Philippines. The federation is made up of representatives of more than 35,000 planters who are small independent farmer-businessmen engaged in growing sugarcane.

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[1] 25 processing mills.
[2] 35,000 planters—independent small businessmen.

Let me emphasize that my clients here are these two sugar producer associations. I do not represent the Government of the Republic of the Philippines in this hearing.

Philippine producers understand and respect the programs the U.S. Congress adopts for the benefit of beet and cane sugar producers of the United States whether on the mainland or in Hawaii, Puerto Rico, or the Virgin Islands. The requests of Philippine sugar suppliers are directed only toward sugar import requirements of the United States.

I appreciate the tremendous pressure under which you and your committee are operating and your desire to complete these hearings quickly. Accordingly, I shall be as brief as the interest of my clients will permit.

Mr. Chairman, today a large part of the economic future of the Philippines and many vital interests of the United States are in your hands. For a period of years, imports of Philippine sugar into the United States were restricted both by the Philippine Trade Act of 1946 and by the quotas established under the Sugar Act. Those limitations amounted to 980,000 short tons, raw value. In the revised Trade Agreement of 1955 that restriction was eliminated, and it was provided that sugar importations—

> shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

One apparent misunderstanding of the position of Philippine sugar under the Philippine-American Trade Agreement is evidence from the debates in the Congress, when some of the Members gave the impression that the quantity of Philippine sugar coming in the United States, having been fixed in that agreement, cannot be changed by Congress.

The fact is that the agreement specifically provides that any increase in the Philippine sugar quota is left to Congress to determine. Article II of the agreement provides on this point as follows:

> The establishment herein of the limitations on the amounts of the Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future.

In accordance with the decision of this committee, Congress increased the Philippine quota to 1,050,000 tons in 1962. Our industry, growers and processors alike, appreciated that increase. I wish to call your attention to the fact, however, that the Philippine import quota is still 200,000 tons below the peak reached before controls were inaugurated in 1934. The Philippine quota is further below the 15.41 percent of U.S. consumption that it equaled under the Sugar Act of 1937. For these reasons and because of the fact that the Philippines are now the largest foreign supplier of sugar to the American market, I think it is worth while for this committee to take a few moments to examine the Philippine quota problem.

The Philippines were supplying sugar to the American market before the Spanish-American War, but the growth in the industry came after that war. The major expansion of the Philippine sugar industry came in the 1920's and the early 1930's. Both the development and

the rehabilitation of the industry after World War II were based on shipments to the continental United States.

In 1933, the year before the Jones-Costigan Act was passed, the continental United States imported 1,249,000 tons of Philippine sugar. I want to emphasize the fact that actual imports in 1933 were 200,000 tons above our present quota.

Under the restrictive programs of the late 1930's, imports from the Philippines were cut to 1,088,000 tons in 1934 and were held below 1 million tons from then until they were stopped by World War II.

Even under the Sugar Act of 1937, however, the Philippine import quota equaled 15.41 percent of total continental U.S. requirements. If we accept the forecast of a well-known private sugar authority that 1965 distribution will approximate 10 million tons, then the Philippines prewar share would exceed 1,500,000 tons.

When the U.S. Government found it necessary in the summer of 1960 to stop taking sugar from Communist Cuba, the Philippine sugar industry was allotted by Congress 15 percent of the Cuban deficit, and it responded by supplying the United States with 1,165,000 tons in 1960 and 1,356,000 tons in 1961. Thereafter they supplied the United States with 1,256,000 tons in 1962; 1,195,000 tons in 1963, and 1,219,000 tons in 1964.

When world sugar prices got out of control in 1963, the Philippine industry not only shipped the United States more sugar than called for by their basic quota but, like the beet and mainland cane industries of the United States, undertook a further expansion program to supply the American market. Philippine production is now geared to a level of around 2 million tons. After allowing 600,000 tons for consumption in the Philippines, this should leave around 1,400,000 tons available for exportation.

Let me point out that the figure of 980,000 short tons, raw value, provided for by the Trade Agreement Act of 1946, was an appropriate figure for the early postwar rehabilitation period. Also, the 1,050,000-ton quota provided for by the 1962 amendments to the Sugar Act gave much needed relief. I want to emphasize, however, that a quota of 1,050,000 tons is not sufficient to meet the export requirements of the Philippines today and it will be still less adequate in the future.

Let us look at the statistics. From 1948 to date the basic Philippine quota has been increased 70,000 tons. In the meantime, domestic distribution has risen by 2.5 million tons, and the Cuba quota of 3.1 million tons has been distributed among other suppliers. All told, the quotas of other areas have been increased by around 5.5 million tons, while the quota for the Philippines has been increased only 70,000 tons. We are glad to see other areas permitted to increase their production and we are glad to see other new areas given an opportunity to develop sugar-exporting industries. In all frankness, however, we do feel that the Philippines should at least be restored to their 1933 position which amounted to 1,249,000 tons.

I know that your committee is being asked for larger quotas by many sugar-exporting countries. Accordingly, I believe every claimant should state its case clearly and factually, so that your committee will be in a position to decide issues on their merits.

Philippine sugar comes to refiners in the deficit area of the eastern seaboard. Moreover, the Philippine industry is undertaking to adjust

its exports to the seasonal consuming requirements of the American market. When Cuba was the major supplier to the United States it performed this function. With Cuba out of the picture, however, every supplier to the U.S. market, including the Philippine industry, must be prepared to schedule its shipments in accordance with the seasonal requirements of this market. For its part, the Philippine industry has undertaken a program of constructing additional warehouses to carry more of their sugar from the period of harvest to the period of heavy U.S. consumption.

Congress has shown a keen and proper interest in the economies of our foreign suppliers. Therefore, I shall address myself to the subject. As pointed out above, we have 25 important processing mills and 35,000 planters. Most of our planters are small independent farmers with average sugarcane enterprises of around 25 acres each.

The quota that the Republic of the Philippines receives for importing sugar in the United States is divided among individual producers by the Sugar Quota Administration of the Philippine Government. Workers in the sugar industry are covered by minimum wage laws. The various sugar associations maintain research and development programs. They also support health and welfare programs, and provide hospitals, schools, churches, and facilities for sports, entertainment, and cultural activities.

During World War II the sugar industry of the Philippines was almost completely destroyed. Since the war it has been rebuilt and it is estimated that the present investment in the industry amounts to $750 million. Approximately 3 million people, or more than 10 percent of the entire population of the Republic of the Philippines, are dependent upon sugar for a livelihood. Many banks, insurance companies, shipping companies and other commercial institutions and their workers depend upon sugar for all or an important part of their income. Even for the Philippine Government, the sugar industry is the major source of revenue.

Because of the necessity of giving employment to a large number of people and the necessity of maintaining the economies of the established areas of production, it has not been possible for the Philippine sugar industry to adopt many of the labor-saving methods employed elsewhere or to abandon high-cost areas. For these reasons it is generally recognized that the Philippine sugar industry has a high cost of production which makes it utterly impossible for it to undertake to compete on the world market at today's prices.

The development of trade between the Philippines and the United States is a part of the recognized national policy of both governments. A joint communique of President Johnson and President Macapagal issued October 6, 1964, stated in part that:

> The two Presidents looked to developments in the trade between their respective countries * * *.

The Philippines have long been an important customer of the United States. In 1963 Philippine imports from the United States were valued at approximately $320 million. Philippine imports of American farm products amounted to approximately $54 million. Important items in this group were $17,400,000 worth of wheat, $14 million worth of cotton, $15,700,000 worth of milk and cream.

Sugar is the major product the Philippines have to export to the United States in payment for the American products they buy. At the current prices the sugar that the Philippines can sell to the United States under their present quota should yield about $125 million in foreign exchange or nearly 40 percent of the value of American products imported by the Philippines in 1963. Therefore, the Philippine sugar quota must be increased if the United States-Philippine trade policy announced by President Johnson and President Macapagal is to be carried out.

The Philippines are unique among the foreign sugar-supplying countries in that they are the only such country that formerly was a part of the United States. The Philippines have been a part of our economic, cultural, and political heritage. In the hours of supreme national decision the Philippines have had no trouble in deciding whose side they were on.

During this period of contest between freedom and communism, with many nations perhaps undecided, the Philippines have made their decision clear. Communism is barred by law in the Philippines. The Republic of the Philippines does not have diplomatic relations with a single Communist country. Neither does it permit trade.

I shall not take the time to recount the joint efforts and sacrifices of the United States and Philippine forces during World War II, with which you are all so familiar.

I wish to remind you, however, that in 1950 the Philippines was the first among our friends to send a battalion of soldiers to fight beside the U.S. forces in the Korean campaign.

Today, Philippine medical and civilian action teams are in Vietnam and legislation is before the Philippine Congress to send a battalion of troops.

The Philippine Government is undertaking to help in Vietnam despite the fact that its own territory is being infiltrated by spies, saboteurs, and propagandists who are trying to destroy Malaysia, interfere with our efforts in Vietnam, and in fact, to defeat the entire SEATO program which the Government of the United States finds so necessary. We can be confident that the Philippine Government will cope with these infiltrators and propagandists.

By far the most important feature of all is that the Philippines are the staging areas for our military operations in Vietnam and, indeed, throughout southeast Asia. Our forces move out from our bases located at Clark Field and at Subic Bay. Our wounded are returned to the hospital installations at Clark Field that are generally referred to as the "Walter Reed" of the Far East. The confidence that these great strategic bases are in friendly territory far outranks in importance the billions of dollars spent in erecting those bases.

The friendship and cooperation that the United States has received from the Philippine Government and the Philippine people as a whole have been based on their convictions and their belief in our way of life. In these troublesome times, it is imperative that we give economic strength to our reliable friends, particularly those in distant strategic areas. When allocating sugar import quotas among foreign countries, I am confident that this committee and the U.S. Congress will further strengthen the cooperative relationship between the United States and the Republic of the Philippines.

Mr. Chairman, since the above statement was prepared I have had an opportunity to read H.R. 10496 which embodies the recommendations of the executive departments for amending the Sugar Act. The bill suggests that the Philippines be permitted to participate to a slight but limited extent in future growth of the domestic market and to maintain approximately its present position in filling deficits.

Under the Philippine Trade Revision Act of 1955 as I stated before, the responsibility for determining the quotas for the Philippines appears to rest solely with the Congress. Therefore, I ask that you give the Philippine quota provisions your careful study.

H.R. 10496 would permit the Philippines to supply 10.86 percent of the amount by which the U.S. requirements exceed 9,700,000 tons but in no event could such increase in the Philippine quota exceed 76,020 tons.

Mr. Chairman, I have already called your attention to the fact that actual imports into the United States from the Philippines have been well in excess of the basic quotas from 1960 to date, despite the fact that from 1960 through 1962 the Philippines had to plan their production on the basis of a 980,000-ton quota and since then they have had to plan on the basis of 1,050,000 tons.

If the Philippines are given credit for the additional quantities they were called upon to ship to the United States in 1963 and 1964 in excess of their basic quota of 1,050,000 tons, on the same basis that credit is given to a newcomer without a quota, the immediate addition to their quota would be 161,000 tons.

If they received credit for the amounts by which their shipments exceeded their basic quotas for the average of the past 5 years they would receive an immediate increase of 214,000 tons.

The Philippine industry is proud of its record of supplying sugar to the U.S. market despite the modest and fixed quota on which it necessarily based its production programs. Frankly, our industry does not understand why it should fail to be rewarded as others are for having performed as a regular and emergency supplier of sugar during the past several years. The Philippine industry is also disappointed that it alone among foreign suppliers appears to have been excluded from participation in the reallocation of the Cuban reserve quota.

We agree with H.R. 10496 to the extent that we favor the granting of quotas to aid underdeveloped countries. Let me remind you that the Philippines is an underdeveloped country.

Mr. Chairman, I shall not comment further on the proposed bill. To simplify the issue, I recommend that on the basis of fairness, reasonableness, and consistency that the Congress increase the Philippine basic sugar quota from 1,050,000 tons to not less than 1,250,000 tons.

May I offer my thanks and that of the Philippine growers and planters, for whom I have appeared, for this opportunity to address you and for the consideration which I am confident you will show them.

The CHAIRMAN. Thank you very much, Mr. O'Donnell, for your very fine statement.

I am sure that the committee will carefully consider it in executive session.

You do emphasize the fact that the Philippines have supported us in the past. But I want to remind you of the fact that they have not done so with respect to tobacco in North Carolina.

Mr. O'DONNELL. Mr. Chairman, I thought that we settled that in 1956. [Laughter.]

The CHAIRMAN. I thought that we did, too, but we have been able to get any tobacco in there. We had a delegation from my district go to the Philippines, and I think that they are still there. [Laughter.]

The CHAIRMAN. Thank you very much for your statement.

Mr. O'DONNELL. Thank you very much, Mr. Chairman.

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. We will stand in recess until 2:30 this afternoon.

(Whereupon, at 12:35 p.m. the committee recessed to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order. Before calling the next witness, I want to recognize a former colleague of ours for just about half a minute. Mr. Charles H. Brown, representing the Fiji Islands. He has with him a friend that he would like to present, and then as I understand it, you will present your statement at a later time.

Mr. BROWN. That is right, Mr. Chairman. We have a distinguished visitor in the audience, Rattu Edward Cawobau, of Fiji, the independent vice chairman of the Fiji sugar industry and a member of the Legislative Council of Fiji, and a very distinguished citizen.

The CHAIRMAN. We are very delighted to have you here, sir, and I can assure you that you are represented by a very able man, a man who is held in high esteem by all the members of this committee, and a very persuasive sort of fellow. I am sure he will present your cause and represent you well. Charley, we will call on you later.

Now I take pleasure in recognizing Mr. Arthur Quinn, representing Ecuador, Panama, British West Indies, and British Honduras. Mr. Quinn, we will be glad to hear you now.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE SUGAR INDUSTRIES OF BRITISH WEST INDIES, ECUADOR, PANAMA, AND BRITISH HONDURAS; ACCOMPANIED BY ARTHUR LEE QUINN, WASHINGTON, D.C.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Arthur L. Quinn. I am associated in the practice of law with my son, Arthur Lee Quinn, who accompanies me today, under the firm name of Quinn & Quinn, with offices at 303 Commonwealth Building, 1625 K Street NW., Washington, D.C.

We are Washington counsel for privately owned sugar companies that produce sugar, principally for export, in the British West Indies, including British Guiana and Ecuador, Panama, and British Honduras.

The sugar interests of the British West Indies and British Guiana form the British West Indies Sugar Association and include the pro-

ducers on the Caribbean islands of Jamaica, Trinidad, Antigua, Barbados, and St. Kitts, and the territory of British Guiana, which is situated in northern South America. In this group, there are two independent nations; namely, Jamaica and Trinidad-Tobago, and there is every indication that from within this group there will be two more independent countries in the next year or two; namely, British Guiana, which will be called Guyana and a Federation of West Indian Islands, which will include St. Kitts, Antigua, and Barbados.

We represent the sugar industry of Ecuador which is composed of two commercial companies: the Valdez Sugar Co. and Sociedad Agricola Industrial.

In Panama, our clients are the two principal companies which are Compania Azucarera La Estrella, S.A. and Azucarera Nacional, S.A.

Our client in British Honduras is the Corozal Sugar Co., Ltd., which is the sole operator in that country.

The sugar industries of the countries and emergent territories which our clients are situated are among the most important in their respective economies. In all of these areas substantial shares of national revenues are derived from the sale of sugar—a basic agricultural commodity produced for sale abroad. The income realized from the sale of this commodity provides wages, salaries, and support for thousands of people and furnishes a large meaningful source of funds which are used to purchase industrialized products, which in turn are so essential to the economic development of these emerging lands.

In all of these countries the sugar industry is a large employer—in the British West Indies it is the largest. In Ecuador and Panama it ranks among the highest in importance in the field of agriculture, and in tiny British Honduras it has become in a brief period of time the single most important industry in that territory.

FOREIGN QUOTAS

The amendments to the Sugar Act, as proposed by the administration, and elaborated upon by the testimony of Under Secretary of Agriculture John Schnittker, of the Department of Agriculture, advocate the adoption of a particular formula in calculating the quotas to be allotted to foreign suppliers of sugar. In substance, this formula basically would completely disregard the quota allocations made by the Congress in the 1962 amendments to the act, and substitute instead quotas based upon total shipments of sugar to this country by foreign nations other than the Philippines during the years 1963 and 1964, with a double weighting being given to the latter year. I strongly urge the committee to reject this formula and exercise its prerogative of allocating quotas in a more equitable manner. I am strenuously opposed to the administration's formula for the following reasons:

1. The 2 years of 1963 and 1964 are not truly representative years: 1963 was a very abnormal year in sugar during which the world experienced the threat of severe shortages. Ordinary prices, normal production, and marketing patterns were thrown askew. In 1964 foreign countries were deprived by the Department of Agriculture of shipping 500,000 tons of sugar to the United States that they ordinarily would have been entitled to ship. To consider these 2 years alone, and especially to give double weighting to 1964, would be

grossly unfair to the majority of Western Hemisphere foreign participants in the U.S. sugar program. To take just these 2 years is not the proper route to a fair formula.

2. The administration's formula would completely ignore relative quota positions established by Congress in the 1962 amendments to the Sugar Act.

A drastic rearrangement of quota positions, as would take place as a result of the adoption of the administration's formula, would harm those countries which need the most help. It is impossible to establish sugar quotas to the satisfaction of all parties. Some will always feel they came out on the short end. But in 1962, this committee in particular and the Congress in general did an admirable job of assigning basic quotas and I feel that the considerations stressed then continue to be of merit today and should once more be paramount.

One consideration which is apparent from a review of the quota list, and also from other sections of the act, is that the Western Hemisphere nations were meant to be favored. This was sound thinking. The sugar that was to be allocated to the various countries was formerly Cuban sugar. It was in this hemisphere. Congress in its wisdom kept most of it here by allocating it to nearby friendly countries—where sources of supply were in close proximity to our shores. This should continue to be a rudimentary precept of U.S. sugar policy.

Before I leave this point, please let me quote from a 38-page pamphlet prepared by the staff of this committee, with the assistance of the Sugar Division of the U.S. Department of Agriculture, dated May 14, 1962, page 4, entitled "Basic Purposes of the Sugar Act":

> Basically, the Sugar Act 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 continental United States and to do this without consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and staple 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 given us this security in supplies and at the same time has done so at a minimum cost to the consumer and taxpayer. Retail sugar prices in the United States have been remarkably stable since the enactment of the Sugar Act. Our Sugar Act also has been successful, for the most part in attaining its third objective—the sharing of part of our market equitably among nearby friendly nations.

I reemphasize, sir, that there are three key words in what I have quoted, that is, "nearby," "friendly," and "equitably."

I would also stress that we represent small nations. They are nearby and they are friendly to the United States.

In addition to keeping most of the foreign sugar, exclusive of the Philippine quota, in this hemisphere, the 1962 amendments afforded a number of the smaller underdeveloped countries in this hemisphere an opportunity to participate in a valuable cash market. These are countries that desperately need to trade with the United States. In most instances all they have to trade with are tropical agricultural products. They welcomed the chance to gain permanent positions in our sugar market, and it would be a terrible setback to their economies to have these positions diminished—and many of them would be if the administration's formula is adopted.

The Government's formula would designate that large quantities of sugar be furnished by distant suppliers. This violates a basic purpose

of the Sugar Act; that is, the insuring of adequate sources of supply at all times. The past has proven the inadvisability of overextending our lines of supply for commodities. In time of world crisis, such as we are now experiencing, the United States could suddenly find itself lacking sufficient raw sugar for cane refineries on the densely populated east coast because of dependence to such a considerable extent on sugar that takes between 4 and 5 weeks to reach our ports.

5. The proposed formula would favor large producing areas over small ones.

If the administration formula were written into the 1965 amendments it would mean that a few countries, who fortunately had large quantities of sugar for export during 1963 and 1964, and shipped considerable amounts to the United States in those years, would gain quota position on those smaller nations who unfortunately did not have such large amounts to ship in those 2 years. As a further note, at least two distant suppliers, who would be considerably benefited by the administration's formula, in order to satisfy home consumption needs during 1965, chose to import substantial amounts of sugar so that they could sell as much sugar as possible in the U.S. market.

AN EQUITABLE APPROACH TO QUOTAS

In 1962 Congress enacted amendments to the Sugar Act that gave the domestic areas 4 years of certainty and the foreign areas, other than the Philippines, 2 years of temporary life. The domestic participants had twice as long to plan and market, and the foreigners were left dangling in the middle of a statutory period. With a minimum of 2 years being necessary from planting to first cutting of a crop of cane, foreign suppliers were left not knowing what would be in store for them in the U.S. market in 1965 and 1966. It is our earnest hope that this committee will solve the question of quotas in a manner that will enable the foreign participants to know what to expect and anticipate by way of future participation in the U.S. market. I submit this would have been done in 1962 had the Congress heeded your admonitions, Mr. Chairman, made in that year prior to hearings on the Sugar Act amendments. On February 23, 1962, in a letter to the Honorable Orville L. Freeman, the Secretary of Agriculture, you stated, Mr. Chairman, and I quote:

> References in the budget to the quota provisions and the premium provisions to the sugar program indicate that serious consideration may be given to fundamental and substantial changes in the Sugar Act. We have heard talk about some kind of "global quota" or world market purchase program. If we should discontinue quotas and premiums, domestic consumers would be placed at the mercy of world markets or world prices. It occurs to me that if we ever needed the sugar program with quotas, premiums, and payments, we need it now.

And from the same letter:

> The program has fostered friendly relations with many of our neighbors to the south and has made a great contribution to the development of such countries. All of this has been done at no cost to American taxpayers. The program actually shows a very substantial profit to the Treasury.

Within a matter of months after Congress enacted the 1962 amendments the New York spot price of sugar rose to $13.20 per hundredweight, the highest price since 1920. This would not have happened had your admonition been heeded, Mr. Chairman.

The foreign suppliers can only surmise that the approach to the sugar program of the past administration, much of which unfortunately became law in 1962, was designed to discourage foreign participation in our market. It would appear it was conceived to provide an interim program to tide things over until such time as Cuba reentered our market. If this was the case the program was ill conceived and we hope this will prevail no longer.

Historically the first sugar legislation was passed in 1934. Until 1961, the only foreign country other than the Philippines which enjoyed a substantial position in the U.S. market was Cuba, and that position was most substantial indeed, in that Cuba contributed approximately one third of the U.S. consumption requirements.

Extensive participation by other countries was written into law for the first time by virtue of the 1962 amendments to the Sugar Act. Those portions of the Sugar Act which pertained to foreign countries, other than the Philippines expired on December 31, 1964. The 1962 amendments fixed quotas for the domestic areas and the Republic of the Philippines to run until December 31, 1966. Therefore, these quotas are still in effect.

The quotas for foreign countries other than the Philippines in effect for this year were improvised by the Department of Agriculture by allocating quotas on the basis of a formula calculated according to total shipments by foreign countries to the United States during calendar years 1963 and 1964, with double weighting being given to the latter year. The formula which is in effect today is also the basis for the formula which the administration advocates for permanent adoption by this committee.

Until 1962, with the exception of Cuba, only two other countries in the Western Hemisphere enjoyed a history of substantial participation in the U.S. market. They were Peru and the Dominican Republic. Because of the dominant position enjoyed by Cuba until the serverance of diplomatic relations with that country in 1961, shipments by these two countries to the United States were comparatively small, considering the factor these two countries had been in the act since 1934—never more than 100,000 tons for each country in a single year, and this prevailed up until 1962.

The 1962 amendments awarded quotas to 16 Western Hemisphere countries and 7 non-Western Hemisphere nations. Additionally, the amendments to the so-called honey bee bill, enacted after the passage of the 1962 amendments, gave Argentina a quota of 20,000 tons and increased the quota of the Dominican Republic by an additional 130,000 tons. This is the status of quotas today.

The 1962 amendments required that special consideration be given to countries of the Western Hemisphere both in authorizing importation of "global quota" sugar and also in the proration of quota deficits. There are strong considerations why this preference should not only be continued but elaborated upon.

As has been stated before, all the sugar to be allocated among the several foreign nations, except the Philippines, was formerly Cuban sugar; that is, sugar within this hemisphere. Cuba, prior to Castro, was the American sugar bowl, and as such, provided a proximate source of supply which could be dipped into at any time in virtually any amount. In order to replace this handy source, the United States

should now provide itself with a set of smaller sugar bowls, of varying sizes, but all within easy reach. It would be a mistake to depend too heavily upon a few large sources, but at the same time the lines of supply should be short. Sugar supplied by the various countries of the Western Hemisphere is the answer.

The United States can obtain sugar from its neighbors in a matter of days as against 4 or 5 weeks actual sailing time for sugar coming from the far reaches of the globe. The dreadful experience of World War II demonstrated the advantages of having sugar supplies close to our shores.

Our good neighbors to the south want to trade with us; not be the constant recipients of our aid. They have so few products with which to trade, that tropical farm products, and particularly sugar, in many instances, forms the lifeblood of their economies. The less-developed nations within our hemisphere, which we are striving so earnestly to assist in their development, must depend principally on agriculture and commodities raised for export in order to allow them to exist and to give them the dollars to purchase the hard manufactured goods, exported from this country, so essential to their development. I wish to again stress that one of the three basic purposes of the Sugar Act is to promote international trade. This committe, in keeping with this avowed purpose of the sugar program, has within its power the means of accomplishing a tremendous amount of good for our neighbors in this hemisphere particularly the smaller, struggling nations, by means of equitably distributing sugar quotas among them.

In light of the foregoing we recommend that the committee consider in its allocation of foreign country quotas the following points:

(1) Nations be permitted to retain the basic quotas awarded them by Congress in 1962.

(2) As enunciated in the 1962 amendments, preference be given to nearby Western Hemisphere areas.

(3) The temporary allocation to the Dominican Republic, made by virtue of the amendments to the "Honey Bee bill" of 1962, be redistributed among all Western Hemisphere areas, including, of course, the Dominican Republic.

(4) If a time period is to be used in calculating the allocation of any quantities of sugar, then, the period 1961–64, inclusive, should be used, it being the only true and fair representative period of country-by-country performance.

In addition to the foregoing, I wish to make the following recommendations to this committee with respect to other provisions of the proposed act:

The so-called Cuban reserve should be phased out over a period of years and incorporated into the basic quotas of the Western Hemisphere areas, and in no event should the period of years be longer than 10 years.

Quota deficits should be restricted for reallocation to Western Hemisphere areas.

Growth participation should be restricted to Western Hemisphere areas for the period of the act.

Having reviewed that, I regard as necessary considerations regarding allocations of foreign sugar quotas, I would now like to summarize the cases presented by each of the four areas we represent. Time does

not permit a reading of detailed statements on behalf of each area and I will, with your permission, Mr. Chairman, offer the statements to the clerk of the committee for insertion in the record following my testimony.

All of these areas, the British West Indies, Ecuador, Panama, and British Honduras are friendly nearby Western Hemisphere nations in close proximity to the United States. They all have ample supplies of sugar available for export to the United States. Each was accorded a basic quota position in the United States market as a result of the 1962 amendments, for which they are extremely grateful. It is their earnest desire to not only retain their positions but significantly increase them. In keeping with this desire they are willing to hold in reserve, exclusively for the United States, up to 50 percent of quotas awarded them.

BRITISH WEST INDIES SUGAR ASSOCIATION

In May 1962, when I testified before this committee on behalf of the British West Indies Sugar Association, I called attention to the strategic importance of this group of West Indian islands and British Guiana. An agreement between the United States and the British Government during World War II permitted the United States to establish military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961, the "Bases Agreement," as it is referred to, was renegotiated directly by the United States with the individual territories, for a 17-year period until 1978. These areas are not only friendly but their strategic value persists.

The British West Indies formerly consisted of a group of British Colonial Islands and British Guiana. As I pointed out at the beginning of this statement it now includes two independent nations—Jamaica and Trinidad-Tobago, and will soon probably include two more—British Guiana, which will be called Guyana, and a Federation of West Indian Islands.

The British West Indies was accorded a basic quota position in 1962 of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows:

In 1961, 265,845 short tons; 1962, 181,661 short tons; 1963, 141,356 short tons; 1964, 142,228 short tons; 1965, 126,145 (authorized).

The above figures indicate average shipments during the period 1961 through 1964 to be 182,772 tons. This is indeed a creditable performance record and we hope the British West Indies will be given the opportunity to improve upon it. The members of the British West Indies Sugar Association are willing to supply the United States as much as 300,000 tons a year. Trade with this nearby area continues to be brisk and it remains a significant outlet for American products. In 1964 alone over $160 million worth of U.S. goods were sold to the group.

In the West Indies sugar is the most important agricultural commodity produced and the industry is by far the largest single employer. Continued sales of sugar to the United States are of vital importance to the continued growth of the economies of these areas.

ECUADOR

The Ecuadoran sugar industry is an example of the success of private enterprise in its responsible performance of its obligations to its own domestic market and the national economy as a whole. The gradual expansion of the industry has been of great benefit to the nation's general economic growth and it has contributed substantially to improving the nation's standard of living. Sugar has been elevated from the status of an imported commodity to the fourth highest export.

There are approximately 17,000 workers in the Ecuadoran sugar industry, and they are among the best treated sugar workers in Latin America. These workers with their families represent approximately 70,000 people who are dependent upon the industry for their livelihood. Ecuadoran shipments of sugar to the United States have been since 1961 as follows:

In 1961, 31,010; 1962, 66,861; 1963, 57977; 1964, 58,106, and 1965 51,121 (authorized).

Ecuador continues to become an increasingly important outlet for the U.S. exports. In 1964 the total value of our exports to that country climbed from the 1963 figure of $56 million to more than $83 million.

In 1962 Ecuador was awarded a basic quota of 25,000 tons but it can be seen from the above that she has averaged shipments to the United States of 53,488 tons, 1961–64, inclusive. It stands ready and able to supply the United States with amounts in excess of 90,000 tons per year. We hope the committee will look with favor upon the exemplary performance and proven dependability of Ecuador and award her a fair and equitable quota.

PANAMA

Panama, the crossroads of world trade, is of tremendous strategic importance to the United States. Time and again the vital importance of the Panama Canal to the United States has been proven.

In the past, the economy of the nation of Panama has been closely linked to that of the Panama Canal Zone. The result has been neglect to important sectors of the economy, causing a huge trade gap to come about. The biggest beneficiary of the Panamanian necessity for importation has been the United States. 1964 figures alone show imports of U.S. goods totaling approximately $110 million while exports to the United States amounted to only $40 million.

Because of our vital concern with the canal we must simultaneously be vitally concerned with the economc well-being of the country of Panama. We are making concerted efforts to assist the country in achieving a viable economy by developing basic industries that would enable the nation in its attempt to close the trade gap. The largest industry in Panama is agriculture and substantial progress is being made in increasing production of tropical products for export. Of foremost importance is sugar. A real stimulant to the national economy could be provided by dollars received from additional sales of

sugar to the United States. The sugar industry is prepared to ship in excess of 30,000 tons of sugar each year to the United States. We earnestly feel that Panama, because of its unique position in this hemisphere, should be assisted in every possible way economically.

We urge the committee to consider the very special situation in Panama and increase her basic quota to an amount equal to that of her neighbors in Central America.

BRITISH HONDURAS

British Honduras is a tiny corner of Central America—a dependent territory of Great Britain which is advancing toward independence. This poor, underpopulated country, as it hangs suspended in the limbo of semiindependence, is unable to obtain direct financial and economic assistance in the manner of a sovereign nation. She cannot participate in our AID program nor deal directly with multinational financial institutions. Therefore, if she is to achieve a viable economy the only significant means is by the infusion of private capital into her economy. British Honduras perpetually suffers from a trade deficit and, as in the case of Panama, the biggest beneficiary of this is the United States, which usually enjoys a better than two to one advantage.

However, in the recent past, this land, with its great, untapped potential for agricultural development, has seen large-scale commitment of private funds in only one industry—sugar. In 1963 Tate & Lyle, the leading British sugar concern, purchased the one existing sugar mill and committed itself to expend over $20 million in improvements of existing facilities, purchase, and planting of large quantities of land and construction of a large new factory. The impact of this expansion of the sugar industry upon the national economy of British Honduras has been astounding.

Sugar will become the largest industry in the country within a brief time. Hundreds of farmers are being given the opportunity to plant sugarcane, hundreds of men will find badly needed employment as facilities are constructed and production increases, and most importantly, if the Corozal Sugar Co., as the local operation is known, is a success, other capital will undoubtedly be attracted to the country.

The importance of the sugar industry to British Honduras cannot be overemphasized. In order to be a successful industry it must be able to sell its product, and it now implores this committee to permit it to gain an increased share of the United States market. In 1962 British Honduras was awarded a quota of 10,000 tons. It would like the opportunity to supply more.

The proportional increase in British Honduras quota would be minute in comparison to the total amount of sugar this committee is being called upon to allocate among the various foreign nations. But, as in the case of Panama, a little could do an enormous amount of good for one of our very small and struggling neighbors.

We hope this committee will favor this groping little country by awarding it an equitable share of our sugar market.

CONCLUSION

Because of the time limitations I have summarized the cases of quota participants we represent. I respectfully request the members of the committee to carefully consider the appending statements submitted for each area, which supplement this testimony.

In conclusion, Mr. Chairman, I wish to thank you and the members of this committee for giving me the opportunity to testify before you today. And I wish to commend this committee, and in particular the chairman, for the prudent and farsighted approach taken on sugar legislation.

I think I am qualified to offer such praise because I have been representing sugar interests as long as Congress has been legislating on the commodity—since 1934. I have attended every sugar hearing before this committee and testified at most—beginning in 1937.

For 28 years, the sugar program was so successful that it was worthy of the highest praise attributable to a regulated agricultural program—the public never knew it existed. But in 1962 a model law was harmfully altered. I fervently hope that the wisdom of this committee will once more prevail so that the wise and realistic approach which it has consistently espoused will again become the will of Congress and the law of the land.

Mr. Chairman, that concludes my statement. I would like to offer for the record the appended statements which I referred to in my testimony, and I would also, if you please, sir, like to offer for the record a communication from the Minister Counselor of Economic Affairs of the Ecuadoran Embassy, Mr. Gustavo Polit.

The CHAIRMAN. Thank you very much, Mr. Quinn, and without objection those articles will be admitted for the record.

(The documents referred to follow:)

APPENDING STATEMENTS OF QUINN & QUINN ON BEHALF OF THE BRITISH WEST INDIES SUGAR ASSOCIATION SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

The British West Indies Sugar Association represents the sugar industries of Antigua, Barbados, British Guiana, Jamaica, St. Kitts, and Trinidad-Tobago. Jamaica and Trinidad-Tobago are independent nations. Antigua, Barbados, and St. Kitts are British colonial islands in the Leeward and Windward chains in the Caribbean, and British Guiana is a British dependency on the north coast of South America. I would like to briefly acquaint the committee with each of these entities.

JAMAICA

Jamaica is formerly a British colony which attained its complete independence on August 6, 1962. It is now a member of the British Commonwealth of Nations. It is a member state of the United Nations Organization and various other world bodies and will most probably soon become a member of the Organization of American States. Jamaica was discovered by Columbus in May 1494 and was originally occupied by the Spanish. The English captured the island in 1655 and colonization proceeded slowly. Sugar soon became the staple crop of the economy.

Jamaica is situated in the Caribbean Sea south of the eastern extremity of Cuba. It is 146 miles long and between 51 and 22 miles wide, and 4,411 square miles in area. Topographically it separates into the coastal plains around the island divided by the Blue Mountain Range in the east and the hills and plateau of limestone which occupy the central and western areas of the interior. The island has a tropical climate which is modified and made equable by the the presence of the sea, warm trade winds, and regular land and sea breezes. It has a conglomerate population of approximately 1,750,000 people which lives in congeniality.

Although industry has rapidly developed and now actually contributes more to the gross domestic product than does agriculture, the latter is likely to remain the basis of the island's economy for many years as it offers the greatest potential to offset the unfavorable balance of trade. The extraction of bauxite ore is the largest item of export and contributes more to the national economy than does any other industry. Agriculture continues to employ more individuals than does any other phase of the economy, and the principal products raised are sugar, bananas, citrus, cocoa, coconuts, coffee, and various other tropical products and vegetables. The sugar industry is the largest employer on the island. Sugarcane is grown on both small farms and estates, and production on farms is greater than that on the larger estates. This is the island's most important crop from the point of view of revenue and employment and after bauxite and alumina, is the most valuable export commodity. There are 18 factories and 1 refinery handling the island's production of cane. The refinery byproducts, rum and molasses, also play an important part in the economy of the island, figuring in the export lists and earning a fair amount of currency. Molasses is also being used to an increasing extent by the local livestock industry. The principal sugar markets are the United Kingdom, the United States, and Canada.

TRINIDAD-TOBAGO

Trinidad-Tobago is also a former British colony and became a member of the Commonwealth of Nations following the attainment of its independence on August 31, 1962. It is a member of the United Nations and is represented on its principal agencies. Like Jamaica, Trinidad was discovered in 1498 by Christopher Columbus, who took possession of the island on behalf of the Crown of Spain. The British took possession of the island in 1797. The island of Tobago, which lies 21 miles northeast of Trinidad, changed hands several times before coming under the British Crown in 1814. Since 1888 it has been linked with Trinidad and now the two islands form a single nation.

Trinidad is the most southerly of the West Indian Islands. It lies immediately above Venezuela in the Caribbean Sea. Tobago lies to the northeast of Trinidad. The land area of Trinidad is 1,864 square miles. Tobago is 116 square miles, giving a combined total of 1,980 square miles. The average length of Trinidad is 50 miles, width 37 miles; comparative figures for Tobago are 26 and 7½ miles. The population is approximately 900,000 people.

Trinidad is rectangular in shape with a horn or peninsula projecting from each corner, those at the northwest and southwest extending toward the mainland of South America. Three mountain ranges traverse the island east to west. Its west coast is lowland, rising gradually toward the interior with fertile hills, plains, and valleys.

Tobago is mountainous in the center and northeast and undulating and flat in the south and west. The highest peak is 2,100 feet. Deep fertile valleys run down from either side of the main ridge. The tropical heat in Trinidad is tempered by prevailing winds and certain geographical factors. Both islands are practically free of storms and are at their best in the late North American winter and early spring. At that season they are regarded as health resorts and yearly are becoming more and more popular with visitors from cooler countries.

The largest dollar earner for Trinidad is petroleum. Chief agricultural commodities are sugar, cocoa, coconuts, coffee, root crops, and livestock. Sugar is one of the islands most important crops and is grown on the west coast. It has always played a major part in the economy. Cultivation covers some 95,000 acres of which 53,000 are on estates owned and operated by the sugar companies, the remainder on some 12,000 small farms. The territory's mineral wealth lies chifly in its petroleum deposits and its natural asphalt lake. No sugar cane is grown in Tobago.

BARBADOS

Barbados is the most easterly of the West Indian Islands and has been a British colony since its discovery in the early part of the 17th century. It is a green tropical island with a varied and attractive coastline, hidden caves and sandy beaches, backed by vivid green sugar plantations and soft undulating hills. It lies some 300 miles north of the coast of South America. It is a fairly small island somewhat pear shaped and only 21 miles long by 14 miles at its widest point near the south, with a total land area of 166 square miles. Its highest point is 1,105 feet near the center of the island. Lying well out in the Atlantic it

enjoys one of the healthiest and most invigorating climates in the West Indies. It has a varied population of approximately 250,000 people, including Negroes, whites, and mixed peoples.

The Government is that of a British Crown Colony. Internal self-government was achieved in 1961, and it is projected that Barbados will be the capital of a new nation consisting of a group of West Indian islands.

The island has a total land area of 106,240 acres with some 68,500 acres of arable land. The land is for the most part intensively cultivated, and sugarcane accounts for some 60,000 acres alone. On the sugarcane lands, however, some 15 percent, or about 9,000 acres, produce food crops as a rotation. Sugarcane, which now provides both the basis for the economy and the main source of employment, has been cultivated since about 1640. This highly intensive crop provides more work per acre than any other, can be economically grown and maintains soil fertility. Roughly a quarter of the production is in small land holdings and the remainder on large estates. The small land holdings are about 30,000 in number, with an average size of a third of an acre each and are cultivated by part-time farmers who sometimes work as laborers on the estates or in the sugar factories for a part of the year. The estates, which comprise some 240 plantations of over 10 acres each, are mainly under private ownership of families who settled in Barbados in the 17th and 18th centuries. Other crops are cotton, vegetables, fruits, and livestock.

BRITISH GUIANA

British Guiana, the largest member in land area of the British West Indies Sugar Association, is situated on the northern coast of South America, lying between Venezuela on the west and Dutch Guiana (Surinam) to the east. It is a British colony with full internal self-government and stands on the threshold of independence. It is the only British colony in South America. It will emerge as a nation under the name of "Guyana." The country was first discovered by the Spanish and finally became a British possession in 1831. It is a green subtropical country nearly as large as Great Britain, roughly rectangular in shape penetrating some 400 miles southward to Brazil from the Atlantic seaboard. The coastline extends eastward for 270 miles from the Venezuelan border.

The country's land mass is over 83,000 square miles, but the majority of its approximately 630,000 people live and work on only 4 percent of its surface. The population is racially heterogenious, and the country is popularly known as the "Land of Six Peoples," with the principal races being Negro, East Indian, Portuguese, Chinese, and European, as well as the remnants of Amerindian tribes which live mainly in the forests and savannahs.

The economy is narrowly based so that it is dependent to a very great extent on only a few products such as sugar, bauxite, and the cultivation of rice.

It is usual to regard the country as having three geographical zones which may be designated as the coastal strip, the middle belt, and the highland region. Each has distinctive characteristics. The coastal zone is a densely populated and intensively cultivated ribbon of land running along most of the coastline and for a short distance along the banks of the principal rivers. Cultivation rarely extends beyond 10 miles inland. South of the coastal plain the land rises to a gently undulating area of scrub plain and forest. This is an area which is currently undergoing considerable mineral exploitation, particularly bauxite, gold, diamonds, and manganese. The highland region is a region of high mountains beyond which lies a great area of savannah.

In terms of value of production, number of wage earners employed, and of general influence, sugar is the most important industry in the country. Traditionally, it is the industry upon which the country has always depended. The bulk of the cane is grown on plantations owned by two large companies, which also operate the processing factories, but there are a number of small farmers. Sugar and sugar preparations account for approximately 40 percent of the country's exports.

ANTIGUA

Antigua is located in the Leeward Island chain and for ministerial purposes has dependencies of the islands of Barbuda and Redonda. The three together are considered a single British colony. Antigua, as is true of many of the other areas of the West Indies, was discovered by Christopher Columbus in 1493. It came into British hands in 1632.

These are small islands, all three having a total land area of only 170 square miles. Antigua is a most pleasant island with deeply indented shores lined by

reefs and shoals with many natural harbors. The extreme heat and humidity normally encountered in tropical regions are tempered by the almost continual sea breezes and limited rainfall making "dry and sunny," perhaps the best overall description of the island's climate.

Basically, the population of approximately 65,000 is of African descent. The economy is based primarily on two agricultural crops, sugar and cotton. Sugarcane is grown on some 12,000 acres at present. Harvesting is very much dependent on rainfall and availability of labor (some of the required force must be brought from nearby islands). The island has one sugar factory.

ST. KITTS

The Island of St. Christopher in the Leeward chain (more commonly known as St. Kitts) was discovered and so named by Christopher Columbus in 1493. With the adjacent islands of Nevis and Anguilla it constitutes a single British colony bearing the name of all three islands.

It was the first of the British West Indian Islands to be settled and became a British possession in 1783.

St. Kitts has a total area of 65 square miles. Its central area is mountainous and forest clad. The lower slopes of the mountains are cultivated almost entirely in sugarcane. Although the climate is hot it is a remarkably healthy one with extremes tempered by ocean winds. The population is approximately 50,000 people.

The principal industry of St. Kitts is the raising of sugarcane, which is grown on approximately 15,000 acres.

THE BRITISH WEST INDIES SUGAR ASSOCIATION

The areas whose sugar industries comprise the British West Indies Sugar Association, extend in an arc of islands from Jamaica in the north down to Trinidad in the south and on to the territory of British Guiana on the continent of South America. It can thus be seen that the British West Indies and British Guiana comprise a strategic chain of friendly territories in the Caribbean, an area that becomes more vital to the United States every day. Recognizing this importance the United States recently renegotiated the bases agreement made between the British and United States Governments during World War II to provide military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961, the United States dealt directly with the respective territories and the agreement was extended for a 17-year period.

All six of these countries enjoy a fully democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. Government policy is in the hands of "Cabinets," formed from the elected members of the majority political party in power in the respective parliaments.

As has been noted Jamaica and Trinidad-Tobago are independent nations. It is anticipated that the other countries also will shortly become fully independent either as individual units, as in the case of British Guiana, or in combination, in the case of Antigua, Barbados, and St. Kitts.

All of these areas have much in common and much to be proud of by way of achievement and progress. They all have multiracial societies which have enviable records in the field of race relations. They have been repeatedly congratulated by world leaders on the harmonious blending of several races into a single people.

Industrial relations are especially advanced in comparison to other developing countries. Labor is highly organized and the trade union system has been functioning for two decades. The normal processes of wage agreements, conciliation, arbitration, and the like are a familiar pattern. The trade unions of the area are federated in the Caribbean Congress of Labor and are fully informed of developments and conditions throughout the area and the world in general. The West Indies can uniquely claim to have reached the stage of full consultation and negotiation in industrial relations along the lines of the modern patterns of the free world.

The sugar industry of the West Indies is proud of the fact that labor shares virtually automatically in any increased revenues that accrue to that industry. In all the territories of the area a levy is imposed on sugar for the welfare of the workers in the industry, including provision for housing schemes, pensions, medical services, community centers, and playing fields. These expenditures cost millions of dollars annually.

In the West Indies agriculture is the major employer and sugar provides the firm structure on which diversified economies can be built. No less than 18 percent of the labor force in these territories is directly employed in the sugar industry.

In some developing areas of the world, particularly Latin America, a criticism that is often heard is that the more prosperous elements of society make no effort to aid the poorer classes. The tax systems ring with inequity. This certainly cannot be said of the West Indies where taxation on personal and company incomes is levied at high rates and taxes are collected. As far as the sugar industry is concerned a direct levy on export sugar is made in all territories—for stabilization of the industry, rehabilitation and improvements in field and factory and, most importantly, for the welfare of workers. The sugar industry also makes a considerable contribution to local treasuries through excise duties.

IMPORTANCE OF THE SUGAR INDUSTRY

It can already be seen that the sugar industry is of vital importance to the areas of the British West Indies but let us now be more specific as to just how major a role the industry really plays in their economics. It may be accurately stated that sugar has been the economic mainstay for centuries. In some of the territories it represents virtually the whole source of revenue and production capacity, while in others it is a considerable part of the national income. The sugar industry provides the means of livelihood and sustenance for about one-quarter of the total population of the area, and the reasons for this dependence upon sugar are sound. Unlike Cuba, Mexico, Brazil, etc., the area of cultivatable land is scarce relative to population. The West Indies must grow sugar because it is the only crop that can be so profitably grown in small tropical areas.

In terms of employment the following chart vividly portrays the part sugar has in providing work in the West Indies:

	Directly employed by sugar companies (1)	Employed by cane farmers (excluding self-employed) (2)	Total (3)	Estimated total labor force (4)	Percentage (3) of (4) (5)
Antigua	2,500	1,200	3,700	25,000	41.8
Barbados	21,000		21,000	109,000	19.3
British Guiana	19,000		19,000	232,000	8.2
Jamaica	28,500	50,000	78,500	650,000	12.1
St. Kitts	6,000		6,000	10,000	60.0
Trinidad	19,000	33,000	52,000	278,000	18.7
Total	96,000	84,200	180,200	1,304,000	13.8

Current annual wages as paid by sugar companies, estates, and factories are as follows:

	U.S. dollars per annum
Antigua	1,144,200
Barbados	15,300,000
British Guiana	16,563,857
Jamaica	14,803,886
St. Kitts	2,414,864
Trinidad	12,750,798
Total	62,977,605

NOTE.—In the case of Jamaica, the figure is for nonstaff workers only.

As a further note on wages it should be emphasized that the great majority of sugar workers are paid at higher rates than the minimum required by law. Bonus payments are made to sugar workers in all territories. Sales of sugar to the United States in the past few years, and the increased price of world market sugar, improved the revenues of sugar companies. These additional revenues were divided between the workers and employers, by agreement with the trade unions, and paid out as additional bonuses. It can be seen there-

fore, that everyone benefits from sales to the United States—down to the lowest paid employee.

The value of sugar and sugar products in relation to national income and total exports is indicated by these two charts:

National income

[Money in U.S. dollars]

	Total value of sugar, rum, and molasses produced per annum (1)	Total gross domestic per annum (2)	Percentage (1) of (2) (3)	Per capita national income (4)
Antigua	$3,424,200	$13,500,000	24	$225
Barbados	31,380,000	76,560,000	41	324
British Guiana	42,600,000	150,000,000	28	205
Jamaica	55,056,462	707,000,000	8	384
St. Kitts	5,459,795	13,693,380	40	159
Trinidad	37,819,800	597,600,000	6	510
Total	175,740,257	1,558,353,380	11	

Exports

[Money in U.S. dollars]

	Total value of exports of sugar, rum, and molasses (1)	Total value of all visible exports (2)	Percentage (1) of (2) (3)
Antigua	$3,270,000	$3,540,000	92
Barbados	29,616,000	42,000,000	71
British Guiana	40,800,000	[1] 94,800,000	43
Jamaica	46,046,972	[2] 248,360,000	19
St. Kitts	4,620,000	4,800,000	96
Trinidad	28,229,654	[3] 356,360,000	8
Total	152,582,626	749,860,086	20

[1] Includes bauxite to the value of $17,700,000.
[2] Includes bauxite and alumina to the value of $79,606,000.
[3] Include petroleum products to the value of $175,560,000.

It is essential to stress the importance of the sugar industry to the small farmer—as opposed to the large companies that operate large estates, for the well-being of these farmers is vital to the stability of their countries. These are the people who supply vast quantities of cane to the factories for processing. This table below shows the number of independent cane farmers by territory and the annual payments made for cane supplied to factories.

	Number of cane farmers and small holders	Payment for cane [1]
Antigua	3,000	$2,106,600
Barbados	16,000	21,900,000
British Guiana	2,464	367,118
Jamaica	24,148	22,956,839
St. Kitts		3,285,271
Trinidad	11,000	4,946,917
Total	56,612	55,562,745

[1] In U.S. dollars.

Production of sugar in the West Indies is currently over 1,350,000 long tons. It has increased considerably in recent years. The British West Indies Sugar Association ships approximately 900,000 long tons to Great Britain and Canada each year. With total local consumption of approximately 140,000 long tons the West Indies and British Guiana can make available at least 300,000 long tons to the U.S. market.

In 1962 the British West Indies was accorded a basic quota position of approximately 90,000 short tons. However, British West Indies entered our market for the first time in 1961 and its deliveries since then are as follows: 1961, 265,845 short tons; 1962, 181,661 short tons; 1963, 141,356 short tons; 1964, 142,228 short tons; 1965, 126,145 short tons (authorized thus far).

These figures indicate average shipments during the period 1961 through 1964 to be 182,772 short tons. This is indeed a creditable performance record and it is our hope that the British West Indies will be given the opportunity to improve upon it.

The member countries of the British West Indies Sugar Association are still very much in the "underdeveloped" category. Definite efforts are being made to diversify their economies but for quite some time in the future they will have to rely greatly upon the production or extraction of basic commodities. It does these countries no good to produce unless they can sell their products abroad in stable markets for adequate prices.

We have attempted to emphasize just how important sugar is to the British West Indies. It is a basic commodity of paramount importance to these countries. We hope this committee will continue to favor these areas by making available to them an ever-expanding market for their sugar, and permitting them to continue to prove they are a dependable proximate source of supply.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF PANAMA SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

The Republic of Panama forms an isthmus that connects the gigantic land mass of South America with Central and North America. It is bounded on the north by Costa Rica and the Caribbean Sea and on the south by Colombia and the Pacific Ocean. Lying only 9° above the Equator and being bisected by the Panama Canal it has become the crossroad of world trade and is the geographic center of the Western Hemisphere. It is a mountainous country with two ranges which together traverse its entire length. The mountains enclose many fertile, well-drained valleys and plains. In the eastern part of the country there are great expanses of intense tropical jungle.

The nation is 480 miles in length and from 37 to 110 miles in width. It has a land mass of 28,576 square miles, which by way of comparison makes it approximately one-half the size of Florida. Approximately 65 percent of Panama's total population live in rural areas. Although the soil is very fertile and the rainfall and other climatic conditions are favorable for growing a large variety of tropical fruits and vegetables, only a fraction of the rich interior plains and valleys has been brought into cultivation. It has been said that the Panama Canal, which traverses the heart of the country, is the primary reason for the neglect of Panama's rural areas. Analysts of the economic conditions of the nation have found that much of the labor force, instead of being employed in more productive areas, is concentrated in the terminal cities, the economies of which are closely linked to the Canal Zone. Other students of the subject have attributed the neglect of the rural areas to various other factors, such as lack of adequate farming and transportation facilities, large-scale land speculation, and an inefficient land tenure system.

The leading industries of Panama are agriculture, forestry, fishing, mining, and to a small extent light industry. In the area of agriculture the principal activities are livestock raising and the growing of bananas, coffee, cocoa, sugar, rice, maize, and tobacco. The forestry and mineral industries are conducted on a rather small scale but there is great untapped potential for both. The fishing industry consists of several major companies which export the bulk of their catches to the United States, the most importnt item being shrimp.

Towering over Panama's past and future is the Panama Canal which lies within the Canal Zone, the U.S. Government Reservation. It occupies 375 square miles of land and 275.52 square miles of inland and tideland waters. The Canal Zone occupies a relatively small area in the nation of Panama. Its total

land area is slightly over 1 percent of Panama, and the zone's population of approximately 47,500 usually runs about 4 percent of that of Panama's, whose population in 1964 was estimated to be approximately 1,250,000 people. The canal is an omnipresent component of Panamanian national life, and has always been the focal point for internal politics.

The strategic importance of the Panama Canal, particulartly to the United States and also to this hemisphere, has often been proved. During World War II, 5,300 combat vessels transitted the canal and 8,500 other ships carried troops or military cargoes through it. This was an implied saving in much time and money for allied nations. A similar phenomenon occurred in 1953 during the Korean war. Over 1,000 U.S. Government vessels used the Panamanian waterway to carry supplies to the United Nations forces in the Far East. And now, once again, in the ever-widening war in Vietnam, the strategic importance of the canal is being reemphasized. Already, crack fighting units and the materials to support them are passing through this vital waterway bound for the conflict.

The strength of the United States, which rests in large measure upon our Nation's economic well-being, depends in turn upon the availability of raw materials for its ever-growing industry. It has been said that the closing of the Suez Canal in 1956 demonstrated the need to keep the Panama Canal in effective operation, if serious destruction of the economies and defense capabilities of many of the free nations of the world are to be avoided. In 1962 approximately 22,189,000 long tons of U.S. exports and 17,669,000 tons of U.S. imports, and 5,620,000 tons of cargoes moving in the U.S. intercoastal trade passed through the Panama Canal. The canal permits a substantial saving for the United States in both intercoastal and foreign trade. By reducing transportation costs, it benefits the American consumer.

That the United States needs the Panama Canal has been aptly demonstrated by the fact that it is currently exploring the possible construction of an additional canal, the site of which will probably also be in Panama. Because the United States relies so heavily upon the existence of the canal, it must of necessity be continually and vitally concerned with the economic stability of the nation of Panama. For years income from the lease of the canal has largely supported the national economy. One-third of all Panamanian revenue derives from the zone, through wages paid employees and expenditures by and on behalf of temporary U.S. personnel assigned to this zone and maintenance of canal facilities.

With such emphasis upon the zone, important sectors of the economy have been neglected, but in recent years steps have been taken to diversify the economy and reduce the tremendous gap that Panama perpetually suffers in its ratio of imports to exports. In 1964, for example, Panama had total imports from all sources of $169.1 million, an increase of about 3 percent over 1963, while exports were $59.1 million, an increase of 22 percent over 1963. The biggest beneficiary of the Panamanian necessity for importation has always been the United States. In 1963 direct imports from the United States to Panama amounted to $74 million, as compared with $66.7 million in 1962. This represents approximately 45 percent of all total foreign procurement for a country. Figures for 1964 show imports from the United States amounted to $109,835,775, while exports to this country amounted to only $40,147,690—a great deficit in our favor.

As has been noted before, only a fraction of the fertile lands that could be devoted to agricultural production have been put under cultivation. But in recent years concerted efforts have been made to increase the production of basic commodities. The Government is conducting programs for the purchasing of crops at fixed prices, lending agricultural equipment to farmers, and advancing money to encourage the setting up of new agricultural enterprises, as well as the development of existing ones. The Ministry of Agriculture, Commerce, and Industries is coordinating plans for the Economic Development Institute and the Agrarian Reform Commission. These agencies have concentrated on planning, increasing, diversifying, and rationalizing agriculture and thus far have been achieving good successs.

In the same vein it should be noted that there is considerable interest in Panama's participation in the Central American Common Market. The present Government is said to believe that Panama has no choice but to associate itself with the Common Market to obtain access to a market of 15 to 16 million people. President Robles has recently announced the creation of a Foreign Trade

Advisory Department which will deal principally with matters pertaining to the Central American Common Market.

The U.S. Agency for International Development has instituted various programs in cooperation with the several agencies of the Panamanian Government. It has recently approved a $2.5 million loan to the Panamanian Government to foster agricultural development. Also there have been recently expanded loan programs in this sector by two local private U.S. banks. In its capacity of a principal participant in activities of agencies of the United Nations and the various multinational financial institutions the United States has also done much to foster the economy of Panama.

However, it should be quickly noted that while the United States is attempting to stimulate the growth of the Panamanian economy, it does not mean that our exports will be deprived of sales opportunities while the dollar gap is being closed. On the contrary, recent Department of Commerce reports indicate considerable opportunity exists in various sales areas particularly agricultural and related equipment.

Any discussion of the expansion of agriculture in Panama must include special reference to the sugar industry. Sugar is the fifth ranking industry in Panama and ranks fourth among agricultural commodities. Sugar is grown in eight of Panama's Provinces with heaviest production being centered in Cocle, Varaguas, and Herrera. Sugarcane is grown on a total of approximately 23,500 acres, which includes the plantations of the two principal companies and the farms of over 2,100 independent growers.

The manufacturing of raw sugar in Panama began in 1914 and has steadily developed in scope and in importance. There are today two commercial mills, Azucarera Nacionale, S.A. and Compania Azucarera La Estrella, S.A., which manufacture raw sugar from cane grown on their own plantations, and on the farms of the independent growers. The investment in the sugar industry is one of the largest in the nation representing approximately $20 million. Almost all equipment and machinery used in Panamanian sugar production is manufactured in the United States.

The two mills have a combined daily grinding capacity of 6,000 tons of sugarcane. This will be increased to approximately 10,000 tons per day by 1970. Raw and refined sugar is produced as well as alcohol, molasses, and other products. The companies have always enjoyed good relations with the Government, local consumers, and the public in general. The high quality of the refined sugar produced is recognized by domestic consumers as well as foreign users.

The prominent and respected families of Chiari and Delvalle-Penso have cautiously guided the sugar industry on a course of gradual expansion. Now, with government urging, it is their desire to increase the rate of development in the hope of affording the nation the benefits to be derived from increased sales of this important money crop, through which she can obtain the badly needed foreign exchange which is necessary for continued national growth. The following chart indicates the gradual increase in sugar production.

	Short tons, raw value
1955–60 (average)	25,000
1962–63	40,000
1963–64	54,000
1964–65	63,000

Approximately 29,000 tons of sugar is currently consumed domestically, leaving over 30,000 tons available for export to the United States.

Exclusive of the independent farmers, the sugar industry employs over 3,300 persons and provides support for an estimated 10,000 people. Factory employees are unionized, and labor contracts are negotiated each year. Employees enjoy numerous fringe benefits, holidays, sick leave, vacations, and medical care.

At any given time the two sugar companies can store 20,000 tons of sugar for the American market with existing facilities. New bulk storage warehouses are being constructed to increase storage capacity by an additional 10,000 tons. In the future, Panama can have on hand for shipment to the U.S. market (shipping time 5 to 7 days) 30,000 tons of refined and raw sugar, depending upon our needs.

It is an avowed policy of the United States to provide for the developing nations, particularly those in this hemisphere, stable markets for the sale of their basic commodities at fair returns, in order to allow them to obtain dollars needed for sound development. Sugar, a proven dollar earner for the nations of this hemisphere, is a logical choice of a commodity that should be selected for

expansion in Panama. A valuable source of revenue could be provided for Panama by affording her the opportunity to ship additional quantities of sugar to the United States, over and above the basic quota allocation of approximately 15,000 tons which she was awarded by virtue of the 1962 amendments to the Sugar Act. It is the earnest desire of Panama that she be granted a quota which would place her on a par with the other participants in Central America. The basic quotas awarded to the Central American nations in 1962 were as follows: Nicaragua, 25,000 tons; Costa Rica, 25,000 tons; Guatemala, 20,000 tons; and El Salvador, 10,000 tons.

In summary, on behalf of the sugar industry of the country of Panama, we strongly urge this committee to consider the unique position that Panama enjoys in this hemisphere and in particular its extraordinarily sensitive relationship with the United States. Because of our vital interest in the Panama Canal we must necessarily have a desire for well-being and tranquillity within the nation of Panama. It is imperative therefore that the United States assist this nation in its efforts to evolve a viable economy. In order to do this Panama must be permitted to close the vast chasm that has always existed between what she is forced to import and the comparatively small amount that she is able to export. She must be permitted to export commodities and products that she can produce practically and sell for adequate return. Sugar is a perfect choice for such a commodity. In comparison to the amount of sugar that the United States consumes on a yearly basis the award of an additional 10,000 to 15,000 tons of basic quota to Panama is inconsequential, but an increase of this size in her quantity of exportable sugar would be of immeasurable importance and benefit to this small nation.

We respectfully submit this plea and strongly urge the committee to give it favorable consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF ECUADOR SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

Ecuador is the second smallest of the South American republics. It is the most densely populated country on the continent (4,500,000). It lies on the west coast of South America and, as its name implies, is crossed by the equator. By far the greatest part of its territory, including Quito, the capital, stretches south from the equatorial line. It has an approximate land area of 111,168 square miles; that is, about the area occupied by Italy. To the north, the country is bordered by Colombia, to the east and south by Peru, to the west by the Pacific Ocean.

There are four clearly defined geographical regions: The coast; the Andean Mountains and valleys; the eastern slopes and jungle stretching toward the interior of the continent; and the Gallapagos Islands, in the Pacific Ocean. The coastal area known as "La Costa", which covers a little over a quarter of the country's surface, provides nearly all of the country's export products (95 percent), both agricultural and mineral. These are principally: bananas, cocoa, rice, coffee, sugar, toquilla palm, which is used in handwoven straw hats, and petroleum. Ninety-five percent of the country's exports are of agricultural origin.

The Ecuadoran sugar industry is an example of the success of private enterprise in the responsible performance of its obligations to its own domestic market and a national economy as a whole. During the first half of this century, Ecuador, with its low standard of living and low production level, in a routine traditional way, had been satisfying the nation's sugar needs. However, in the wake of the world economic crisis of 1929–33, aggravated in Ecuador by the collapse of cocoa exportation, on whose monoculture the economy had previously depended, great deficits in sugar requirements emerged, as a result of which the country had to import sugar for many years, a fact which worsened the general economic situation.

At the end of the Second World War, like the rest of the countries in Latin America, Ecuador entered into a period of recuperation and economic development. But it was not until the beginning of 1950 that the sugar industry began to advance with rapid strides. During the decade of 1950–59, the administrators of the sugar industry concentrated their efforts on the obstacles that had been impeding its development and managed to overcome them by reequipping the sugar mills and completely renovating the methods of cultivation and cutting of sugarcane. The result was decisive. The increase during the first 4 years

was barely noticeable, but unquestionable. With an annual rate of growth of 2.2 percent production increased by 7 percent. In 1955 there was a jump of 36.2 percent, an increase that assured further expansion, which, by 1959, reached 106,921 short tons total production. By the end of the decade, a final computation of production growth showed that it had been more than doubled with a total increase of 109 percent. By 1964 total production of the two principal mills, which account for approximately 92 percent of national production, was 190,000 short tons.

The annual rate of increase in the population of Ecuador is approximately 2.7 percent, which means it has one of the highest growth rates in the Western Hemisphere. Up to 1950 the sugar industry was not able to satisfy local consumption within the country. The deficiency was made up by importation of sugar and use of a lower form known as "panela" (made from a noncentrifugal process). The per capita consumption in 1950 was calculated to be 15.1 kilograms per person. As low as this appears, still it was an increase over the previous amount of 9.4 kilograms per person for the period of 1930–34. With the growth of the sugar industry, the consumption per capita was able to increase to 15.24 kilograms by 1955, to 15.4 kilograms by 1959, and to 20.11 kilograms by 1964.

The expansion efforts of the Ecuadoran sugar industry have been of great benefit to the general economic growth of the country and have contributed substantially to improving the nation's standard of living. At present the industry ranks fourth on commodity production, and sugar is the fourth largest item of export.

In 1951 there were 113,665 acres of land planted in sugarcane, or 6 percent of the producing land of Ecuador. Of this, 36,595 acres, or 32 percent, were used for the industrial production of sugar, 46 percent for panela, and 22 percent for another lower form of sugar known as aguardiento. In 1959, the area dedicated to the sugar industry had increased very little, while the area used for the other two products (panela and aguardiento) registered a greater increase. In 1964 the total amount of acreage devoted to sugarcane for industrial production was 46,570 acres.

The sugar industry has two modern mills, San Carlos, owned by Sociedad Agricola y Industrial, which grinds 6,000 tons of cane per day, and Valdez, owned by Compania Azucarera Valdez whose capacity is 5,250 tons. Both are well equipped, efficient factories with high yields.

The two main producer-processors have been able to greatly expand production without substantially increasing the amount of acreage planted, and also they have constantly increased the number of persons employed in the industry. In the years of great expansion, 1960–64, the number of workers increased from about 11,000 to over 17,000. Approximately 70,000 people benefit directly from the industry.

Substantial investments, thanks to credit opportunities both from within and without the country, were made in order to effect orderly expansion of the industry. In addition to modernization of mills, great sums were expended on increased mechanization and cultivation and harvesting, variation and classification of cane varieties, irrigation and intensive use of fertilizers.

The two principal mills are situated near the city of Guayaquil, the main seaport of the nation and the largest center of population and consumption. The industry has a network of rail, river and road communications which facilitates transportation.

Ecuadoran sugar workers are among the best treated employees in the nation. They earn more than twice what is earned by the average worker in Ecuador. Sugar workers are unionized and represented by "Comites de Empressa" (enterprise committees). These committees represent at least 50 percent of the workers and they conduct all collective bargaining negotiations with the sugar companies. They are controlled and directed by Federal laws.

Among the many benefits enjoyed by employees of the two principal mills are:

1. Fifteen days of vacation per year.
2. Sixty half days paid allowance for sickness.
3. Fifty percent of salary paid in the event of accidents suffered at work such benefit lasting for up to 1 year of disability.
4. Free hospitalization, medicine, and medical services.
5. Gratuitous payment of 1 month's salary per year.
6. Participation in 10 percent of the company profits each year.
7. Retirement benefits after 25 years of continuous work for one company.

8. Retirement benefits under a system of social security at age 65 with 30 years of participation in the program. Under this system a worker may also retire at age 55 without having the required 30 years membership and also receive a scaled-down rate of benefits.

9. A "semana integral" which is equivalent to a day and half's free salary per week. A worker is also paid additional amounts if he works Saturday afternoons and Sundays with 100-percent surcharge on his salary.

10. Groceries and other provisions sold to workers at cost through modern factory supermarkets.

11. Free schools for workers' children.

12. Free movies for workers and their families.

13. Certain gratuitous death benefits.

14. Unemployment protection provided by means of a social security system.

15. Credit facilities available for building loans, on 20- and 30-year terms through the social security system.

All in all the fringe benefits paid to sugar workers signify about 6.47 percent of the total cost or production, including marketing costs in bringing the finished product to the consumer.

The sugar industry of Ecuador is a completely national industry from every respect including capital invested, direction and administration, employees and raw materials used.

Ecuador, as an underdeveloped nation with a limited number of commodities which can be economically produced, must trade to survive and the items it has to offer for trade are few. As has been previously stated, Ecuador used to have a monoculture which was wholly dependent on cocoa. The sugar industry, recognizing the need for diversification within the economy, and particularly within the area of agricultural production, raised its production by means of modernization of facilities in both field and mill. By so doing the industry not only was able to satisfy national consumer needs but also produce a sufficient surplus to make available a badly needed additional crop for export.

It was in 1961, following the cessation of importation by the United States of Cuban sugar, that Ecuador first shipped sugar to the United States. In that year the nation delivered a total of 36,010 tons. In 1962, the Ecuadoran sugar industry sought and was granted a basic quota position in the U.S. sugar market. Ecuador was awarded a basic quota of approximately 25,000 tons (when the consumption estimate of the United States was set at 9,700,000 tons). Following is a record of Ecuadoran sugar shipments to the United States:

Year	Basic quota	Charged to basic quota	Global quota	Deficit allocation	Total deliveries	U.S. consumption estimates
1961	36,010				36,010	10,000,000
1962	10,011	10,011	40,068	16,782	66,861	10,000,000
1963	28,048	27,048	28,156	2,793	57,997	10,400,000
1964	25,200	25,200	32,906		58,106	9,800,000
1965	[1] 51,121					9,200,000

[1] Authorized.

As can be seen from the above chart, although Ecuador was awarded only the basic quota of approximately 25,000 tons, it has been able to consistently supply to the United States more than twice the amount of sugar, since the passage of the 1962 amendments. As you know, it was during these years that the United States put forth urgent calls to all supplying nations to ship sugar over and above basic quota allocations. Ecuador responded to these pleas in an extremely admirable fashion. It did so despite the fact that it could have sold considerable quantities of sugar on the world market and received greater profit.

On the basis of its past performance, its proven dependability and loyalty to the U.S. market, the sugar industry of Ecuador feels justified in requesting of Congress a substantial increase in the basic quota allocation of 25,000 tons, made under the 1962 amendments to the Sugar Act. The exact amount of the increase we leave to the sound discretion of this committee. But Ecuador is in a position to offer upward of 75 million tons, to this market. Whatever the quota, the United States would be assured of a certain source of supply for this amount of sugar each year, and even greater quantities, should this country need it—and all of this sugar is within 10 or 12 days shipping time to U.S. ports. As a matter

of fact, the sugar industry of Ecuador, to assure that it will always have an abundant supply for the U.S. market, a quantity of sugar equal to 50 percent of its basic quota, which amount will not be sold in other markets until released by the United States. New bulk storage facilities are being constructed in Ecuador and if it is the desire of the United States that such a reserve be held, whatever space is necessary to fulfill this commitment will be appropriated to it.

It is a privilege to have presented this statement to this distinguished committee and we respectfully submit it for your study and consideration.

APPENDING STATEMENT OF QUINN & QUINN ON BEHALF OF THE SUGAR INDUSTRY OF BRITISH HONDURAS SUPPLEMENTING THE TESTIMONY OF ARTHUR L. QUINN

We are pleased to present this statement on behalf of the Corozal Sugar Co., Ltd., of British Honduras. The Corozal Sugar Co., Ltd., as a subsidiary company of the leading British sugar concern, Tate & Lyle, Ltd., grows substantial quantities of sugar in British Honduras and processes all of the sugar cane produced.

British Honduras is officially categorized as a dependent territory of Great Britain, but is rapidly emerging as an independent nation. In 1964 England granted the country internal self-government and, when both Great Britain and the Government of British Honduras consider that the country has sufficiently developed, she will then be granted her complete freedom.

Belize, as British Honduras is known throughout Latin America, is a coastal strip some 175 miles long and about 70 miles wide at its broadest point. This small corner of Central America lies on the eastern shore of the Caribbean below the Yucatan Peninsula of Mexico. It has a land area of 8,867 square miles, which is roughly equal to the size of Massachusetts and it is the second smallest political division on the American Continent, being slightly larger than San Saldavor, the smallest Latin American state. It is bounded on the north and northwest by Mexico, on the south and west by Guatemala, and on the east by the Caribbean Sea. A barrier of coral reefs and small islands parallels the country at distances up to 30 miles from the shore.

The northern half of British Honduras consists mainly of a low lying coastal plain, which is frequently swampy but contains much fertile and potentially rich agricultural land. The southern half of British Honduras consists to a lesser extent of a coastal plain but also has the Maya Mountain Range with peaks rising to over 3,000 feet. The climate is generally subtropical and is on the whole agreeable to nontropical peoples and the raising of tropical products. The mean annual temperature for the nation is around 80 degrees. Along the coast the heat and humidity are tempered by sea breezes during most of the year.

British Honduras, with a population slightly in excess of 100,000 people, is one of the least populated areas in the world, but with a birthrate of over 3 percent it has one of the highest rates of population increase. Close to half of the population is centered in and around the capital city of Belize. The long and romantic settlement history of British Honduras has produced within the small population a great variety of racial types. Attempts at classification of race are very unsatisfactory due to the great amount of mixing that has been done through the years. Suffice it to say that Negroes, Latin Americans, Americans Indians, and whites, and all combinations thereof, live in peace and harmony within the country. A variety of language is spoken with English and Spanish predominating.

British Honduras once comprised a major portion of the Mayan Indian empire. Once, over 750,000 Mayans lived in present day British Honduras. From the 4th century to the conquest of the 16th century their civilization was the most brilliant and advanced in the new world but, about A.D. 900, for still unknown reasons they abandoned their cities in and about British Honduras and migrated elsewhere.

The first Europeans came to British Honduras in 1502 when Columbus sailed along its coast. It became a British colony in 1862 following a very stormy history. Up until 1946 the country was almost forgotten by the British. Hurricane winds in 1931 had almost destroyed Belize and devastated plantations. By the time the country had partially recovered World War II arrived. But, starting in 1946, British Honduras took on a new look and approach. The British Government, through the Colonial Development Co., encouraged expansion by conducting a series of studies on economic development needs. Serious investment and development took place until on October 28, 1961, the

fearsome Hurricane Hattie, with winds gusting up to 230 miles per hour, devastated the country and flooded the capital. Reconstruction and development following Hurricane Hattie has been very well organized and steady, but much remains to be done before the country is able to stand on its feet economically.

Self-governing authority is vested in a cabinet consisting of a Premier, the Honorable George C. Price, and his ministers. Foreign affairs and internal security matters remain within the jurisdiction of the British Colonial Governor. Political stability is an outstanding characteristic of the country.

The economy of British Honduras has been traditionally based on forest products, especially tropical woods and chicle, the basis of chewing gum. By any standards it is a poor country and has never been able to support its small population. Food, as well as manufactured articles, must be imported in great quantity. Neither the people nor the land itself are the primary causes of the poor economic situation. Various circumstances far beyond their control, such as Hurricane Hattie, have greatly influenced its economic position. Mahogany has become harder to find and more expensive to process. Log wood, which served as a source of dyestuffs has been largely replaced by synthetic dyes and artificial gums have largely replaced chicle. Thus far, efforts at raising bananas have met with failure due to Panama disease. British Honduras exhibits most of the problems typical in an underdeveloped country except that of the pressure of population. It is afflicted with the common malady of so many developing nations, that is, a considerable gap between her exports and imports. Over the past 10 years imports for British Honduras have more than doubled. Although total exports have increased significantly the country still finds herself plagued with a gross imbalance of trade. The United States is the largest single supplier of imports, having supplied approximately $10 million worth in 1964, as opposed to taking approximately $4 million worth of British Honduran exports. The Government is acutely aware of this problem and if the country is ever to balance its economy it must place emphasis on the development of agricultural commodities. As mahogany and other lumber products are fast declining as large export items, sugar and citrus loom as the most important products in the development of the economy.

On paper, the problem does not seem so gargantuan as the trade gap might indicate. The country has plenty of unused fertile land, particularly in the southern portion. The subtropical climate suits many crops. A serious handicap is that much of the very rich soil is being held by private owners for speculation, in the hope of an increase in acreage prices. But the Government still owns many thousands of fertile acres which could be successfully put into agricultural production and steps will probably be taken to force absentee landholders to either put their land into production or sell it.

The Government's hardest problem will be to convert, not the land, but the people. There are comparatively few farmers in British Honduras. Of the population of slightly more than 100,000 over one-third of the people are crowded into the capital city of Belize. There are about 15,000 more people in other towns, leaving the rest of the country sparsely inhabited. The people adhere rigidly to patterns of traditional prestige. Many of the natives feel that it is beneath their dignity to till the soil. The Government is undertaking a vast educational and psychological effort to change the attitudes of its people. It is earnestly attempting to raise the level of economical activities sufficiently to absorb the unemployed and underemployed labor resources.

The Government of British Honduras has as its main economic concern, however, the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its shrinking economic base. British Honduras has found financial help extremely hard to come by because the only Government that can render assistance is Great Britain and it has been unable to make large contributions on loans. Current U.S. policy does not permit this country to make loans because our AID funds are generally not available to dependencies of other nations. It cannot participate in programs of multinational banks because it is not a contributing member. Therefore, at present, British Honduras must look only to private investment to spur its economy.

Definite proof of the effect that substantial private investment can have upon the economy of the Nation was evidenced by the purchase in 1964 by Tate & Lyle, Ltd., the British sugar firm, of the sugar manufacturing industry of British Honduras. Until 1963 there was but a single sugar factory which was located in the northernmost district of the country. No more than 28,000 tons of sugar had ever been produced in British Honduras. In its first year as a Tate & Lyle

subsidiary, the Corozal Sugar Co., Ltd., increased production by more than 20 percent from the previous year and a total of 38,000 short tons of sugar was produced. More than 20,000 acres of sugarcane will be harvested this year and production is expected to amount to 43,000 tons, with further increases planned in the future.

The Government recently negotiated a loan of nearly $430,000 for the independent cane farmers of the country. The number of independent cane farmers has increased from about 500 in 1962 to the present total of 850 and it is anticipated that ultimately 2,000 cane farmers will participate in supplying at least 50 percent of the sugarcane production in the country.

The construction of a new sugar factory began in March 1965, and it is expected to begin operation in January 1967. Land clearing and planting of the additional cultivation acreage to supply the new factor is progressing and it is hoped that by 1970 between 70,000 and 75,000 acres will be producing. Tate & Lyle estimates the cost of this expansion to be in excess of $20 million over the next 10 years.

The sugar industry is very strictly controlled by the Government principally for the benefit of the private farmer and the national economy in general. There is a "cane cess" which is in the amount of 10 cents per ton of sugar processed, and this amount is paid directly to the Cane Farmers Association by the factory in order to promote the production of privately produced cane.

Wage rates for sugar workers are higher than any other area in the Caribbean. There are minimum wage rates which are 44 cents an hour for factory workes and 36 cents per hour for fieldworkers. Presently there are approximately 1,000 employees in the sugar industry and there will be more than twice that number for the new factory. Workers usually work an 8-hour day, 6 days a week. Canecutters are awarded $1.75 per ton, usually cut from 6 to 7 tons of cane a day. They share in a profit-sharing scheme. There is an incentive bonus based on the company's earnings which is tied to the price of sugar. Workers are also given numerous holidays, fringe benefits, sick leave, and vacations.

In 1962 British Honduras petitioned the Congress for a 30,000-ton U.S. quota. American Factors, the large Hawaiian firm, was prepared to establish a second cane factory in the country if a sizable U.S. market could be assured. Instead, Congress awarded a quota of 10,000 tons and American Factors withdrew its offer. With no expansion of facilities, production remained constant at about 28,000 tons. In 1962 British Honduras shipped no sugar to the United States and in 1963 it shipped 1,712 tons. Under the provisions of section 202(D) of the Sugar Act the Department of Agriculture was forced to sanction the country, for failing to fill by more than 10 percent its quota in 1963, and accordingly British Honduras' quota for 1964 was reduced to 974 tons. However, by virtue of additional shipments under the "global quota," the country did ship to the United States during 1964 a total of 6,224 tons, and it stood ready to ship an additional 5,000 tons had it been needed. Thus far in 1965 it has been authorized to ship 4,342 tons and stands ready to ship another 10,000 tons. By 1966 British Honduras could ship 20,000 tons to this country and about 50,000 tons in 1967.

The performance of British Honduras in 1962–63 cannot be condoned. However, in all fairness it must be pointed out that it was not until the beginning of 1964 that the Corozal Sugar Co. purchased the sugar producing facilities in British Honduras and embarked upon the program of rapid expansion that will enable the country to increase its production and more than meet its commitments to its markets, particularly the United States. This tiny nation pleads with this committee to give it the opportunity to show how well it can perform now that its sugar industry has been given new life.

The development of the sugar industry has been a tremendous incentive to development of the country in general. By the very fact that Tate & Lyle announced that it was entering British Honduras and was willing to spend such a great amount of money other large corporations have professed interest in the country. Economic development of this sort would also lead to development of infrastructure which is so badly needed for advancement.

Sugar has fast become the most important industry in the country. In its drive toward independence it can only make economic gains by enlarging its production of basic agricultural commodities. But it does it no good to produce unless it can sell. Considering the total amount of sugar to be distributed by this committee to foreign countries an award of a relatively minute amount to British Honduras could accomplish a world of good for this small and poor neighbor of the United States.

We respectfully submit this petition for your scrupulous consideration.

EMBAJADA DEL ECUADOR,
SERVICIO COMERCIAL,
Washington, D.C., August 19, 1965.

Hon. HAROLD D. COOLEY,
Chairman of the Agricultural Committee,
House of Representatives,
Washington, D.C.

DEAR CHAIRMAN COOLEY: It is my pleasure and privilege to bring to your attention and to the attention of every member of your very important Committee on Agriculture of the House of Representatives of the United States some very pertinent facts regarding the sugar industry of Ecuador.

Because of my sincere belief in your unequestionable fairmindedness in dealing with the sugar problem and its hemisphere implications and relationship, and because I honestly believe that there is no intention whatsoever of ignoring the hard facts of Latin American economics on the part of each member of your committee, I have decided to write to you in the hope that whatever I have to say in this connection may be taken in the same spirit in which it is presented herewith.

A BRIEF SKETCH OF ECUADORAN ECONOMICS

We all know, Mr. Chairman, that economic facts are important insofar as they relate to the people who are affected by those facts. And the economics of sugar do affect the people of Ecuador. The catastrophic fall in the prices of practically all export commodities produced by Ecuadorans: cocoa, coffee, bananas, oil seeds has meant a drastic reduction in our export proceeds with which we can buy our needed imports and the payment of our increasing foreign indebtedness. The fall in exports also affects the income of the Central Government and this reduction in fiscal revenues affects the ability of the Government to push ahead with programs for social and economic development as envisaged in the Alliance for Progress. The slowing down of developmental programs makes for increasing unemployment on top of a society which can never generate enough savings so that new economic and productive activities create opportunities for the increasing population. And this all-important fact of pervading unemployment is the igniting element which keeps all these countries on a constant verge of revolution and turmoil.

Three years ago, all students of sugar problems, including the sugar experts from FAO of the United Nations, were recommending that more sugar be produced because of the increasing rate of consumption in a world with population increases of over 60 millions per year. And the world price of sugar skyrocketted to over 11 cents. Today, the price of sugar in international markets is too low to keep producers in business, unless those producers have access to the preferential markets in which this present world seems unretrievably divided. We all talk about equality of treatment and about nondiscrimination. And yet, the Latin American countries, of which Ecuador is one, find ourselves blocked from every market of the large developed nations, except that of this United States. And it is to this market that we from Ecuador look at as the only buyer of our sugar. The international market as now constituted—is a market where producers dump whatever they cannot sell within the highly protected markets afforded by the large industrialized nations.

A large part of the national savings of Ecuador plus large amounts of U.S. private and public capital has been invested in the enlargement of existing cane fields and sugarmills and in establishing new cane fields and new sugarmills. And all of this was done in the expectation that title IV of the Charter of Punta del Este was a binding document on all the countries of this hemisphere which belong to the Organization of American States. As such, we, in Ecuador, were very much in the hope that once sugar was produced on a large enough scale, the United States would open its markets to our sugar, produced at such national sacrifices.

Ecuador is not a mining country and the lack of minerals imposes severe limitations to industrializing efforts unless those industries be related to agricultural raw materials. Sugar is certainly an industry which belongs in a country like Ecuador. And if the United States market were open to this produce from Ecuador there is no reason why we could not produce and export 500,000 tons a year. But such is not our goal. We are very much mindful of the need for diversification. We are not a one-crop country. But we do not produce too many crops for export because there is a growing discrimination

in the world of today even against commodities which are produced at economic costs and we have to be careful of the things which can be produced and can be exported.

Present production capacity of the sugarmills in Ecuador enables us to export as much as 90,000 tons of sugar to this market if we were given such a quota. In 2 years time, sugar exporting capacity of our mills will go up to 120,000 tons. And this must be compared to our present quota of a little over 51,000 tons. Where is Ecuador to sell its sugar if the United States imposes such limitations to our capabilities? And how is Ecuador to continue its free import policies if dollar exchange is getting smaller every day while prices of imported commodities and services—such as shipping—continue to rise unobstructed? This, Mr. Chairman, are the hard facts of Ecuadoran economics. And I consider it both my privilege and my duty to bring them to your attention and to the attention of every member of your very important committee.

THE MANY CHOICES AND ALTERNATIVES WHICH ARE OPEN TO EACH AND ALL OF US

As free and independent republics that we all are within the Organization of American States, many choices and alternatives are open to us. But it seems to me, Mr. Chairman, that we all did make a choice at Punta del Este when our countries signed that charter bearing such a name. Based on that charter, the American Republics attending the second meeting of sugar authorities of the member states of the OAS last April 19, adopted a unanimous resolution, with the only abstention of the U.S. delegation, and I do believe that such a resolution should be brought to the attention of your committee as embodying the sentiments and aspirations of all our countries insofar as sugar matters are concerned. I take pleasure in enclosing herewith two copies of such resolution for the careful consideration of your very important committee.

A few days ago, on the occasion of the fourth anniversary of the Alliance for Progress, President Johnson recalled the spirit and the hemispherewide enthusiasm which arose in the hearts of all Americans—from the north to the south. We all believe in the Alliance for Progress and all it stands for because following that historical dictum of American politics—a dictum which has made this country economically powerful, politically united, and progressively more democratic—the Alliance for Progress promises the greatest good for the greatest number of our citizens. As such, it deserves and commands the support of every citizen who thinks and feels democratically.

It is my hope, Mr. Chairman, that this short statement on the sugar problem as seen by Ecuador may serve some useful purpose to your committee and perhaps to the Congress of the United States which must approve whatever sugar legislation your very important committee proposes.

I am, sir,

Faithfully yours,

GUSTAVO POLIT,
Minister Counselor for Economic Affairs, Embassy of Ecuador.

INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL,
April 26, 1965.

SECOND MEETING OF THE SUGAR AUTHORITIES OF THE MEMBER STATES OF THE OAS, APRIL 19–23, 1965, WASHINGTON, D.C.

RESOLUTION ADOPTED AT THE SESSION HELD IN THE AFTERNOON OF APRIL 21, 1965 [1]

Whereas the Charter of Punta del Este constitutes a solemn pledge of the states members of the OAS to enlist the energies of their peoples and governments in a great cooperative effort to accelerate the economic and social development of the hemisphere;

Among the objectives of the Alliance for Progress approved by the states' members of the OAS in the Charter of Punta del Este are the following:

(*a*) To achieve in the Latin American countries a substantial and sustained growth designed to attain, at the earliest possible date, levels of income that are higher in relation to those of the more industrialized nations; and

[1] Originally published as document UP/CIES–3/Sugar, doc. 13.

(*b*) To accelerate the process of rational industrialization, utilizing the natural resources of the region and providing productive and remunerative employment for workers;

Among the principles of title IV of the Charter of Punta del Este are the following:

"(*a*) The American Republics recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign exchange incomes received from exports, a lessening of cyclical or seasonal fluctuations in the incomes of those countries that still depend heavily on the export of raw materials, and the correction of the secular deterioration in their terms of trade.

"(*b*) Importing member countries should reduce and if possible eliminate, as soon as feasible, all restrictions and discriminatory practices affecting the consumption and importation of primary products, including those with the highest possible degree of processing in the country of origin, except when these restrictions are imposed temporarily for purposes of economic diversification, to hasten the economic development of less developed nations, or to establish basic national reserves. Importing countries should also be ready to support, by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries.

"(*c*) Similarly they should try to avoid increasing the uneconomic production of goods which can be obtained under better conditions in the less developed countries of the continent, in which the production of these goods is an important source of employment";

The unanimity of principles achieved at the meeting of Alta Gracia by the Latin American countries members of the OAS and reaffirmed in the Declaration of Lima again finds a field of expression before the problem of sugar exports.

One of the objectives of Resolution A.II.1 of the United Nations Conference on Trade and Development is to promote the expansion of international trade as an essential instrument for the economic development of the developing countries.

The American states members of the OAS in process of development that are producers of sugar are in a particularly unfavorable position with respect to these other exporting countries that have access to preferential markets in extracontinental countries in terms of both quantity and prices and that have additional facilities in the principal market of the inter-American system;

And whereas the aim of increasing the domestic sugar quotas in the U.S. market is contrary to article XI of the General Agreement on Tariffs and Trade (GATT), according to which quantitative restrictions of importation are permitted only in certain given cases and always with the understanding that the restrictions that are imposed by virtue of that article should not "be such as will reduce the total of imports relative to the total of domestic production as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions."

An import charge in addition to the existing duties and charges on the importation of sugar such as the so-called import fee would constitute a violation not only of article II, paragraph 1.a of the General Agreement on Tariffs and Trade, because it would constitute an increase in those duties and charges above those that were agreed upon in the lists of reciprocal concessions of the contracting parties, but also of article I: 4.a of the said general agreement because it would constitute a prohibited increase in the "preferential margin" between the tariff applicable to the Republic of the Philippines and that applicable to the contracting parties that enjoy most-favored-nation treatment;

An additional charge on importation of sugar in the United States would be in contradiction to the obligations assumed by the contracting parties in article XXXVII.b and XXXVII.c of the General Agreement on Tariffs and Trade to abstain from introducing or increasing the incidence of tariffs or nontariff barriers on products that may be presently or potentially of particular interest to the less developed contracting parties;

The additional charge mentioned would also be in contradiction to Resolution A.II.1 of the United Nations Conference on Trade and Development, adopted unaimously on June 16, 1964; and

The application of variable additional charges on the importation of sugar would disturb the economies of the producing countries and also create unem-

ployment, to the detriment of the workers and in contradiction to the social-progress objectives and goals of the Charter of Punta del Este.

The second meeting of sugar authorities of the member states of the Organization of American States

Resolves:

1. To adopt the following principles of sugar policy with respect to access to the U.S. market:

(*a*) That it is necessary to assure a stable sugar market in the United States of America, compatible with the long-term planning of the Latin American sugar industry as a factor to stimulate the economic growth of the Latin American producing countries, until such time as an arrangement is established on the world level that will assure those countries the opportunity to place their output under conditions favorable to their development;

(*b*) That it is necessary to increase the present total imports of sugar on the part of the United States of America in the same proportion as its consumption increases, in order to avoid the depressing effects on the international market that would be caused by sugar displaced from the U.S. market;

(*c*) That in the distribution of the sugar import quotas by the United States of America special treatment be given to the Latin American countries that are members of the OAS which, as is well known, do not participate in other preferential markets, within a policy that would allow Latin America as a whole to recover a supplying participation equivalent to at least 90 percent of the imports of the United States of America coming from foreign countries other than the Republic of the Philippines;

(*d*) That import fees not be introduced.

2. To ask the chairman of this meeting to transmit this resolution to the government of the member states through the Secretary General of the OAS as soon as possible.

3. To entrust the CIAP and particularly its chairman, with making representations to the authorities of the United States of America in regard to sugar imports, to give full support and backing to and be guided by the principles set forth in this resolution, as one of the ways of attaining the aims of the Alliance for Progress.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

The CHAIRMAN. If the committee will bear with me just for a moment, I want to give Mr. Quinn a little credit for some things that I know he has done.

I know he arranged a meeting at the Panamanian Embassy, and I was invited there on short notice with the vice chairman to accompany me, and there were 14 Latin American countries represented there one afternoon. They were all in complete accord on this import fee, which was so controversial up until that time.

Later another meeting was held at the Nicaraguan Embassy, and 17 Latin American countries were represented, and they were all in complete accord over the item of the import fee, which finally was abandoned by the administration, much to the satisfaction of all the countries represented. I think Mr. Quinn is entitled to credit for having arranged those meetings, which resulted in giving up this fee, which was more or less a nuisance, and entirely incompatible with our foreign policy and with our attitude toward our Latin American friends.

As he points out in his statement here, he is about the oldest sugar rat in the barn. He has been around a long time. And I know, Mr. Quinn, that everybody holds you in high esteem, and that this statement of yours will be given very careful consideration. You have presented some facts and arguments which are very persuasive, and I am certain that the committee, when we go into executive session, will review what you have said in behalf of your clients, and will do the

best we can to come out with some fair and equitable settlement of a matter in controversy.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

(Discussion off the record.)

The CHAIRMAN. We appreciate your appearance very much.

Mr. ARTHUR L. QUINN. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Miss Dina Dellale, who represents all the sugar industries of Central America, Costa Rica, Nicaragua, El Salvador, Guatemala, and Honduras. We will be very glad to hear you, Miss Dellale.

STATEMENT OF MISS DINA DELLALE, REPRESENTING THE SUGAR INDUSTRIES OF CENTRAL AMERICA; ACCOMPANIED BY MANUEL JIMENEZ, PRESIDENT, SUGAR ASSOCIATION OF COSTA RICA; ALFREDO PELLAS, PRESIDENT, SUGAR ASSOCIATION OF NICARAGUA; EUGENIO AGUILAR, PRESIDENT, SUGAR ASSOCIATION OF EL SALVADOR; JOSE LUIS BOUSCAYROL, PRESIDENT, SUGAR ASSOCIATION OF GUATEMALA; FRANCISCO ABUFELE, PRESIDENT, SUGAR ASSOCIATION OF HONDURAS; AND SHELDON Z. KAPLAN, GENERAL COUNSEL

Miss DELLALE. Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the Sugar Industries of Central America. The five countries of Central America are Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica. To assist me in answering any technical questions after my statement, may I introduce the presidents of each of these sugar associations: Manuel Jimenez, of Costa Rica; Alfredo Pellas, of Nicaragua; Eugenio Aguilar, from El Salvador; Jose Luis Bouscayrol, of Guatemala; and Francisco Abufele, from Honduras. Sheldon Z. Kaplan, who is general counsel for our group, is on my left.

Though small by standards of the United States, these nations, on the isthmus that links North and South America, have joined together to improve their economic well-being. This is the fifth year that the Central American Common Market has operated and each of its member countries has benefited from the association. The area is now one of the fastest growing of all the developing countries in the world, and its progress in this short period of time has been something of a surprise—a very pleasant one. A close look at these achievements will, perhaps, broaden the understanding of why we are before this committee.

The five republics consist of some 13 million people, who in the past faced an uncertain economic future. Agriculture, the backbone of their economy, was subject to downward spirals of commodity prices. Each alone was not prepared to cope with their worsening economic conditions nor was that hot wind of desire which is fanning the slum streets and rural villages into rising expectations of a better life, no matter the circumstances of birth. Faced with such stern realities, these five small countries, logically and naturally, united in one large economic unit and its progress before the entire world became a testing ground.

What does this common market movement in Central America consist of? It goes far beyond tariff cutting and lipservice. The countries are tackling joint and mutual problems and establishing regional institutions for finance, research, education, labor, trade, and investment. Harvard Business School sessions are held in Nicaragua to train executives; a monetary council operates from Honduras promoting a unified currency, using a peso on a par with the U.S. dollar; a uniform code of tax incentives for investment has been adopted, and all now have direct taxes on individual and corporate incomes. Factories are springing up across the whole area and their impact on the status of the underprivileged has brought a quickening of the lifting of living standards. A middle class is developing who are ever mindful of what progress will bring—more and better things at lower costs.

This bustling panorama is laid before you for the understanding of what hope means to these people who have a past history of broken dreams. For while good attempts are being made to develop new fields of industrial and agricultural activity, of eliminating practices which hinder efficiency, of using capital progressively, and of training a rapidly expanding population with the skills needed for future development, it must still be borne in mind that the Central American area is a developing region. For the time being, and for the foreseeable future, its primary resource will remain the land. Agriculture will produce the funds to buy machinery and equipment. Like all small areas aspiring to higher standards of living, these Republics are dependent on trade. One of the principal reasons industry has never developed is that no one Central American nation was big enough to provide the necessary market. Today, the market is significant. President Johnson recently, on July 29, made an unusual personal appearance to sign a loan for the Central American Bank for Economic Integration. His remarks in praise of Central America are significant, and I quote him:

> Yes, great progress has been made in Central America * * * The Central American Republics are providing all their neighbors and all the world what I would think is a very stirring example of what can be accomplished by free men with vision, and with wisdom, and with courage.

The framework of the future Central America has been firmly put in place and results so far have been most impressive, but this year and next, and the year after, and some years more, Central America needs every dollar agricultural exports bring to buy manufactured goods in the United States.

One of the best ways to judge this region's progress is to look at those responsible. Many groups have roles to play if development is to proceed successfully, but the growth capacities in Central America are mostly in the hands of private individuals and private enterprises. Businessmen are earning the future by being good citizens in the search to solve social problems, improve the skills of workers with on-the-job training, and at the same time not forgetting that the object of economic growth is to improve the lot of the masses of people. They know that when the economic and social system is fair, stable, and works in the interest of the majority, business will thrive. Nowhere can you find a better example of this than exists in the sugar industries in each of the five countries of Central America. Sugar is a private

enterprise for them all, from the planting and harvesting of cane on a small parcel of self-owned land, through its milling, until it reaches the final destination of the marketplace. Revenue from this source does not constitute the patrimony of a few. The vicious population explosion on the isthmus has accelerated the part that the sugar industries must play to solve the problems of such conditions if wages are not to sink to subhuman standards.

The mills buy more than 55 percent of the cane they grind from small planters, and commitments with them are made 1 year in advance which constitute a guaranteed minimum price for that year plus a share in whatever other profits are received. There is no inequity of vested interests here, rather sugar is vital for the welfare of the people of Central America. Consequently, anxiety is general from the millowner to the hundreds of thousands of cane planters and their dependents, over the outcome of sugar legislation in the United States.

The employment of the large number of sugar workers, over 375,000, their dependents included, with stable and reasonable wages, cannot be attained without an assured and permanent place in the U.S. market—this place not to retreat from the one we earned by performance when the world price was high and other foreign supply sources of the United States were looking elsewhere to their immediate profits.

Following the path of the unity of their area, at the invitation of Costa Rica, the sugar associations of Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica met together as strangers in 1962 and formed a working friendship to face their problems both internally and externally. An organization was formed called The Latin American Sugar Council, consisting of these Central American countries, and it was agreed that the five should unify their actions and aims, all helping the other with exchanges of ideas, working improvements, and general information. This unity was all the more impressive as each constituted a private enterprise, not maintained with a government subsidy, but rather contributing in taxes and employment to the country.

All have cooperated with their governments by paying a levy on sugar to provide social benefits for the worker. Further still, individually the millowners of each of the countries have provided better housing, medical service, pensions, schools, community centers, playgrounds and playing fields, assuring the filtering down of any benefits that resulted as participants in the U.S. sugar program.

Both government and private enterprise know well that the real national income and growth depend on the terms of trade—the relation between the prices received for exports and prices it must pay for imports.

United States relations with Central America have been characterized at times with forgetfulness, alternating with short periods of concentrated heedfulness. There is a predisposition to take them for granted, believing that this friendship requires no special attention. But true friendship involves more than the clasp of extended hands across the border. Printed or uttered words do not in themselves bring good will and understanding. Actions are necessary.

Central America lives in dread of communism and is the principal target of that peculiar brand preached by Fidel Castro of Cuba.

Small as these countries are, and poor as they are, they are working against Castro, literally day and night. Speaking together in unison, they command increasing attention in world councils and contribute vitally to the moral forces that the United States is mustering to maintain peace and security. Their growing stature is a significant factor as allies. Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica are of major strategic, political, and economic importance to the United States.

Communism works constantly and incessantly on the premise that it is not difficult to lure millions who have nothing to lose. Sunshine cannot fill an empty stomach. So in friendship, and with the mutual respect that is especially important in relations between large and small countries, Central America, youthful, growing, idealistic, producer of products you consume, purchaser of much you produce, friend and ally in times of peace and war; stanch supporter of your political viewpoints in the United Nations and the Organization of American States, with five solid votes each and every time a decision comes up, those votes given in expression of their democratic beliefs, and most times the deciding factor in close emergency decisions, this Central America comes before the committee believing in your genuine understanding of its problems and hopes, and that visible evidence will result of that understanding.

Sugar is the third largest industry of the area. There are 77 mills located throughout the 5 countries participating in the Common Market with a total output of 550,000 tons a year. As a little more than half of this amount is consumed domestically, there remains 250,000 tons that must be exported. All that is exported has come to the United States.

This does not mean that Central America does so only when the U.S. price is higher than elsewhere—the Sugar Act to them is a two-way street. During 1963 and 1964 when prices soared in the world market, these small nations at tremendous financial sacrifice, put aside shortsighted profits to fulfill their obligations and much more in this program. No "friendly" persuasion was necessary, and long before a voice was heard from those who could better afford the loss of profits when the world price was still soaring, Costa Rica, on December 12, 1963, was the first of all quota countries to speak up pledging her entire surplus sugar, of approximately 72,000 tons, to the U.S. consumer at an immediate loss of about $3 million, which represents more profit than the entire Costa Rican sugar industry generates over the course of 2 normal years. There followed quickly the same cooperative response from the other Central American countries. This is friendship.

In the time since Cuba's sugar no longer had access to the U.S. market, the Isthmus Republics have filled a substantial amount of that void without any long-term guarantees. In the past 5 years, they have built up a historical performance. In adjusting the quotas of these countries, Central America asks that this record be considered, together with its willingness and ability to perform under all circumstances.

The commercial trade balance with the United States of each of these Republics is so unfavorable to them in their efforts to push quickly and eagerly toward their goal, that uncertainty is now appear-

ing about the future. The combined trade deficit with the United States is approximately $81 million.

In 1964 U.S. exports to Central America totaled over $315 million. They are among your largest customers per capita. They want to continue to buy from the United States, but they want to pay for what they purchase with money that is earned, not borrowed. They do not wish to turn elsewhere because of lack of dollars.

With the foreign portion of the Sugar Act not in effect this year, the sugar industries of the Central American countries began, on their own initiative, a long-term program of putting stocks in reserve. These stocks will be continued each year with totals that always fulfill any one of the quotas assigned to them by the United States. The purpose of this voluntary action is to assure at all times a stable source of supply even if there should be some unforeseen catastrophe by nature in any one of the countries. In other words, the full amount of the quotas from the five countries of Central America would always be guaranteed to the United States. The insurance is the stock reserve, obligatory to all five. May I emphasize that to carry such stocks is rather expensive and those charges have been considered when this program was initiated.

Before placing the individual requests of these countries before the committee, Central America asks that the committee include in the bill before you a provision (with specific reference to the countries of Central America as participants in the U.S. Sugar Act in accordance with all existing terms and conditions), containing the following requirements: whenever there is established a shortfall in the quota of any of the five countries of the Central American area joined together in "the Latin American Sugar Council," the resulting deficit quota shall be allocated among the other member countries of this group in proportion to their existing U.S. quotas.

Mr. Chairman, with firm belief that you and the members of this committee will not forget those who delivered sugar to the United States when it was most needed, and with all due reverence for computers, may we ask that consideration be given to the following requests which are illustrated by the attached map:

The Republic of Honduras, with no quota, unlike British Honduras, which is already a quota country, is climbing rapidly into the age of modern industry and agriculture, and has been in the past a net importer of sugar. Feeling rather like Cinderella after her sisters had gone to the ball, Honduras now finds herself self-sufficient and with a small sugar surplus but—alas—no quota to bring it into the U.S. market. She is a full and active member of "the Latin American Sugar Council." A quota of only 5,000 tons in the U.S. Sugar Act will allow Honduras to take a place with her companion countries of the Central American Common Market. Honduras is mentioned separately because of her exclusion from the act. The requests for her neighbors are as follows:

	Tons
Guatemala	60,000
El Salvador	55,000
Nicaragua	65,000
Costa Rica	65,000

Performance and financial loss have been stressed in this statement. Both factors were considerable, with their pledges to the United States in December 1963, after the Secretary of Agriculture made his consumption requirements official for the year 1964. It was then that 1 million tons of global quota was authorized for purchase and entry. By December 24, 1963, only 745,000 tons had been subscribed with Costa Rica's share, 35,000 tons, representing almost 5 percent of the total commitment. It was not until January 21, 1964, that the Department of Agriculture was able to announce that the full million-ton quota had been filled.

In addition, the Western Hemisphere deficit reallocation of 98,277 tons authorized on December 18, and by January 31, 1964, had only 74,850 tons pledged of which Costa Rica had 12,000 tons or approximately 16 percent, and Guatemala pledged 50,000 tons representing 6 percent of the total subscription. These pledges were not hollow offers, as the regulations were such to necessitate the immediate deposit of guarantee funds in a designated U.S. bank.

Mr. Chairman, before I conclude, may I ask permission to enter the documents relating to the force majeure in Costa Rica due to the 2-year activity of the volcano, Irazu, six months ago, this activity ceased and with miraculous swiftness the crops of that wonderful little democracy have recovered dramatically. The sugar production will have returned to its original estimate as given before this committee in 1962. I also ask permission to submit as part of this testimony other relevant material in support of the Central American area quota request.

Economic development is a difficult process and miracles are not produced overnight. Each of these five countries is doing all that is possible to help itself, and that is a tremendous accomplishment. Without trade, the future prospect is bleak. If one Central American country goes Castroite, all this hope and progress will come to a halt. Mr. Chairman, the United States and Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica share a continent together. The friendship that now exists is strong, and as cooperation continues to grow, perhaps the reasons for hope will outweigh those for pessimism. Then it can be said with much truth, "In union there is strength."

I thank the committee for their attention.

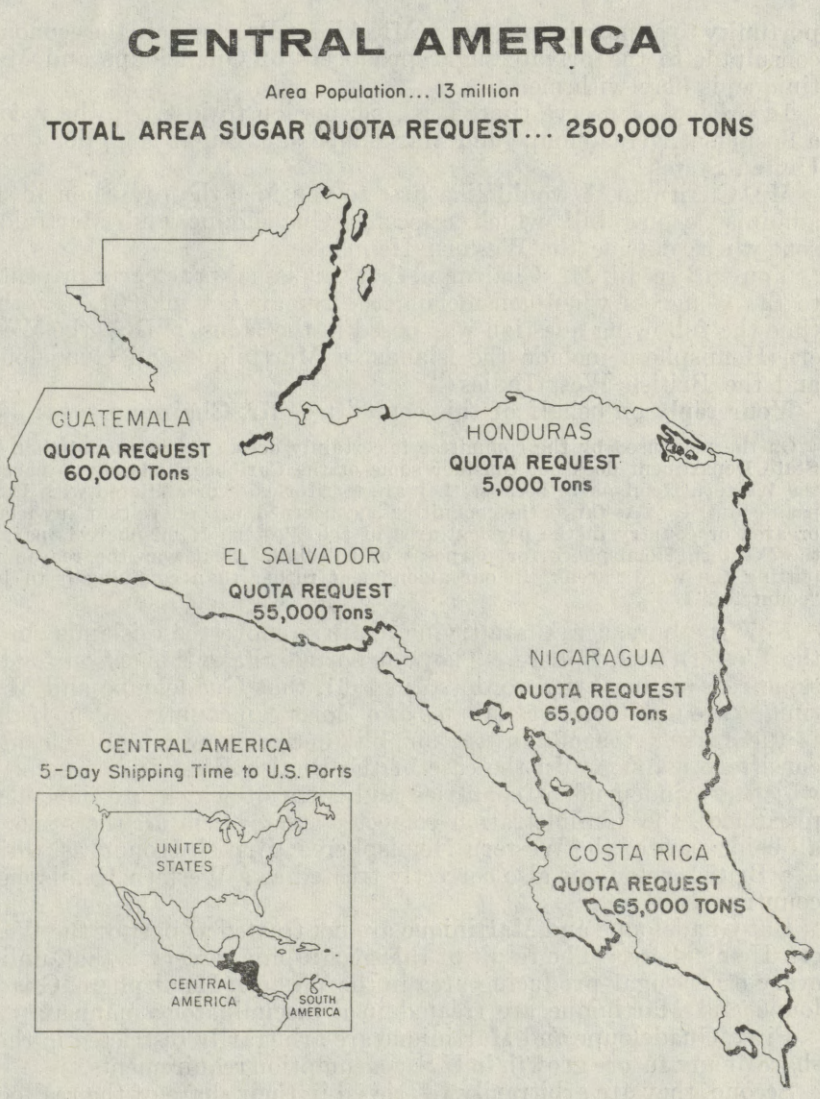
(The map referred to appears on p. 189.)

The CHAIRMAN. We thank you, Miss Dellale, for you well-prepared statement. I assure you that the committee will give careful consideration to all the views you have expressed. We are delighted to have you with us.

Miss DELLALE. Thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions? If not, the next witness we will call on will be Mr. Walter Surrey, representing Guadeloupe. I will now have to ask to be excused, Mr. Surrey, but I have a very important telephone call from one of the Cabinet Officers. If you will just be seated I will be back shortly.

Mr. JONES. Mr. Surrey, will you proceed.



STATEMENT OF WALTER STERLING SURREY, COUNSEL FOR ASSOCIATED PRIVATE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE; ACCOMPANIED BY ALBERT PROSTERMAN, ECONOMIC CONSULTANT TO THE PRIVATE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE

Mr. SURREY. Mr. Chairman, members of the committee, my name is Walter Sterling Surrey. On behalf of the private sugar producers of the islands of Guadeloupe and Martinique, whom my firm has the honor of representing, I wish to express my appreciation for this op-

portunity to appear before you. Mr. Albert Prosterman, the economic consultant to the private sugar producers of Guadeloupe and Martinique, is here with me.

In order to conserve time, I ask permission to insert in the record a document, "Guateloupe and Martinique as a Sugar Supplier to the United States."

Mr. Chairman, I would like first to consider the provision in the administration's bill which relocates Guadeloupe and Martinique somewhere outside the Western Hemisphere.

You will recall, Mr. Chairman, that this issue was clearly presented to the Congress when considering the Sugar Act in 1961. At that time the following question was posed in the House: "Does the Western Hemisphere include the islands of Martinique and Guadeloupe and the British West Indies?"

Your reply on behalf of this committee, Mr. Chairman, was:

> On the map used by the committee it certainly does. I understand that the State Department does not consider some of the Caribbean Islands as part of the Western Hemisphere because they are territories of or affiliated with European countries. As far as the committee is concerned, we believe that any island or area or country in the psysical area of the Western Hemisphere is part of the Western Hemisphere for purposes of this bill. That was the reason for putting the word "areas" in our amendment rather than confining it to just "countries."

Now the bureaucrats are trying again to move these islands out of the Western Hemisphere. They purportedly take this action for the same reason they tried to do so in 1961, that Guadeloupe and Martinique are territories or affiliates of a European country. But if that is the reason, the administration bill does not even apply it in a consistent manner. In the case of the British West Indies, some of which are independent countries and some of which are dependent territories, the administration correctly treats them all the same, as all being part of the Western Hemisphere. British Honduras, which is a British colony, is also correctly treated as a Western Hemisphere country.

But Guadeloupe and Martinique are not treated as part of the Western Hemisphere. The result of this geographic sorcery is that, unlike every other sugar-producing area in the Western Hemisphere, Guadeloupe and Martinique are treated in a disciminatory manner:

First, Guadeloupe and Martinique are arbitrarily restricted in their share of any future growth in U.S. consumption requirements.

Second, they are arbitrarily restricted in their share of the reallocation of the Cuban quota.

Third, they are precluded from sharing in the reallocation of any foreign quota suspensions and reductions.

Fourth, they are no longer permitted to share in the reallocation of domestic and foreign deficits.

I am not sure just where the bureaucrats relocated these islands. They are treated differently from all other countries and colonies located in the Western Hemisphere; furthermore, greater restrictions are placed on Guadeloupe and Martinique than on the non-Western Hemisphere British colonies of the Fiji Islands, Mauritius, Swaziland,

and Southern Rhodesia. There is attached as an appendix an outline of the treatment of the sugar-producing areas under the administration bill.

Mr. Chairman, the private sugar producers of Guadeloupe and Martinique have no quarrel with the fact that other suppliers are given larger quotas. Nor do they question special treatment being accorded where circumstances indicate that there are prudent and judicious reasons for doing so.

But they do request, as loyal and dependable sugar suppliers to the United States, and as an integral part of the Caribbean and the Western Hemisphere, that Guadeloupe and Martinique be treated equally under the Sugar Act with their neighbors, and that they not be discriminated against.

I should like now to summarize some of the principal reasons why Guadeloupe and Martinique should be accorded equitable and nondiscriminatory treatment. Fuller details on this are presented in the booklet.

The Western Hemisphere is a good and accessible source of sugar. Within that area, the islands of Guadeloupe and Martinique, as integral parts of the great sugar-producing islands of the Caribbean, offer a most accessible and proven source. Together with Puerto Rico, the Dominican Republic, and the British West Indies, they form a nearby and certain source of sugar readily and conveniently available to the east coast refineries. They are a convenient source of sugar because they produce sugar in the spring, when offshore raw sugar is most needed by the U.S. can refiners.

Even more important than their accessibility, however, is the fact that the sugar producers of Guadeloupe and Martinique have an outstanding record of loyalty and dependability as suppliers to the United States, especially in times of U.S. emergency and shortage. In World War II, when the United States was desperately short of sugar, and the world market price was higher than the U.S. price, Guadeloupe and Martinique shipped to the United States more than double the amounts of any other country but one; they were second only to Cuba (which, of course, had preferential treatment) in supplying the United States.

In 1963, again a period of great sugar shortage and price uncertainty in the United States because of a higher world market price, producers on these islands offered and shipped more than three times their legislative quota to the United States. And again in 1964, although their sugar was in short supply because of the damaging hurricane in the Caribbean area, the producers of Guadeloupe and Martinique gave early assurances to the United States that their quota commitments for this country had priority status, despite the temptation to recoup their hurricane losses by selling in the more profitable world market.

A second major reason for not discriminating against Guadeloupe and Martinique is the fact that their location in the Western Hemisphere, which makes them convenient suppliers of offshore sugar to the United States, also makes them natural markets for U.S. products. The United States has the right to expect that its willingness to buy

offshore sugar will result in increased willingness by the supplier to buy goods from the United States. In the case of Guadeloupe and Martinique, these expectations have not been in vain.

Prior to 1961, which was the first year Guadeloupe and Martinique were granted a basis for exporting sugar to the United States, trade between the United States and the islands was limited. However, since 1961, total trade between these islands and the United States has grown steadily. In fact, from 1960, when the United States purchased no sugar from Guadeloupe and Martinique, through 1964, U.S. exports to these islands increased almost four times.

Because they are small, the total value of U.S. exports to Guadeloupe and Martinique may not seem enormous. However, these export figures are very impressive in two ways. First—in terms of the rate of increase in trade with the United States since the United States began purchasing sugar produced in Guadeloupe and Martinique—U.S. exports to the islands have increased from only $2,900,000 in 1960 to $11 million in 1964. Second, the figures are impressive in terms of the number of sectors of the U.S. economy which share in and benefit from U.S. export trade to these islands. The booklet which we have placed before you contains many statistics in this regard. For present purposes, I will only mention that the U.S. economic sectors which have participated in this increase export trade range from clothing manufacturing in the New England and Southern States to almost every type of industrial product and include virtually every aspect and area of agricultural production in the United States. The United States has an overall favorable balance of trade with Guadeloupe and Martinique and has thus very concretely benefited from its extension of sugar quotas to Guadeloupe and Martinique since 1961. Our booklet contains information on the wages and salaries paid and social benefits which rank high compared to any other areas in the Western Hemisphere.

I should like to close, Mr. Chairman, by referring again to the problem of geography.

The administration bill purports to apply formulas in a nondiscriminatory manner, yet three areas, all located in the Western Hemisphere, are not treated the same. Thus, both British Honduras and parts of the British West Indies are colonies, are located in the Western Hemisphere, and for purposes of the proposed legislation are recognized by the administration bill as being in the Western Hemisphere. But Guadeloupe and Martinique, also located in the Western Hemisphere, and having a similar relationship to a European country, are treated as second-class citizens within the Western Hemisphere.

Mr. Chairman, the location of continents and islands preceded the establishment of the Departments of Agriculture and State, and was accomplished by a power greater than they. Guadeloupe and Martinique are physically located where they have always been. And nothing has changed since Congress' clear-cut and categorical decision in 1961 that for purposes of the sugar legislation, Guadeloupe and Martinique are what they are—a part of the Western Hemisphere.

Mr. Chairman and members of the committee, we do not represent giant sugar producers, if one is to consider the totality of the U.S. requirements. But we do represent producers who have proven their loyalty and ability to help meet these requirements quickly and effectively and in significant amounts. The sugar producers of Guadeloupe and Martinique ask principally that you reaffirm your decision of 1961, and treat them as you treat suppliers from all other sugar-producing areas of the Western Hemisphere.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Surrey. I regret I had to leave the room briefly, but I understand you offered this document, this well-prepared document. However, it is too cumbersome for the printed record, but copies will be made available to all the members of the committee.

We are very glad to have your statement, and I compliment you upon the brevity of this statement as well as the substance of it. If there are no questions, I will call the next witness, Mr. Ganson Purcell, representing the Rhodesian Sugar Association of Salisbury.

(Discussion off the record.)

The CHAIRMAN. All right, Mr. Purcell.

STATEMENT OF GANSON PURCELL, REPRESENTING RHODESIA SUGAR ASSOCIATION; ACCOMPANIED BY HON. GEOFFREY ELLMAN-BROWN

Mr. PURCELL. I realize, Mr. Chairman and members of the committee, that time is precious.

I do wish to refer to the fact that I have a memorandum statement which I have submitted to the members of the committee which I should like to request be inserted in the record at the close of my testimony.

The CHAIRMAN. All right, sir.

Mr. PURCELL. I shall be brief.

The CHAIRMAN. You do not mean this Rhodesian sugar document?

Mr. PURCELL. No. I should have mentioned that sooner.

The CHAIRMAN. If you are going to file that, I am going to file the North Carolina tobacco documents.

Mr. PURCELL. I had not intended to ask that this document be included in the record.

The CHAIRMAN. You mean the printed transcript.

Mr. PURCELL. Yes. The brochure I handed up was for the convenience of the members of the committee.

The CHAIRMAN. You may proceed with your statement. We will include that in the record.

Mr. PURCELL. I have with me the chairman of the Rhodesia Sugar Association whom I would like to introduce, the Honorable Geoffrey Ellman-Brown.

The Rhodesia Sugar Association, which I represent, represents the interests of the private sugar producers of Rhodesia. I do not represent the Rhodesian Government. Mr. Ellman-Brown is not a part of the Rhodesian Government, although he has served in previous years with distinction as a member of the Liberal Party in his country

as a Member of Parliament, and during that time occupied various important Cabinet posts, including those of Minister of Development and Minister of Finance.

The membership of the Rhodesia Sugar Association is composed of the growers, millers, and refiners of sugar in Rhodesia. The growers include individual planters of sugarcane whose participation in the industry is being encouraged by the large estates which are making land available to individuals for this purpose.

As members of the committee probably are aware, the name "Rhodesia" today is applied to that area of central Africa which until 1963 formed a part of the Federation of Rhodesia and Nyasaland and, as such, was known as Southern Rhodesia.

After the dissolution of the Federation, its other two component parts, Nyasaland and Northern Rhodesia, became known as Malawi and Zambia.

Under the provisions of the bill, H.R. 10496, it is proposed to grant to Rhodesia a quota of barely 9,000 short tons raw value, based on the U.S. consumption estimate of 9,700,000 tons, and including temporary participation in the Cuban reserve.

The Rhodesian producers are seeking a quota of not less than 60,000 short tons, and it is my purpose to demonstrate the justification for their request.

First, although this subject is treated at some length in my prepared statement and in the brochure, I want to emphasize the remarkable nature of the development of the cane sugar industry in Rhodesia, which is probably unparalleled in the world. The ingenuity and energy of the pioneers in this field have turned a desert into a garden spot where the cane is grown under completely irrigated, controlled conditions, free from climatic disturbances with the result that raw sugar of a quality and in the volume required can be produced to meet the demand of consumers.

Within the space of less than 10 years this industry has progressed from a productive capacity of less than 5,000 short tons per year to over 275,000 short tons in the current year, and is now in the unique position of not only being able to guarantee quality and supply, but is prepared to hold uncommitted stocks of 80,000 tons in inventory reserves. This will insure delivery to the U.S. refineries at any time during a calendar year.

Second, the development of the Rhodesian sugar industry has brought an enormous improvement in the living conditions of many thousands of the predominant native African population of Rhodesia, so many of whom have historically survived on a bare subsistence.

In addition to paying substantial cash wages to workers, the industry has provided free educational, hospital, and medical facilities and housing for the workers and their families. It has also generated increased employment, and the same higher standard of living for many thousands more who are dependent indirectly on the industry, and the end is by no means reached.

Very large expenditures of capital have been made by the industry in the expectation of realizing returns which will enable the continuation and expansion of the social and economic advantages.

Assurance of long-term access to sugar markets, such as that of the United States, with resulting sales at stable prices, is essential to confidence in the continuation of this great operation. The importance of this must not be underestimated.

Over the years, Rhodesian leaders have worked to build a stable and democratic form of government for their people. Only through education and the establishment on a broad basis of a standard of living giving contentment to the people can this objective be achieved and insured for the future.

The spread of ideologies incompatible with the principles of democracy must be prevented. Already eastern communism is making its appearance on Rhodesia's borders, and attempts at infiltration of Rhodesia itself have begun.

Third, as most of you know, Rhodesia has for many years been dependent on one predominant agricultural crop, tobacco. The economists of the country have come to realize, especially in very recent years, that this is an undesirable situation and one which, indeed, can produce unfavorable results in the world market through overproduction. As a consequence, the Rhodesian tobacco industry has voluntarily imposed on itself production limits.

The CHAIRMAN. How much?

Mr. ELLMAN-BROWN. From 350 million pounds in 1964 to 240 this year.

The CHAIRMAN. That is making a little progress. [Laughter.]

Mr. PURCELL. However, urgent employment requirements of a fast-growing African population must be met, and a sound sugar industry, which like tobacco is a large employer of labor, will not only greatly assist in providing this employment, but will also provide a more balanced agricutural economy.

To meet these needs, Rhodesia is not seeking direct aid from the United States or elsewhere. Its desire is to generate the cash needed to improve its economy through the sale of its commodities abroad in meaningful quantities.

A quota of 9,000 short tons of sugar as provided in the bill will not yield significant returns. An allotment of 60,000 tons would go far toward providing the needed assurance.

In this connection, I would like to direct the committee's attention to the status of trade relations between Rhodesia and the United States. As the chart in the back of the Rhodesian sugar brochure which I have distributed graphically illustrates, Rhodesia is rapidly increasing its imports of goods from the United States, including farm products. Its imports of all goods have shown a dramatic rise in the last 3 years, resulting in a U.S. favorable balance of trade in 1964 of over $9 million.

I respectfully submit that Rhodesia has a clear right to ask a substantial increase in U.S. imports of Rhodesian goods, and sugar again is the obvious answer.

Finally, Mr. Chairman, I must briefly address myself to the administration's method of allocating the foreign quotas as they affect Rhodesia. Rhodesia feels she is being unjustly penalized because she was not an exporter in 1962 and had only limited export surpluses in 1963 and 1964.

The fact of the matter is that Rhodesia shipped all of its uncommitted stocks to the United States in 1963 and 1964, and in March 1964 offered to supply this market on a long-term basis with much greater tonnages out of its sharply increasing production.

In that connection, I would refer you to the charts on pages 18 and 19 of the brochure.

When Rhodesia made these shipments and made this long-term offer, at all those times the U.S. price was well below the world market price.

Just before closing, I would urge you to see the attachment to our statement with respect to the quality of the sugar which is produced by Rhodesia. It contains three sheets: a raw sugar evaluation enclosed with a letter certifying the quality of the samples, and a letter which we have just recently obtained reflecting the pleasure of the refiners and satisfaction in the final goods produced pursuant to sample.

Mr. Chairman and members of the committee, I thank you for the privilege of appearing here today, and for your courtesy in listening to our presentation.

(The memorandum previously referred to follows:)

MEMORANDUM OF GANSON PURCELL IN SUPPORT OF A U.S. SUGAR QUOTA FOR RHODESIAN SUGAR PRODUCERS

This memorandum is submitted in support of the Rhodesia Sugar Association's application to the Congress for participation in the sugar quotas for foreign countries under the bill (H.R. 10496) to the extent of not less than 60,000 short tons, raw value. As will be demonstrated, the Rhodesia sugar industry is capable in every respect of supplying at least this amount of sugar annually to the U.S. market, and the needs of this developing country fully justify the request.

RHODESIA AS A SUGAR PRODUCER

Rhodesia is a relative newcomer to the ranks of the sugar exporting countries of the world, but it is a sound and growing producer. It was only during the last 10 years that the sugar-producing industry was developed from an experimental effort into the great and growing industry that it is today. This development took place entirely in Southern Rhodesia, and has experienced its most rapid growth in the last 4 years.

Rhodesia was not a sugar-exporting country until 1963. It was a net importer until 1962, in which year its own production for the first time was sufficient to meet the domestic consumption requirements of the entire Central African Federation of which it was formerly a part. Consequently, when the sugar amendments of 1962 were under consideration by the Congress, the Rhodesian producers were not in a favorable position to seek participation as a foreign supplier of sugar to the U.S. market. Although expectations of increased production might have warranted Rhodesia's seeking an allotment at that time, they did not have the actual experience behind them to support an application for any substantial quota.

When, in the year 1963, Rhodesia's sugar production exceeded its own domestic consumption demands, and those of its former partners in the Federation (Malawi and Zambia), it began to look toward oversea markets in which to dispose

of its surplus. One of the first two lots of raw sugar which Rhodesia shipped abroad was to the U.S. market. Significantly, this shipment (of about 10,000 tons) was made to this country, at the U.S. price at a time when it could have been sold in the world market at a substantially greater profit. This country needed the sugar and was calling for supplies. Rhodesia answered that call for the dual purpose of showing its friendship to the United States, and signifying its desire to become a regular participant among the foreign suppliers to the United States. In December 1963, it made application under the global quota for 1964 and was again allotted a participation to the extent of about 10,000 tons.

In view of the administration's recommendation, as reflected in H.R. 10496, that foreign quotas be fixed in performances in the difficult years of 1963 and 1964, it must be stated that in those years Rhodesia shipped every available ton of sugar to the United States over and above contracts it had already entered into with neighboring countries and the United Kingdom. These shipments, although seemingly small in tonnage, actually represented 21.14 and 14.4 percent in the respective years of total sugar exported overseas, and as is known, were sold at well below the then world market price.

In March of last year, when it was expected that further amendments to the Sugar Act would be considered by the Congress, the Rhodesian producers advised the U.S. Government through diplomatic channels that they proposed to seek a substantial quota for 1965 and subsequent years. The amount again represented practically the whole of Rhodesia's uncommitted surplus, and the world market price was still well above the U.S. price. However, legislation was not forthcoming, and the foreign quotas established under the 1962 amendment expired at the end of 1964. The Department of Agriculture, acting under its general authority, fixed foreign quotas for 1965 based upon actual deliveries made in the years 1963 and 1964. The weighted calculation under the Department's formula resulted in a 1965 quota for Rhodesia of 9,197 short tons, raw value.

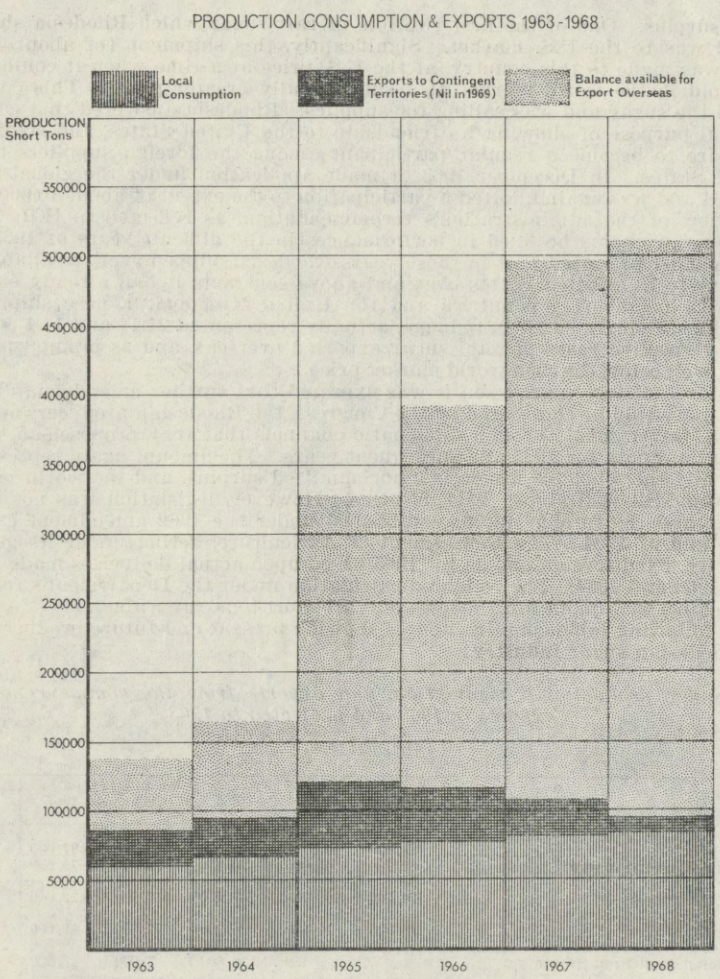
The following table contains figures showing present and future production by the Rhodesian sugar industry:

Raw sugar production, consumption, and exports from the commencement of exports in 1963 and projected to 1968

[In short tons]

	1963	1964	1965	1966	1967	1968
Total production	137,600	165,700	277,500	390,000	497,000	507,000
Rhodesian domestic market	62,900	65,000	70,250	72,500	75,000	81,500
Total exports	74,700	100,700	207,250	317,500	422,000	425,500
Local exports:						
Zambia	16,000	19,800	26,000	27,000	15,000	8,000
Malawi	9,700	10,800	17,700	11,000	8,000	----------
Bechuanaland Protectorate	----------	150	6,500	7,000	7,500	8,000
Total	49,000	69,950	157,050	272,500	391,500	409,500
Overseas exports	----------	----------	----------	272,500	391,500	409,500
United States of America	10,360	10,070	8,758	----------	----------	----------
Canada	21,500	27,000	53,000	----------	----------	----------
United Kingdom	17,140	32,880	72,892	----------	----------	----------
Japan	----------	----------	22,400	----------	----------	----------

In 1965, production will be 277,500 tons. Next year the figure will approach 400,000 tons and in 1967 almost half a million tons of sugar. Rhodesia will continue to honor its undertaking to supply the adjacent African States of Malawi and Zambia until they produce their own domestic sugar requirements. But even so, there will be a balance for overseas exports which next year will be over 270,000 tons and over 400,000 tons in 1968. The estimated growth in Rhodesia's exportable sugar surplus is illustrated dramatically in the following graph.



Naturally, the industry is anxious to secure assured foreign outlets for as much of these surpluses as is possible. For that reason—and for very important complementary reasons which I shall mention—it is seeking a basic quota of 60,000 tons anually for importation into the United States. It is easily demonstrable that the Rhodesian growers can fill such a quota and any accretions to it which may result from an increased demand in the U.S. market.

Rhodesia's present long-term foreign commitments to countries other than the United States are rather limited in amount. Rhodesia acceded to the Commonwealth Sugar Agreement on January 1, 1965, but because of the limited quota balance available it attained a token fixed price quota of only 25,000 long tons. Its overall Commonwealth Agreement quota is 125,000 long tons, but the additional 100,000 tons are exportable only to the extent that a demand exists for the sugar in Britain and Canada. The price payable for these 100,000 tons is not fixed but is at world price plus a small preference. Other contracts for delivery of limited tonnages at values related to world market prices have been negotiated with Japan and Malaya.

QUALITY AND PRODUCTION OF RHODESIAN SUGAR

The sugar produced in Rhodesia is of a very high quality—rich in sucrose content. This committee will understand that the cost structure of any refinery is dependent to a very large degree on the quality of raw sugar available for processing. Rhodesian raw sugar has been endorsed and approved by those refineries which have taken delivery of this sugar in the United States. We are submitting as an attachment to this statement correspondence and a chemical analysis testifying to the very high quality of Rhodesian sugar which has been imported into this country. Moreover, this standard of quality is extremely consistent and does not vary from season to season.

The reason for this is that the cultivation and harvesting of cane is completely controlled, owing to the fact that the areas in which it is planted—known as the lowveld—contain very rich soil which is watered by irrigation. These lands, which were semiarid scrublands, have been reclaimed and made productive through the building of dams and reservoirs on the country's rivers at points in the higher altitudes where rainfall is plentiful, and through construction of a system of conduits which supply the water to the lowveld as desired.

As a result, the cane plantations enjoy a very high yield of cane and sugar, and an extraordinarily rapid harvesting period of only 12 to 13 months. An average cane yield of 1 ton of sugar from 8 to 8½ tons of cane is the rule in the industry. As a result, the lowveld area yields an average of 6 tons of sugar to every acre every year. Carefully rotated planting results in a more or less continuous production of cane for the mills which operate during a 9-month period from March to December of each year.

The cane-growing areas, being located some 400 miles from the sea, are free from the climatic disturbances experienced in coastal areas, such as hurricanes, and, of course, are not subject to drought.

Rapid rail delivery to the coast has been developed, and loading facilities at the port of Lourenco Marques in Portuguese Mozambique are exceedingly efficient. In fact, a bulk loading terminal at this port—now under construction and scheduled for completion in May 1966—will provide a greatly increased loading rate so that a ship may be turned around in as little as 12 hours' time. In addition, reserve storage capacity is available, and the Sugar Association plans to maintain a raw sugar reserve at port ready for loading of about 40,000 tons, and adequate reserve stocks will be held at the sugarmills.

Rhodesia is one of the lowest cost sugar-producing areas of the world, notwithstanding the cost of transportation from the mills to the coast. Delivery time from Lourenco Marques to New York is approximately 22 days, but because of the continuity and controlled method of its sugar production, Rhodesia cannot only give an unparalleled guaranty of availability of supply, but is prepared to deliver raw sugar to U.S. refiners on any date throughout the year specified by them, thus eliminating storage and other costs in this country.

THE IMPACT OF SUGAR ON RHODESIA'S ECONOMY

Until recently the population of the present sugar-producing areas supported itself at a very meager subsistence level. Ten years ago the population was negligible and there was virtually no paid employment. The significant change from this situation took place after the Kyle Dam, the first of the great water retention dams, was completed in 1961. By the beginning of 1965, the sugar industry had increased direct paid employment to a total of over 21,000 persons, of which all but about 500 were native Africans. It is estimated that the total population directly supported by the industry at that time was over 64,000 persons. Indirect employment extended the support of this cash economy to nearly 120,000 people, of which most are Africans.

The industry estimates that by 1968 the basic direct employment will have increased from 21,000 to 30,000 persons, with a corresponding increase in the total number of people directly and indirectly dependent upon the industry.

The accrual of social and economical benefits from the development of this industry over this brief period is probably unsurpassed anywhere in the world. New and modern housing has been built for the workers; schools and modern hospital facilities have been constructed; free education and hospital and medical benefits have been supplied for the workers and their families. The transformation of these people from a subsistence to a cash economy has been electrifying.

The lowveld areas are also being developed for the cultivation of other agricultural products so as further to insure the attainment of a more balanced economy. Further expansion of sugar production facilities will be realized at the end of 1965 when another water retention dam, presently under construction, will be completed, and the country's fourth sugar company will begin operations.

The financing of these projects is borne by private enterprise. Already, the sugar industry has expended $72 million in plant, equipment, housing, and water supply; and before its present plans are completed will have invested a total of at least $100 million. This excludes the cost of dams and major irrigation canals, which total an additional $18 million. These outlays have increased the national income by about $24 million and projections indicate a further increase in the next 2 years to over $32 million.

Sugar is one of Rhodesia's most important exports. Currently it is the fourth largest earner of external currencies, ranking behind tobacco, gold, and asbestos. It is expected that within 2 years sugar will earn approximately $28 million in foreign currencies, making it Rhodesia's second most important export.

THE NEED FOR MARKETS

The Rhodesian sugar industry is an exporter of only 2 years' standing and during this period it has succeeded in finding markets for its total production mainly on the strength of the reputation it has earned for high quality and reliable performance. However, the planned development is now coming into full production and an increasing tonnage must find its way to the markets of the world.

You will note that Rhodesia has only a limited domestic market and the sugar industry is taking vigorous steps to increase domestic consumption. But this cannot be accomplished in a short space of time; and even when an increase in the domestic market has been accomplished it will still be necessary to sell more and more sugar in the markets of the world. Within 18 months Rhodesia will be exporting some 400,000 tons of sugar a year, of which, as I have previously stated, only 25,000 tons is now assured of a guaranteed price.

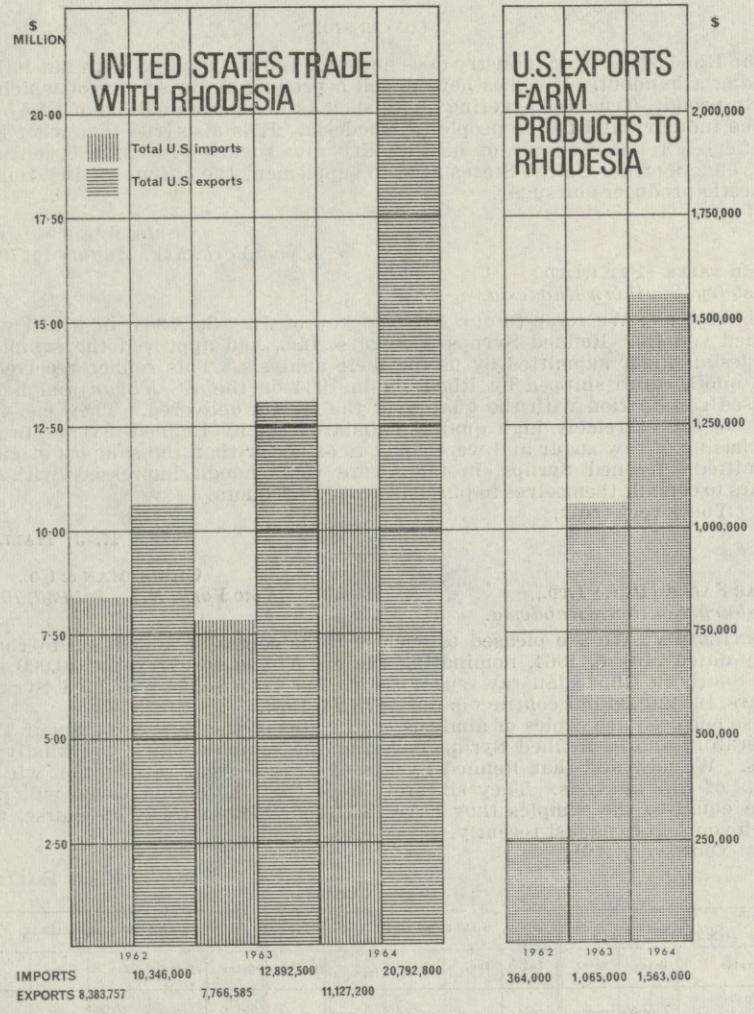
The continued growth and vitality of this industry, with its concomitant social and economic benefits, will necessarily depend on the ability of the growers to market their product throughout the coming years. A sound core of assured export outlets at stable prices is essential to this end. A substantial, and hopefully increasing participation in the U.S. market would be of invaluable assistance.

RHODESIAN TRADE RELATIONS WITH THE UNITED STATES

One of the paramount considerations which the Congress has historically emphasized in allocating the U.S. market to foreign suppliers under the Sugar Act has been the contribution which foreign suppliers in turn can make to this country's economy and, in particular, to its agricultural economy. Of corresponding importance is the question of the extent to which foreign suppliers are already recipients of direct economic assistance from the United States.

Rhodesia is not among those countries which receive direct aid from the United States in any form, and has no intention of seeking such aid. It is content to obtain its economic benefits from this country through sales to it of Rhodesian products. An increase in its sugar exports to the United States would add significantly to its income from this trade.

As of today, the balance of trade between the two countries favors the United States and has done so for several years. In fact, there has been a marked increase in the excess of Rhodesian purchases of U.S. goods over U.S. purchases of Rhodesian goods. This is particularly true in the case of Rhodesian imports of U.S. farm products. The following chart graphically illustrates the trade relationship between Rhodesia and the United States:



As the chart indicates, there was an excess of approximately $2 million of Rhodesian imports from the United States over its exports to this country in 1962, and that gap widened appreciably in 1963 and 1964, growing to more than $9 million in 1964—nearly a 2-to-1 ratio. Rhodesian imports of farm products from the United States (chiefly wheat and canned foods) as shown on the same chart, have increased from approximately $360,000 in 1962 to over $1 million in 1963, and more than $1,500,000 in 1964.

Sales of Rhodesian sugar into the United States would not affect this trend significantly, since the receipts from such sales are returned to the sugar producers and their employees. When cash comes into the pockets of the African worker it stimulates his buying of what Americans regard as the necessities of life which, until reecntly, have been beyond the reach or realization of the worker and his family. One fact alone, sufficient to illustrate the point, is that the subsistence-farmer-turned-sugar-worker spends his cash first and foremost on bread, which was never before available to him. Rhodesia, which is not a wheat-producing country must—as it has in the past—rely on the United States for a significant proportion of its supply of this basic commodity.

CONCLUSION

The Rhodesian sugar industry does not come to the Congress with hat in hand, seeking a handout. It comes here to sell a product and a service of which it is justly proud. True, a marketing quota such as it suggests will be of real benefit to the industry and to the people of Rhodesia. It is also true that what it has to offer—a reliable supply of high-quality raw sugar—is what the consumers and refiners of the United States need to supplement the output of this country's domestic producers of sugar.

CHRISTMAN & Co.,
New York, N.Y., August 16, 1965.

SUGAR SALES (PVT.) LTD.,
Salisbury, Southern Rhodesia.

GENTLEMEN: We refer to our letter to you of July 30, 1964, in which we informed you that Refined Syrups & Sugars, Inc., had approved the samples of Rhodesian sugar submitted by us for their analysis. This refiner received the U.S. quota cargo shipped by Rhodesia in 1964 on the SS *Kimon* and has expressed satisfaction with the quality of the sugars delivered. They met in all respects the extremely high quality standards set by Refined Syrups in their purchasing of raw sugar and were equal to or better than the samples originally submitted. Refined Syrups, in fact, were well enough impressed with your sugars to commit themselves to purchase your 1965 quota.

Yours very truly,

R. J. HALLER.

CHRISTMAN & Co.,
New York, N.Y., July 30, 1964.

SUGAR SALES (PVT.) LTD.,
Salisbury, Southern Rhodesia.

GENTLEMEN: We are pleased to enclose three copies of addendum to charter party dated May 6, 1964, nominating the SS *Kimon* to carry the 10,000 short tons Southern Rhodesian raw sugar which has been sold to Refined Syrups & Sugars, Inc., under our contract dated April 24, 1964.

Also enclosed are copies of analysis certificates of the New York Sugar Trade Laboratory and of Refined Syrups covering the samples which you kindly sent to us. We may add that Refined Syrups expressed great satisfaction with the resuts of this analysis. They sincerely hope that the actual cargo will prove to be equal to the samples they have analyzed. These were, of course, those which you sent to us just recently.

Yours very truly,

R. J. HALLER.

RAW SUGAR EVALUATION

Origin/Mark: South Rhodesia

Carrier	Date	Total Bags	RAW SUGAR ANALYSES Pol.	Inv.	Color	Ash	% Mud	WASHED RAW SUGAR ANALYSES Color	% Carb. Decol.	Ash.	% Mud
Special Sample	7/64	—	98.05	0.95	15.8	0.38	0.4	5.6	1.8	.036	0.1

The CHAIRMAN. We thank you, Mr. Purcell.

This prepared statement you have would show something about your production of sugar, carryover of sugar, and potential production, and all those facts?

Mr. PURCELL. It does, it does. I might ask, perhaps, where I refer in the prepared statement to the charts and tables in the brochure, if those charts and tables, which are very short, might just be reproduced at that point.

The CHAIRMAN. I would think so, yes.

Mr. PURCELL. Thank you, sir.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Purcell, are you a full-time employee of the Rhodesian Sugar Association?

Mr. PURCELL. No, I am not, sir; I am a practicing lawyer here in the city of Washington. The Rhodesia Sugar Association is simply one of my clients.

Mr. FINDLEY. I see. You are employed by the company for the purpose of presenting its request to the committee?

Mr. PURCELL. That is correct, sir.

Mr. FINDLEY. Would you mind telling the committee what the terms of your employment are?

The CHAIRMAN. I will object to that. Mr. Purcell, don't answer it. That is not going to be tolerated in this committee room as long as I am presiding. It is none of your business and none of my business what his terms of employment as a lawyer are. He fixes his own fee and his own arrangements. This is not that kind of a hearing and this is not an investigative committee. I don't recognize you for that purpose.

Mr. FINDLEY. Mr. Chairman, my question was based upon did he object to the statement of facts.

The CHAIRMAN. I objected to it. We are not going to conduct any inquisition in this room on the members of the legal profession who arrange their own fees, and it is none of your business and none of mine either. So thank you very much.

Mr. PURCELL. Thank you very much.

The CHAIRMAN. All right. The next witness we will call is Mr. Laughlin.

I want to commend you upon having a lot of friends. We must have a lot of mutual friends because I heard a lot about you before you got here, even from the North Carolina Governor's office.

STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT, OWENS-ILLINOIS, INC.

Mr. LAUGHLIN. Well, it is an honor to have mutual friends of the chairman of the committee, sir, and we are very pleased at that.

The CHAIRMAN. Thank you.

Mr. LAUGHLIN. I am Hugh C. Laughlin of Owens-Illinois, Inc., and a director of that company. Our headquarters are in Toledo, Ohio.

I am appearing before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas beginning with the calendar year 1968, in any extension of the Sugar

Act of 1948. (This would require adding a quota for the Bahamas of approximately one-half of 1 percent (0.5 percent) with a proviso delaying its effectiveness until 1968.) I will hereafter refer to such legislation as "the act." The Bahamas as you know are a largely self-governing colony of the United Kingdom and located immediately to the east of Florida. The Bahamas are designated as an undeveloped area by our Department of State but receive no U.S. governmental aid. The sugar will be produced on Great Abaco next to the northernmost island in the Bahamas.

You may wonder why Owens-Illinois, and the American Corporation, has an interest in producing sugar in the Bahamas, and I will first deal with that.

We are an Ohio corporation, and our principal businesses, as some of the members of this committee know, because we have plants in your districts, are the production of glass containers, table glassware, scientific glassware, plastic products (largely blown plastic containers and plastic closures for containers), and paperboard and corrugated shipping containers manufactured from paperboard. By the way, I have included an annual report of Owens-Ilinois for 1964 for the information of the committee.

We own and lease approximately over 1 million acres of woodlands which produce pulpwood, to be used for the manufacture of paperboard, and part of these acres are in the Bahamas. We commenced the cutting of pulpwood on Grand Bahama Island in 1957 under a Crown lease. We completed that operation when all the pulpwood was cut in 1959, and then moved to Great Abaco Island where we have been cutting pulpwood since 1959.

This pulpwood is transported to a mill located in Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about midyear 1967 and cannot be resumed until a new crop of pulpwood reaches cutting size in about 25 years.

Approximately 500 persons are employed in these pulpwood operations. These people with their families and persons dependent upon them for support constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over $5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, and oceangoing tugs and barges together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was the most primitive and opportunities for gainful employment almost nonexistent. I have included for the information of the committee a report on our stewardship at Great Abaco, which, I think will be of interest to the committee also, as the committee charged with forestry matters for the United States, because this is

a detailed discussion of how we have conducted these pulpwood operations there.

If we cease our operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of livelihood except casual fishing and uneconomic small-lot produce raising.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing industrial employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the only operation which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonably well distributed for cane production.

2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is a ready supply of semiskilled and skilled labor. This is the labor we have trained in our present operations.

These conclusions are fully supported by the experimental sugarcane plantings which we and others have made which are controlled by us, which are of sufficient size to provide the basic seed cane needed for the operation we contemplate.

What are the benefits of having the Bahamas as a sugar producer, sure sugar producer for the United States of America? Well, in the first place among the purposes of the act are:

(1) Assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and

(2) Encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (*a*) nearness of supply, (*b*) relatively low cost of production, (*c*) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas, and (*d*) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the United States as Great Abaco, Bahama Islands, which is approximately 185 miles east of the Palm Beach, about 30 hours by barge to the mainland from Great Abaco.

We are informed by leading sugar refiners and users in this country that such a nearby offshore source of supply with low freight cost and short delivery time is much to be desired from the standpoint of ready availability and stability of supply. We think from the standpoint of national security that it is obvious that this would be an ideal point to have a sugar supply.

Second, from a cost standpoint, this will be one of the most, relatively, low-cost operations that you will find, we believe, anywhere in the world, and we believe it is in the interests of the U.S. refiners and consumers that offshore operations be as efficient and low-cost as possible, particularly those upon which we may be called to rely in periods of shortage.

From the standpoint of balance of payments, and here I do not want to go into great detail, but I think I can say very firmly that from the standpoint of balance of paymens, the situation of the Bahamas is as strong or stronger than that of any other prospective producer of sugar. Our exports to the Bahamas in 1964 totaled $95.8 million compared to imports from the islands in the amount of $20.5 million. Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. The balance will be between 1½—it is very difficult to get this figure—but it will be in the range of between 1½ and 2 to 1 as far as the relations of the Bahamas to the United States are concerned, with the United States having the favorable balance.

Dollars spent in the Bahamas will come right back from an economic standpoint, and the situation is the same as the domestic situation because the Bahamas are dependent upon us for their food, for their textiles, for their machinery, all of the machinery going into this operation will come from the United States, and so from this standpoint, from an economic standpoint, this is an ideal place for the production of sugar for the U.S. market.

Finally, it goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country—and I ask you here not to think of the Nassau that you know, perhaps, but these out islands, which are in a developing economy—is of utmost importance to us from both the long- and short-term situation.

The Bahamas Government has been most cooperative with our Government in all political matters, including particularly defense support. You are, perhaps, familiar with the great submarine research program that is going on on South Andros, which has been done jointly by the Bahamas Government and our own.

I do not think there is any more friendly nation or one that is more important to our security than the Bahamas, our next door neighbor, a hundred miles or more to our east.

Owens-Illinois presently intends to proceed with this program if it can secure, if the Bahamas can secure, a relatively small quota which would undergird the operation because the only other immediate source of protected market will be the small market in the Bahamas themselves which total approximately, will total, by 1968 approximately 8,000 tons.

We are willing to take, we think, that a minimum operation there at the outset would be approximately 50,000 tons, and the optimum

operation will be 75,000 tons. But we are suggesting here a quota of approximately 20,000 which would allow the establishment of what we believe is a highly strategic and important and worthwhile source of sugar immediately adjacent to the continental United States.

I thank the committee and particularly for the acceleration of my statement.

The CHAIRMAN. We thank you very much, Mr. Laughlin. I am sure your views will be borne in mind when the committee goes into executive session.

(The prepared statement of Mr. Laughlin follows:)

STATEMENT OF HUGH C. LAUGHLIN, EXECUTIVE VICE PRESIDENT, OWENS-ILLINOIS, INC., TOLEDO, OHIO

Identification

I am Hugh C. Laughlin, executive vice president and a director of Owens-Illinois, Inc., which has its headquarters in Toledo, Ohio.

Purpose of appearance

I appear before you today to urge that you give favorable consideration to including a quota which will allow importation of approximately 20,000 tons of raw sugar per year from the Bahamas, beginning with the calendar year 1968, in any extension of the Sugar Act of 1948. (This would require adding a quota for the Bahamas of approximately one-half of 1 percent [0.5 percent] with a proviso delaying its effectiveness until 1968.) I will hereafter refer to such legislation as the "act." The Bahamas, as you know, are a largely self-governing colony of the United Kingdom and located immediately to the east of Florida. The Bahamas are designated as an undeveloped area by our Department of State but receive no U.S. governmental aid. The sugar will be produced on Great Abaco, next to the northernmost island in the Bahamas.

History of the interest of Owens-Illinois in the Bahamas

Owens-Illinois is an Ohio corporation. Its principal businesses in this country are the production of glass containers, table glassware, scientific glassware, plastic products (largely blown plastic containers and plastic closures for containers) and paperboard and corrugated shipping containers manufactured from paperboard. A copy of the annual report of Owens-Illinois for 1964 is filed with this statement as exhibit 1.

Owens-Illinois also owns or leases and operates extensive woodlands which produce pulpwood—the basic raw material for paperboard production. In 1957 Owens-Illinois commenced the cutting of pulpwood on Grand Bahama Island under a crown lease. This operation was completed in 1959. Since then, Owens-Illinois has conducted, through a wholly owned subsidiary, what we believe to be the largest pulpwood operation in the world on Great Abaco Island in the Bahamas. The pulpwood cut there is transported by barges to a paperboard mill located at Jacksonville, Fla. These operations are conducted under a lease from the British Crown which extends until the year 2000. However, current pulpwood cutting operations on Great Abaco will terminate about midyear 1967 and cannot be resumed until a new crop of pulpwood reaches cutting size there in about 25 years.

Approximately 500 persons are employed in these pulpwood operations. These people, with their families and persons dependent upon them for support, constitute well over half of the population on the island. Owens-Illinois is currently the largest industrial employer in the Bahamas.

We have made capital expenditures of over $5,300,000 in connection with these operations on Great Abaco. They cover a system of roads over 1,000 miles in length, heavy transportation equipment, a large dock facility, and oceangoing tugs and barges, together with supporting machine shops, power and light facilities, offices, housing and school buildings, general merchandise store, and a water supply system.

This is in great contrast to the situation on Great Abaco when Owens-Illinois commenced operations there. We literally waded ashore at the point where our headquarters are now located. There was only one automobile on the whole island, which is 100 miles long. Its economy was most primitive, and opportunities for gainful employment almost nonexistent. A description of these pulpwood

operations is contained in the brochure entitled "Report of Stewardship—Owens-Illinois of the Bahamas," which I am filing with this statement as exhibit 2.

If Owens-Illinois ceases operations on Great Abaco in June 1967, after completion of such pulpwood operation, the economy of that island and of the Bahamas generally will be very adversely affected. The road system, which is essential to the economy of the island, will largely disappear through lack of care. Most important of all, the people now employed will have no immediate source of livelihood except casual fishing and uneconomic small-lot produce raising.

Realizing the seriousness of this situation from the standpoint of the future economy of the island, Owens-Illinois in 1962 employed Arthur D. Little, Inc., to study possible industrial developments on Great Abaco which would provide continuing industrial employment. That firm, after detailed study of a number of agricultural and industrial alternatives, recommended the growing of sugarcane and its manufacture into raw sugar for export as the only operation which it believed would be economically feasible.

We then employed Booker Bros., McConnell & Co., of London, one of the world's leading sugar agronomists, and Arthur G. Keller, Inc., of Baton Rouge, La., outstanding experts on sugar production, to study in depth sugarcane growth and raw sugar manufacture on Great Abaco. Their conclusions are:

1. Agricultural conditions for growing sugarcane on Great Abaco are nearly ideal. The soil is suitable. There are no frosts. The rainfall is ample in amount and seasonably well distributed for cane production.

2. Industrial conditions for production of raw sugar there are excellent. There is an unusually long milling season, a high degree of mechanization is possible, and there is a ready supply of semiskilled and skilled labor.

The conclusions as to agricultural conditions on Great Abaco are fully supported by experimental sugarcane plantings located on the island and owned or controlled by Owens-Illinois. These plantings are sufficient in size to provide the basic seed cane for the operation we contemplate.

Benefit of proposed quota for the Bahamas to the United States of America

Among the purposes of the act are (1) assurance of a plentiful and stable supply of sugar to the United States at reasonable prices; and (2) encouragement to nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purposes of expanding international trade and assuring a stable and adequate supply of sugar. The support of sugarcane growing and raw sugar production in the Bahamas fulfills these purposes from the standpoint of (1) nearness of supply; (2) relatively low cost of production; (3) immediate return to the U.S. economy of dollars expended for sugar purchased from the Bahamas; and (4) support of the economy of an area of crucial political importance to our country.

No offshore country enjoying a sugar quota under the act is located as close to sugar refining facilities in the Uinted States as Great Abaco, Bahama Islands, which is approximately 185 miles east of Palm Beach, Fla. We are informed by leading sugar refiners and users in this country that such a nearby offshore source of supply with low freight cost and short delivery time is much to be desired from the standpoint of ready availability and stability of supply.

Our studies show that full mechanizations; a long growing, harvesting, and manufacturing season (200 to 300 days); and favorable climate and rainfall make for a relatively low cost operation. It is in the interest of the U.S. refiners and consumers that such offshore foreign operations be as efficient and low cost as possible so that they will tend toward stabilization of U.S. and world sugar prices at a reasonable level.

U.S. dollars spent for raw sugar will be returned in large part to the United States in the form of purchases of equipment, agricultural produce and other foodstuffs, textiles, and other supplies. This has been the history of the present operations of Owens-Illinois in the Bahamas and of other U.S. operations there, including even U.S. tourism. Our exports to the Bahamas in 1964 totaled $95.8 million[1] compared to imports from the islands in the amount of $20.5 million.[1] Even if proceeds from tourism and other indirect payments are included, the balance of payments still runs heavily in our favor. Thus, the balance of payments between the Bahamas and the United States distinctly favors our country's support of sugar operations there. This is, from an economic standpoint, more like support of domestic sugar operations than support of most other foreign operations.

[1] Source: International Monetary Fund and World Bank.

It goes without saying that support of the economy of our nearest offshore neighbor which is recognized by our Government as the nearest developing country, is also very much in our short-term and long-term interest from a political standpoint. The Bahamas Government has been most cooperative with our Government in all political matters, including particularly defense support.

Need for quota

Owens-Illinois presently intends to proceed at once to complete a sugarcane growing and milling project on Great Abaco which will begin production in the fall of 1967 after the pulpwood operations I have described are terminated, assuming adequate quotas are granted. The people involved will have employment. The existing road system, land clearing, hauling, and shipping facilities will all fit excellently into such an operation.

Owens-Illinois already controls over 4,400 acres of cleared agricultural lands on Great Abaco ideally suited for sugarcane growing. We have assurances from the Bahamian Government that rights to some 45,000 needed additional acres will be available once the project is assured.

The Bahamian Government has been kept fully informed of all of the foregoing and the Prime Minister of the Bahamas has repeatedly expressed the enthusiasm of his Government for this important proposed contribution to the economy of his country.

The committee may ask why we feel that a U.S. quota is necessary for support of this project if it appears so favorable from an agricultural and industrial standpoint. The answer is that the undedicated world market is relatively small and is so much subject to Communist-controlled manipulation that neither Owens-Illinois nor any other private enterprise can afford the capital risk involved in such a project without support of at least a minimum quota provision from the world's largest user.

An optimum size operation would require production of approximately 75,000 tons of raw sugar a year. However, we do not ask for access to the U.S. market for this volume. The quota we are requesting, plus very limited sales of refined sugar in the Bahamas themselves, should make possible a break-even operation. We are prepared to take our chances on the world market, and on additional sales to the United States if other quotas are not met, with the balance of the tonnage of the mill. Quota approval would allow this very worthwhile project to go forward.

The CHAIRMAN. I want to recognize the Honorable Charles Patrick Clark, who has been here in Washington for many, many years, and was chief counsel for the Truman committee back in the old days. I remember that Mr. Truman complimented Mr. Clark by saying that he was a public servant who had no equal. That comes from a great man.

Mr. Clark, I am sure the committee will hear you with great interest.

STATEMENT OF CHARLES PATRICK CLARK, REPRESENTING VENEZUELAN SUGAR DISTRIBUTION ASSOCIATION

Mr. CLARK. Thank you, Mr. Chairman.

Chairman Cooley and members of the House Agriculture Committee, my name is Charles Patrick Clark. Our law firm represents Distribuidora Venezolana de Azucares, hereinafter referred to as D.V.A., or the Venezuelan Sugar Distributing Association. To my right, we have a noted Venezuelan economist and representative of the sugar industry, Dr. Manuel Perez-Olivares, a graduate of Harvard University. To my left is Dr. Ernesto Vallenilla, who represents the Venezuelan Sugar Distributing Association in Venezuela. Dr. Perez-Olivares and Dr. Vallenilla will be pleased to answer any questions of a technical nature concerning Venezuelan sugar which you, Mr. Chairman, or members of the committee may wish to ask.

I would also like to present the president of the Venezuelan Sugar Distributing Association, Dr. Jose Rafael Colmenares, a very distin-

guished gentleman, who has served for 10 consecutive terms as the president of the association without opposition, and the Venezuelan Government's sugar representative, Dr. Antonio Espinoza-Prieto.

We also have Domingo Isasi, a mill manager who is a graduate of the University of Illinois, and also has two sons who are taking postgraduate work in the University of Illinois.

We also have Edgard Leal, representative of the Venezuelan Ambassador, Enrique Tejera-Paris.

Mr. Chairman, we have a supplemental statement with exhibits, which we respectfully request be inserted in the record. This statement describes the principal functions of D.V.A., various facets of the Venezuelan sugar industry, including production, consumption, and surpluses, and labor-management relations, which I might say are excellent. The statement also includes a map of Venezuela showing the locations of the 12 sugar mills and the sugar-producing areas, the political structure of the country, its economy, foreign trade, balance of trade, balance of payments with the United States, purchases from the United States, its debt record, Government finance, Venezuela's programs of health, education, and labor, and historic ties with the United States.

I would now like, with your permission, Mr. Chairman and members of the committee, to make a brief statement as to the reasons why we believe Venezuela should be permitted by your committee to participate, by way of a permanent quota, in the U.S. sugar market.

This is the first time Venezuela has appeared before your committee seeking a permanent sugar quota, simply because Venezuela's outstanding economists, including Dr. Perez-Olivares, because the economists recommended that the country not depend on oil exclusively. That accounts for 93 percent of its exports, but that rather to diversify the country's exports by increasing its agricultural production which would allow for an increase in sugar production and in turn increase its agricultural exports. This Venezuela has done successfully. She is now in a position, by reason of having a sugar supply much greater than her domestic demand, to seek—and we ask very respectfully from your committee—a permanent sugar quota of 40,000 tons annually.

Mr. Chairman and members of the committee, we should keep in mind that, unlike other countries, Venezuela has no preferential sugar market other than the United States for her exportable sugar and quite naturally looks to the United States as a nearby outlet.

The sugar industry is now one of the most important industries in Venezuela's economy, not only because of the volume and value of its production in the agricultural and industrial sectors, but also because of its ability to provide employment. The sugar industry employes approximately 50,000 people, a far greater number than the petroleum industry employs.

The Venezuelan sugar industry consists of 12 mills, having a present production capacity of over 460,000 short tons of sugar per year. The sugar industry processes over 3,500,000 short tons of cane per year, produced on 1,327 privately owned farms. The six privately owned mills produce 57 percent of the Venezuelan sugar; the six Government-owned mills produce 43 percent. The 12 mills are located in regions having the best agricultural characteristics in Venezuela and, at the same time, are near port facilities which are easily accessible over first-class paved roads.

The supervision and operation of the Venezuelan sugar industry is highly efficient; many of its technicians, as well as management and its representatives, were educated in American colleges and universities. The equipment in the Venezuelan sugar mills is modern—85 percent of its essential machinery being less than 15 years old, the largest percentage of it being of American manufacture. The total Venezuelan investment in American equipment is approximately $58 million, of which $21 million has already been depreciated. The combination of superior machinery, modern fabrication methods, and quality chemical products has resulted in the production of refined sugar equal to that of any sugar-producing country in the world.

The sugar industry makes extensive use of automatic instruments and controls, especially in the steam generation and processing departments. This automation results in higher operating efficiency, better working conditions, and increased productivity of high quality sugar.

DVA institutes periodic comprehensive economic and research studies of the entire sugar industry in order to increase its efficiency and productivity.

In the field of labor relations, the sugar industry has shown a spirit of constructive cooperation with labor, resulting in a higher level of income and standard of living for the sugar workers. The history of labor in Venezuela has been one of progressive legislation and efficient administration designed to assure the workers fair treatment and just compensation. Such modern concepts as profit sharing and social security have been part of Venezuelan law for 30 years. These concepts are reflected in a series of collective bargaining contracts which have received high praise from many Latin American institutions, but in the United States as well.

At this point, Mr. Chairman and members of the committee, we like to think that Mr. Quinn when he testified and stated that the sugar workers in Ecuador were the best treated in Latin America, that he really did not mean that.

The CHAIRMAN. You mean other than in Venezuela.

Mr. CLARK. No, Mr. Chairman. While I am not authorized to speak for the other Latin-American countries, and have only been retained by Venezuela, I would like to say that all Latin American countries including Venezuela have great solicitude for their sugar workers.

The sugar industry has had great influence in many Venezuelan communities in eliminating pockets of poverty which the Communist cause thrives on.

Venezuela historically has been an excellent market for U.S. exports with over 50 percent of its imports coming from the United States. Venezuela ranks 2d in Latin America and 10th in the world as a customer of the United States. For example, Venezuela purchases from the United States large annual amounts of livestock, agricultural commodities, such as wheat, fruits, cereals, and vegetables; also agricultural and industrial machinery, and chemicals, to name a few.

Not that we want to quarrel with Mr. Chapman, but Mr. Chapman submitted, as you said, Mr. Chairman, a very comprehensive statement—for instance, in describing Latin American purchases of U.S. agricultural commodities, Mr. Chapman put Mexico first whereas

Venezuela should be first—Mr. Chairman, a point of information for yourself and the committee.

The CHAIRMAN. Yes, sir.

Mr. CLARK. Mr. Chapman, in drafting this chart, omitted Venezuela, and Venezuela happens to be No. 1 in the Western Hemisphere insofar as agricultural purchases from the United States are concerned.

The CHAIRMAN. Which chart are you talking about?

Mr. CLARK. I am talking about the chart, Mr. Chairman, which does not have a page number, so I am at a loss to describe it. But if you will take the last page, Mr. Chairman, you will see agricultural imports from the United States, cash and foreign aid.

The CHAIRMAN. He just forgot to put you on here, that is all.

Mr. CLARK. Not only has Mr. Chapman not put us on, Mr. Chairman, but he has not described the situation correctly in agricultural purchases because they have $65,424,000, and the $9 million is foreign aid. Venezuela has received no foreign aid, and has made over $100 million in agricultural purchases in 1964.

The CHAIRMAN. Well, the committee will accept your amendment to Mr. Chapman's chart.

Mr. CLARK. Thank you for that.

In the years 1962–64, the United States exports to Venezuela jumped from $465 million to over $600 million and are still increasing. On the other hand, in recent years one-third or about 40 percent of Venezuela's exports, mostly in oil and its derivatives and iron ore, are sold to the United States. This means simply that, relative to the other countries, Venezuela buys a larger proportion of diversified purchases from the United States and sells a smaller proportion of her exports to the United States. The allocation of Venezuela's requested permanent sugar quota would, Mr. Chairman and members of the committee, help to reduce this imbalance and give validity, if you will, to the U.S. policy regarding reciprocal trade particularly in the Western Hemisphere.

As stated earlier, if there is one particular factor which has been a disturbing element to the Venezuelan Government and its people, it is the reliance on a single product such as oil as the keystone of its economy. The present Government has an acute awareness of this situation and has taken all possible steps and measures to enlarge the economic activities of the country by diversifying agricultural production in the way of increased sugar production and industrial expansion.

Mr. Chairman and members of the committee, you well know how very important agriculture is to the progress and growth of any country. I need not tell you it was the foundation on which the economy of the United States prospered and grew.

I am sure you will be interested to know that of the 800,000 workers engaged in agriculture in Venezuela, approximately 50,000 are engaged in sugar production.

It goes without saying that a sound and developing agricultural sector will not only enhance the well-being of a country's rural population, but will strengthen the political stability of the country as well and will assure more widespread sharing of the benefits of economic development. In this respect, Venezuela's modest requested perma-

nent quota is in consonance with its desire to achieve a healthy agricutural environment and greater diversification of its economic activity.

Because of Venezuela's good fortune in having such expansive mineral reserves, its political stability is of particiular meaningfulness to the Western World. Those entrusted with the reins of Government from President Raul Leoni down are well aware of the extra need for the preservation of freedom and security, so that not only will its people benefit from these resources, but also Venezuela will be enabled to contribute to the development of the free world by continuing as a valuable ally to the United States and the Western Hemisphere.

In assisting Venezuela to diversify its export trade, by way of a permanent sugar quota, you and your committee, Mr. Chairman, would contribute greatly to Venezuela's economic, social, and financial strength, thereby permitting her to be ever on the alert to prevent the exportation, if you will, of communism as practiced by Castro, not only in their own country but in Latin America as well.

In recent years, the Democratic Government of Venezuela, under Presidents Betancourt and his successor Raul Leoni, has moved with great vigor, industry, and imagination to expand its facilities for education and health, to provide opportunity and security for its workers, to develop transportation and other essential facilities for economic development, and above all to pursue sound fiscal and monetary policies designed to achieve that kind of prosperity and that kind of system of incentives and those institutions which will bring about a more widely distributed prosperity and economic soundness, thereby making for a greater stability in the Government.

The confidence and regard that U.S. private industry has for Venezuela and its people is borne out by the amount of American investment which approximates $3 billion. These investments are held by some of the most outstanding and influential corporations in the United States.

Mr. Chairman and members of the committee, I would like to say that my statements regarding the Venezuelan Government and the Venezuelan sugar industry are based on firsthand knowledge, since I recently spent 10 days in Venezuela during which time I visited various sugar mills and observed their operations, and spoke with sugarcane workers, landowners, farmers, mill management, labor union officials, and Government officials having an interest in sugar production.

I would like to say, Mr. Chairman, that I have been advised by Venezuelan officials that Venezuela would, if requested, be willing to set aside a standby reserve of sugar in reasonable proportion to the amount of its permanent quota, if any emergency existed in the United States.

I also discussed the operation of Venezuela's sugar industry and its request for a permanent sugar quota with American Embassy officials in Caracas, including the Minister Counselor, the economic counselor, the agricultural attaché and the labor attaché. I would have visited with the Ambassador, our distinguished Ambassador, but he happened to be out of the country, out of Venezuela.

I would like to mention at this point, Mr. Chairman and members of the committee, that everywhere I traveled in Venezuela, and it was extensively, I found nothing but the friendliest of feelings on the part of the Venezuelan Government officials and the people for the United States, its people and our institutions.

In conclusion, permit me to say, Mr. Chairman, that Venezuela is a free, constitutional, Democratic Government, patterned after the U.S. Government and has proven herself a bulwark against communism in Latin America, thus making herself a strong and effective link in our western hemispheric chain of security.

Venezuela stood resolutely by our side in the late Cuban crisis, and has outlawed the Communist Party, knowing full well that the greatest threat to peace, liberty, and the economic and social and spiritual progress in the Western Hemisphere lies in the menace of communism.

The Venezuelan Government, as recently as November 1964, in a gesture of friendship to the United States, accelerated by 4 years the payment of the balance of its $75 million loan with a payment of $60 million to the Export-Import Bank, thereby helping the United States to reduce its deficit in its balance of international payments.

Mr. Chairman and members of the committee, it is our considered judgment that Venezuela meets all the criteria laid down in the Sugar Act of 1937, superseded by the Sugar Act of 1947, in that she is a nearby friendly country and should be permitted to participate equitably in supplying the U.S. sugar market by way of a permanent quota, thereby expanding our international trade and permitting Venezuela to assist the United States in maintaining a stable and adequate domestic supply of sugar.

It is our further judgment that the best interests of the United States would be served by your committee, Mr. Chairman, in granting Venezuela's request for what proportionately could be described as a very modest permanent sugar quota, thus helping to strengthen her democratic free Government, bolster and diversify her economy, thereby carrying out the spirit, the intent, and the philosophy of the Sugar Act.

Mr. Chairman, we would be pleased to furnish your committee any additional information regarding Venezuela's sugar industry or related matters you may wish.

Thank you.

(Mr. Clark's supplemental statement, with exhibits referred to above, follows:)

Projected Venezuelan sugar estimates for years 1965 to 1970

[Short tons]

Year	Production	Consumption	Surplus
1965	374,000	308,000	66,000
1966	379,500	321,200	58,300
1967	396,000	335,500	60,500
1868	412,500	352,000	60,500
1969	429,000	365,200	63,800
1970	445,000	380,600	64,400

SUPPLEMENTAL STATEMENT OF CHARLES PATRICK CLARK REPRESENTING VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION, DVA

DVA was organized as per charter duly registered in Caracas, Venezuela, on March 19, 1956, as a limited liability association under the pertinent provisions of the Venezuelan Commercial Code. The financial interests of the participants in a limited liability association are represented by units, each unit equal to a fixed percentage of the capital and not, as corporations, by individual shares of stock evidenced by certificates.

DVA represents the interests of 12 sugar mills comprising 95 percent of the sugar produced in Venezuela.

DVA was created for the purposes of having a single clearinghouse for handling all sales and distribution of sugar. The necessity for its creation was due to the rapid and uncontrolled expansion of the sugar industry between 1950 and 1956, in which producers found themselves confronted with production far in excess of domestic consumption and total lack of proper management of supply.

The internal structure of DVA is as follows: the final authority is vested in the associates, who meet once a year and elect a board of directors, the president, two vice presidents, a general manager and a comptroller, all of whom are elected for a 1-year term.

Management and policy decisions are vested in the board of directors. Each of the 12 sugar mills are represented on the board of directors by 1 member and 3 alternates who meet once a week. Decisions are taken by 65 percent of the capital represented at the meeting except for loans where 90 percent approval is required.

There is also, within DVA, an advisory committee having equal representation from the mills and cane growers. This committee has jurisdiction over all sugar matters pertaining to: selling prices; exportation and importation; terms and conditions of contracts between DVA and cane growers; and production agreements.

The first task of DVA in 1956 was to prepare a program which would dispose of sugar surpluses. This was accomplished by programing exports to the world market over several years and by the establishment of voluntary acreage limitations among the producers. Both undertakings being successful, they brought stability out of chaos in the industry.

The principal functions of DVA may be summarized as follows: to provide for the distribution of sugar to domestic consumers at the lowest possible cost; to receive on consignment sugar produced by associated mills; to sell, under its own terms and conditions, the sugar thus received; to obtain loans for its associates and to act as depository of the sugar given by them as collateral; to stimulate the consumption of sugar; and to act as agent of its associates in purchase of sugar, machinery and related items.

To assure efficiency in the management of the sugar industry, DVA maintains very complete data and is recognized by Government and private industry as having the most accurate industrial statistics in Venezuela.

DVA acts as an intermediary between the sugar producers and lending institutions in the financial negotiations involving sugar consigned to DVA, maintaining controls satisfactory to the lender and thus simplying the processing of the loans.

DVA has benefited the sugar industry by rationalizing its sales and distribution system, it has kept sales and distribution costs to a minimum, and has provided for easy and timely financing of sugar stocks.

DVA has benefited the cane growers by stabilizing their income and making credit sources available; also by making available very valuable information on sugar yields, varieties, and productivity.

DVA has benefited the consumers by maintaining a plentiful and stable supply of sugar at reasonable prices.

THE VENEZUELAN SUGAR INDUSTRY

Sugar has been produced in Venezuela for 400 years, but the first mills were not installed until 1905. The industry was a small one up to the mid-1950's when both the Venezuelan Government and private capital began an intensive development of the country's sugar resources.

A Government sugar program was developed to strengthen the agricultural economy of the country, insure employment in the undeveloped areas, and pro-

vide domestically an essential food product for which large amounts of foreign exchange had been required in earlier years. Several sugar mills were built through Government financing. The Government plan was to develop these sugar mills into financially sound businesses and then make it possible for the cane farmers who supplied the mills to purchase the milling facilities. At the present time, the Venezuelan Government owns six sugar mills, the largest of which accounts for 45 percent of its total production; this mill was formerly owned by cane growers who met with financial problems causing the Government to undertake the operation of the mill.

The total investment in sugarcane farming, involving land, irrigation, farm machinery, housing, storage, and other facilities, amounts to approximately $55 million. The working capital employed by the industry is about $10 million. The total investment in American mill equipment is approximately $58 million. Total investment in the sugar industry amounts to $102 million after depreciation, the net return on investment capital being a little less than 7 percent per annum.

It is obvious that the survival of the cane sugar industry of Venezuela depends on a fair price for the sugar producers. In spite of increased productivity in the fields and the high efficiency of the mills, the basic elements of the economy of Venezuela will not permit production costs to be lowered to meet world market prices. This is due in part to the wealth created by Venezuela's petroleum resources and in part to ecological factors which are more favorable to other producing countries.

The production cost of raw sugar in Venezuela is about 6½ cents per pound. Refined sugar, which retails at 10 cents per pound, is sold at the mill for 8.3 cents per pound or about seven-tenths of a cent over the manufactured cost. This domestic price structure has permitted the growth of a modern, efficient industry and has encouraged the search for increased productivity. The surplus now being produced is the result of this increased productivity in field and mill.

Venezuela has not sought participation in the American sugar market in the past for the following reasons: (1) such surpluses as have existed in the past were due to adjustment of a rapidly growing industry to the internal demand for sugar and Venezuela was not in a position to guarantee the supply of a sizable amount of sugar over a long period of time. Now Venezuela, with her rapidly growing sugar industry, is in a position to participate in the U.S. sugar market and is ready and willing and desires to participate equitably with her Latin American neighbors and (2) the U.S. purchase price for sugar is very close to Venezuela's cost of production.

The importance of the Venezuelan sugar industry to the development of a stable agricultural base for the economy of Venezuela has been demonstrated by the following facts:

The industry employs approximately 50,000 persons in areas that would not otherwise have important economic activity.

It has been proven that sugarcane can produce the best economic return of any large volume crop suitable for Venezuelan agriculture.

The sugar industry is the most important agricultural industry of Venezuela, it contributes 1 percent of the gross national product and shows a productivity per individual employed seven times greater than any other agricultural endeavor of the country. It has been growing at a rate of 10 percent per year, whereas the economy as a whole has been growing at 6 percent yearly during the last decade.

Thus, the sugar industry creates a flow of wealth to the interior of the country, in great need of development away from the main cities which carry 93 percent of Venezuela's economic activity; hence a more balanced growth is attained and social problems are eliminated.

As a result of the increased productivity of the sugar industry, Venezuela can now count on a minimum annual surplus of 60,000 tons of sugar for the next 10 years.

LABOR-MANAGEMENT RELATIONS IN THE SUGAR INDUSTRY

Labor relations in the sugar industry have been excellent, and have produced outstanding benefits for the workers. The fine labor-management relations in the sugar industry have been an important factor in the industry's increased productivity.

The collective bargaining contract between the sugar industry and labor was signed on June 2, 1959, by the sugar mill owners and FETRACADE, a labor

organization, representing all the sugar workers' unions of the country. This contract contained many benefits in addition to those included in the basic labor law, such as—

Prizes for nonabsenteeism.
Bonuses on births of children.
Increased wages for night and overtime work.
Paid days off for death or sickness in the family.
Bonuses and paid time off when worker marries.
Payment on worker's death to his family of all sums due the worker if he had been discharged.
Payment of 19 days' wages for 15 days' vacation.
Supply of school supplies and scholarships for worker's children.
Free medical assistance and medicines for workers and their families.

In January 1962, a new contract was signed embracing the same benefits contained in the 1959 contract, plus the following benefits:

The millowners agreed to facilitate the establishment of consumers cooperatives among their employees, provide the capital, the stores and the technical assistance required for the successful operation of the cooperatives.

The millowners agreed to carry out a program to provide housing for every worker in the industry.

The factories agreed to contribute to a collective life insurance program and to a system of credit cooperatives.

The 1962 labor-management sugar contract has been an outstanding success and has been recognized by Latin American organizations as an outstanding accomplishments in the field of labor-management relations.

Since the 1962 contract went into effect, over 1,000 homes have been built in 11 communities near the sugar mills. A group insurance policy covers all home purchasers against total or partial loss of earning power and insures full homeownership against all risks.

Cooperative stores have been organized by a cooperative society which operates them on its own responsibility, with the workers buying stock according to their means, on a voluntary checkoff basis. Workers willing to invest in the co-ops may get loans from the sugar companies for as much as 90 percent of their commitments, without interest. The expansion of the sugar business has shown the need for a wholesale cooperative to centralize purchasing for all sugar mill cooperatives, which could be made available to other supermarkets in the country.

Status of the sugar worker

The average base salary of the industrial sugar worker is $4.40 per day, that of the agricultural worker is $3.30 per day Fringe benefits amount to 40 percent of base industrial salary. Child labor is prohibited under Venezuelan law.

Every sugar industry worker has the option to buy a house valued at 10 times his monthly wage, up to 40 percent of the value of such housing is paid by the sugar mill owners. The balance can be financed through Government agencies for 20 years without interest. This program involves a contribution of some $2,200,000 on the part of the millowners.

The workers of each sugar mill have the right to establish either consumers cooperatives or mutual loan funds, to be financed by interest free loans from the millowners.

The sugar worker shares in the profits of the company and may receive up to one-sixth of his salary as his share.

The worker receives free medical assistance and medicines for himself and the members of his family.

The object and result of the sugar industry labor policy is to provide stability for the industry and incentive for the worker. The sugar industry worker is now the most productive and best paid employee in Venezuelan agricultural industry.

United States-Venezuela relations

The United States and Venezuela have enjoyed friendly relations for over a century and a half. As early as the year 1824, the United States and Venezuela entered into a Treaty of Friendship, Navigation, and Commerce, and over the years both countries have entered into many commercial and reciprocal trade agreements, the latest being in 1952.

Immediately after Pearl Harbor was attacked, Venezuela declared war on Japan and Germany. Venezuela rendered many affirmative services to the United

States and the Allied cause during the war, among other things, it guaranteed the United States and the Allied Nations a continuing supply of oil, so essential to the free world and victory.

Venezuela supported, unequivocally, the position of the United States in the recent Cuban crisis.

We should like to record the late beloved President Kennedy's sentiments toward the Government and people of Venezuela on his triumphal visit to that country in December 1961: "I come to Venezuela as the first American President to make an official visit to your country. But, in a very real sense, I also came in the footsteps of another American President—Franklin Roosevelt, for it was he who understood the interdependence of my country and yours—who swept away the outmoded attitudes of the past; who looked to you for help and guidance in times of deepest danger; and who dedicated my Nation to the policy of the good neighbor.

"In 1936, President Roosevelt said, in Buenos Aires, that 'lack of social or political justice is always cause for concern. Through democratic processes, we can strive to achieve for the Americas the highest possible standard of living conditions for all our people.'

"Here in Venezuela, that principle—the achievement of social and economic justice under democracy—is being carried forward. Your distinguished President, Romulo Betancourt, is demonstrating the capacity of freemen to realize their aspirations without sacrificing liberty or dignity.

"He has reestablished democratic government after a decade of dictatorship—and he has carried forward a solid and responsible program of economic progress after a decade of false show, waste, and indifference to the needs of the people. The liberal, progressive democracy which he represents is the best hope of the Alliance for Progress.

"And so on this, my first visit to Latin America, I come to take counsel with your leaders to learn more of the problems of your country; to demonstrate the deep concern of my people for their friends to the south; and to witness the magnificent example of vital democracy which is being carried forward in Venezuela."

President Betancourt of Venezuela replied to President Kennedy as follows: "To you, Mr. President and the Secretary of State, I wish to say that I may be President of a small Latin American country with only 8 million people, but I can assure you, Mr. President, that I, as President now, and others who will follow me, will work together so that Latin America will become what you have so eloquently described. We want to work for a serious transformation of Latin America, for a change in depth of its economic and social structures. We want to benefit our people, who are under attack of Soviet propaganda that is so cunningly channeled through Havana. If we don't fulfill our task, the continent will still be poor when Castro's regime is gone; there will still be economic underdevelopment and life conditions will still be unacceptable. Those who think as I do, do not pretend and do not claim that the United States alone can solve these problems. I believe that our own efforts and our own work are extremely important, and this is actually the philosophy of the Alliance for Progress. Venezuela stands with the United States in common dedication to the Western democracies and Christian values."

President Lyndon Baines Johnson, in dedicating the Venezuelan Pavilion at the World's Fair in New York on May 9, 1964, expressed the historic, traditional, and friendly relations existing between United States and Venezuela, when he stated: "This is a real honor for me to come here today and be with my old and delightful friend, President Betancourt.

"As President of a democracy I am proud to be present at the pavilion of another great democracy whose vision and spirit have lighted not only this hemisphere but all the world and to be present here with the leader of that democracy during the time that great effort was being made.

"Under progressive leadership, Venezuela is moving vigorously and moving successfully to prove, as Franklin D. Roosevelt said, that 'democracy is the one form of society which guarantees to every new generation of men the right to imagine and to attempt to bring to pass a better world.'

"Every nation, whatever its system of government, whatever its ideological fate, must take note of President Betancourt's and Venezuela's progress in improving the general welfare of her people, in stimulating its economy, in doing that which is good for humanity.

"Mr. President and Mr. Ambassador, your country is in the vanguard of a better world. Your progress demonstrates that social reform and economic development are possible within a democratic constitutional framework and that such a framework offers the most hope to the most people, the greatest good for the greatest number.

"But I do want you to know that we are going to forge full steam ahead to build the kind of hemisphere that you and my predecessor, the late, beloved John F. Kennedy envisioned together, and we will execute it together."

Venezuela under its Presidents, Romulo Betancourt and Raul Leoni, has been irrevocably committed to the principles of free constitutional government, feeling that under this form of government man can achieve a great measure of freedom, as well as a larger measure of prosperity. These principles have often been enunciated by the present Venezuelan Ambassador to the United States, Enrique Tejera-Paris.

This philosophy of government was eloquently expressed recently by President Leoni, when he said: "We are thus building the foundations of a democracy which is conscious of its social mission. We place emphasis on the social content of our regime because without it all efforts to achieve dynamic change would be in vain. And in spite of the threats posed and the aggression to which we are subjected, all Venezuelans, civilian or military, entrepreneur or worker, university student or technician, are without loss of liberty realizing the fruits of revolutionary change. Though we may have made a late entrance into the 20th century, we now live in the serene conviction that we will arrive on time at the threshold of the 21st."

Government of Venezuela

The Venezuelan Government is a free constitutional democratic form of government, patterned after the U.S. Government, divided into three branches, the executive, legislative, and judicial.

The President is elected by the people for a period of 5 years and cannot seek reelection until 10 years subsequent to the end of his term of office.

The President appoints his own Cabinet Ministers, 13 in number, who head the executive departments; acting jointly, they comprise the Council of Ministers.

The Venezuelan Congress consists of a Senate and a Chamber of Deputies elected by the people for a term of 5 years. Congress is required to meet twice a year. All legislation must be passed by both Houses of Congress; any differences between the two Houses are resolved by a majority vote of the Houses in joint session.

The judicial branch of the government is vested in a supreme court of justice composed of 15 justices and various lower courts. Justices of the supreme court are elected by Congress in joint session for 9-year terms, one-third being renewed every 3 years. The supreme court has the power to declare any executive or legislative act unconstitutional. In 1963 the court handed down a landmark decision outlawing the Communist Party.

The Venezuelan Constitution contains safeguards relating to individual and collective duties, rights, and guarantees of all the people.

Venezuela is a member of the following organizations: (1) United Nations, (2) Organization of American States, (3) Alliance for Progress, (4) International Bank for Reconstruction and Development, (5) International Monetary Fund, (6) International Finance Corporation, (7) Inter-American Development Bank, (8) Organization of Petroleum Exporting Countries, (9) International Labor Organization, and (10) International Civil Aviation Organization.

Area and population

Venezuela is the seventh largest country in Latin America, with an area of 352,000 square miles, having a coastline of 1,750 miles on the Caribbean Sea and Atlantic Ocean and is bounded on the west by Columbia, on the south by Brazil and on the east by British Guiana.

Venezuela's population at the end of 1964 was 8,573,000. The population has increased at an estimated average annual rate of 3.9 percent during the years 1950 through 1964. In spite of this rate of population increase, the average population density is only about 24 persons per square mile. Population distribution has been significantly influenced by climate, geography, and economic development. About 88 percent of the population is concentrated in the Andes Highlands, the northern coastal mountain range, and the Maracaibo Basin, which comprise about 19 percent of the land area of the country.

Urban population has increased at a greater rate than the population as a whole. The population of Metropolitan Caracas, according to the 1961 census, was 1,336,119 and was estimated to be 1,632,000 at the end of 1964. The next three largest cities and their estimated populations at the end of 1964 are: Maracaibo, 516,000; Barquisimeto, 232,000; and Valencia, 187,000.

Venezuela's economy

Since the end of World War II, Venezuela has had one of the world's fastest growing economies. During the years 1950 thorugh 1964, gross national product, expressed in constant prices, increased 134 percent, an average annual increase of 6.7 percent. During the same period, population increased 65 percent, an average annual increase of 3.9 percent. In spite of this growth in population, average per capita gross domestic product increased 42 percent, an average annual increase of 2.8 percent. During the years 1954 through 1963, the manufacturing index increased at an average annual rate of 17.4 percent. Transportation facilities have been greatly improved, particularly the highway network.

Industry in Venezuela is predominantly privately owned and operated.

During the period of Venezuela's political transition in the late 1950's and the end of the petroleum boom following the settlement of the Suez crisis, there was a general contraction of business activity in Venezuela, which was accompanied by substantial capital outflows, budget deficits, and loss of foreign exchange reserves. Various measures were taken to check the loss of reserves and restore balance of payments and fiscal equilibrium; business activity started to increase in 1962, further increasing in 1963 and 1964. In terms of constant prices, preliminary estimates for 1964 indicate increases over 1963 of 7 percent in gross national product, 4.5 percent in petroleum production, 17 percent in manufacturing, 7 percent in agricultural production, and 15 percent in construction.

Venezuela has the highest per capita gross national product in Latin America, a rapidly growing economy and an expanding middle class. During the years 1950 through 1964, gross national product at constant prices increased at an average annual rate of 6.7 percent, compared to corresponding population increases of 3.9 percent, which resulted in substantial improvement in the standard of living. In recent years, the growth of the manufacturing sector has been faster than that of the petroleum industry, reflecting the Government's policy of encouraging diversification of the economy. This growth has been accompanied by relatively stable price levels. Budget surpluses have been recorded in each of the last 3 years.

While encouraging agrarian reform, the Venezuelan Government has started an ambitious and vast industrialization plan designed to transform an oil economy into a modern diversified economy. To meet the challenge of the explosive population increase, 400,000 new jobs must be created in the next 4 years, most of them to provide a living for the 80,000 workers that annually join the labor market. Following a traditional pattern, leading American corporations doing business in Venezuela cooperate with Venezuela's private and official institutions in creating employment. One of the paradoxes of Venezuela's economy is that the petroleum industry, which produces over 70 percent of the Government's income and contributes approximately one-fifth of the gross national product, employs about 37,000 workers or 1.3 percent of the working population because of the advanced technology in this field. Although petroleum will continue to be a principal part of the country's economy in the future, continuing efforts are being made to see that the agricultural and industrial sectors develop their own capacity to contribute to the diversification of the economy. This obviously will have a multiple effect on the entire Venezuelan economy. Meanwhile, the high purchasing power of the currency and the lack of restrictions against the importation of capital have caused a concentration of capital in nonproductive activities, which aggravates the employment problem. Because of this, the creation of new sources of work—for example, development of the sugar industry—is, and will continue to be, a central objective.

Venezuela's petroleum industry

For the past 40 years the petroleum industry has been the cornerstone of Venezuela's economy. This industry has not only provided the principal source of Government revenues and foreign exchange receipts but has also stimulated, both directly and indirectly, extensive economic, industrial, and social changes. The growth of manufacturing industries and of an expanding middle class is due, to a considerable extent, to the continuing stimulus provided to Venezuela's economy by the petroleum industry. In 1963, the petroleum industry accounted for about 29.9 percent of gross national product, 52.6 percent of Government revenues, and 93.3 percent of exports. In 1963, the industry accounted for 1.3 percent of the employed labor force, but contributed about 9 percent of total wages and salaries.

Venezuela is the third largest petroleum producer in the world, accounting for 12.1 percent of total world output in 1964, outranked only by the United States and the Soviet Union, which accounted, respectively, for 29 and 15.5 percent of total 1964 world production. Venezuela has been the world's largest petroleum exporting country during the last three decades, accounting for 26.7 percent of total world net exports of crude oil and refined products in 1964.

Three major petroliferous basins are in production in Venezuela: the Maracaibo Basin, the largest oil field in the Western Hemisphere; the Eastern Basin in the northeastern part of Venezuela; and the Apure-Barinas Basin, southeast of Lake Maracaibo, which entered production in 1948. During the years 1953 through 1963, proved petroleum reserves have fluctuated between a high of 17.7 years of production in 1958 and a low of 14.4 years in 1962 and 1963. At the end of 1963, proved reserves in existing fields amounted to 17 billion barrels, but additional recoverable reserves in these fields have been estimated to be at least equal to this amount. In addition, there exist other potential areas, such as the area of very heavy crude deposits north of the Orinoco River and those in the Gulf of Venezuela and in the southern part of Lake Maracaibo.

Venezuela's petroleum industry is composed of 50 companies, the majority representing American capital, 16 companies operate producing concessions and the balance have individual or joint interests in nonproducing concessions or concessions operated by others. The major companies operating producing concessions together with their respective percentages of total 1964 crude production are as follows: Creole Petroleum Corp., a subsidiaryof Standard Oil Co. (New Jersey), 39 percent; Cia. Shell de Venezuela, Ltd., a subsidiary of the Royal Dutch-Shell Group, 28 percent; and Mene Grande Oil Co., a subsidiary of the Gulf Oil Corp., 12 percent. In addition, subsidiaries of each of the following oil companies accounted for 2 percent or more of total petroleum production: San Oil Co., Socony Mobil Oil Co., Inc., Texaco, Inc., Phillips Petroleum Co., and Standard Oil Co., of California.

Petroleum production and export statistics

[Thousands of barrels]

Year	Crude petroleum production	Percentage change over preceding year	Crude runs to still	Exports [1]			Domestic demand [2]
				Crude oil	Refined products	Total	
1953	644,223	−2.4	150,693	488,862	117,618	606,480	27,256
1954	691,788	+7.4	161,853	528,634	126,250	654,884	32,825
1955	787,384	+13.8	195,866	590,816	147,812	738,628	38,812
1956	899,183	+14.2	288,259	675,270	170,951	846,221	45,169
1957	1,014,424	+12.8	251,322	758,775	181,536	940,311	51,721
1958	950,767	−6.3	267,105	687,725	201,855	889,580	47,879
1959	1,011,419	+6.4	300,776	719,835	221,033	940,868	49,047
1960	1,041,675	+3.0	322,915	730,962	251,747	982,709	46,683
1961	1,065,757	+2.3	338,729	743,711	265,300	1,009,011	46,467
1962	1,167,916	+9.6	374,288	810,485	291,274	1,101,759	48,834
1963	1,185,511	+1.5	380,306	818,325	303,537	1,121,862	49,175
1964	1,241,782	+4.7	399,660	860,063	315,422	1,175,485	53,211

[1] Direct exports.
[2] Domestic demand for refined products, including bunker fuels

The rate of increase in Venezuela's crude oil production has reflected changes in demand in world markets and competition from other export centers. During the years 1955 through 1957, Venezuelan oil output increased at exceptionally high annual rates due to the surge in world demand for Venezuelan petroleum, created in part by the Suez crisis. Although production decreased in 1958, it has increased at an average annual rate of 4.6 percent since 1958. Annual production increases, however, have fluctuated widely from year to year.

Petroleum markets

Venezuela's share of world oil exports has declined in recent years as production in the Middle East has increased and exports have come into the market from new areas, principally the Soviet Union and North Africa. In spite of a 77-percent increase in Venezuelan oil exports from 1953 through 1963, Venezuela's share of total net world oil exports decreased from 46.9 to 26.3 percent, while the Middle East's share increased from 44.7 to 54.1 percent. The Soviet Union and North Africa, which had virtually no oil exports in 1953, accounted for 6.1 and 8 percent, respectively, of total world net exports in 1963. Venezuelan oil is generally at a competitive cost disadvantage as compared to Middle Eastern and North African oil because taxes, wages, and other costs are higher in Venezuela. On the other hand, since Venezuelan crude oils are characterized by high gravity as compared with the lower gravity of the Middle Eastern and North African crudes, a factor favorable to Venezuela, is the growing demand in the United States and Europe for imported heavy crude and fuel oils. Another favorable factor is the desire of the international producers to maintain diversified sources of supply. The Government has sought to discourage exports which are not consistent with its policy of maintaining adequate price levels for Venezuelan oil in world markets.

The principal markets for Venezuelan petroleum exports are shown in the following table:

Exports and destination of crude oil and refined products [1]

	1953		1955		1957		1959		1961		1963		Percentage change 1953–63
	Thousands of barrels	Percentage	Thousands of barrels	Percentage	Thousands of barrels	Percentage	Thousands of barrels	Percentage	Thousands of barrels	Percentage	Thousands of barrels	Percentage	
United States	238,802	38.7	299,157	40.0	391,172	42.2	403,836	44.1	420,243	43.0	449,606	41.3	+88
Canada	63,658	10.3	82,578	11.0	97,876	10.6	97,804	10.7	101,221	10.4	111,316	10.2	+75
European Economic Community	37,853	61.	62,844	8.4	81,006	8.7	58,681	6.4	86,336	8.8	123,566	11.3	+226
Other European countries	66,572	10.8	94,524	12.6	129,357	14.0	116,814	12.7	144,417	14.8	172,717	15.9	+159
Central America	45,344	7.4	55,521	7.4	85,752	9.2	108,158	11.8	60,805	6.2	95,109	8.7	+110
South America	90,362	14.7	97,261	14.0	103,034	11.1	102,874	11.2	122,208	12.5	97,805	9.0	+8
Others	74,281	12.0	55,809	7.6	39,307	4.2	28,610	3.1	41,475	4.3	39,631	3.6	−47
Total	616,872	100.0	747,694	100.0	927,504	100.0	916,777	100.0	976,705	100.0	1,089,750	100.0	77

[1] Includes exports from Aruba and Curacao and eliminates exports from Venezuela to Aruba and Curacao. Substantially all crude oil refined in those islands is imported from Venezuela.

As shown in the table, the United States, particularly the eastern seaboard, is the principal export market for Venezuelan crude oil and refined products accounting for 41 percent of Venezuelan exports in 1963. Exports of Venezuelan petroleum to the United States have been affected by the introduction of mandatory controls on oil imports by the United States in March 1959. Even though Venezuela's exports to the United States increased by 88 percent from 1953 through 1963, Venezuela's share of the total U.S. imports declined from 63 percent in 1953 to 57 percent in 1963. Crude oil represented 41 percent and fuel oil 48 percent of total Venezuelan oil exports to the United States in 1963. Venezuelan exports to Europe increased by 184 percent from 1953 through 1963 and the European countries took 27 percent of total Venezuelan exports in 1963 as compared with 17 percent in 1953. However, Venezuela's share of the European Economic Community imports declined from 12 to 10 percent in that period as competition increased from Middle Eastern, North African, and Soviet crudes. Crude oil represented 51 percent and fuel oil 16 percent of total Venezuelan oil exports to Europe in 1963. Canada's share of Venezuelan petroleum exports remained relatively constant at approximately 10.5 percent during the years 1953 through 1963. The decline in the percentage of total Venezuelan exports taken by the South American market has been due in large part to the increasing self-sufficiency in petroleum of Argentina and to purchases by Brazil and Uruguay from other exporting countries.

Refining

Refining capacity in Venezuela increased from 444,970 barrels per stream day in 1953, to 883,000 barrels in 1958, and to 1,127,400 barrels in 1963. Of the 381 million barrels of products refined in 1963, 56 percent was accounted for by fuel oil, 21 percent by diesel and gas oil, 13 percent by gasoline and naptha and the balance by kerosene, asphalt, lubricants, and other products. In 1963, approximately 32 percent of Venezuela's crude oil production was refined in the country. Most of the refined products were exported because the Venezuelan market consumed only 13 percent of production. At the end of 1963, there were 2,178 miles of trunk pipelines and 1,675 miles of secondary pipelines which were used principally to transport crude oil and refined products to export terminals on the coast.

Investment

In 1963, the oil industry's net accumulated investment in fixed assets in Venezuela amounted to 7,922 million barrels compared with a high of 10,375 million barrels in 1959, and 5,460 million barrels in 1953. As a result of the grant of oil concessions in 1956 and 1957, and of the increase in demand for Venezuelan petroleum during the Suez crisis, there was an unusual increase in new investment in the years 1956 through 1959, which was followed by a sharp decline in the years 1959 through 1962. New investment increased by an estimated 6 percent in 1963, and an estimated 25 percent in 1964. Programs for 1965 presented by the industry to the Government indicate a further increase in new investment over the 1964 level of investment. A summary of the investment of the industry is shown in the following table:

Venezuelan petroleum industry—Current and accumulated investment in fixed assets

[Millions of bolivars]

	1953	1954	1955	1956	1957	1958	1959	1960	1961 [1]	1962 [1]	1963 [1]
Gross accumulated investment	9,873	10,212	10,937	13,038	15,828	17,218	18,803	18,987	19,155	19,253	19,183
Net accumulated investment	5,460	5,534	5,649	7,023	9,002	9,652	10,375	9,771	9,140	8,505	7,922
New investment [2]	901	933	928	1,160	1,822	1,788	1,262	730	516	474	503
Depreciation and amortization	558	613	680	732	812	836	939	948	929	911	872

[1] Excluding revaluation of fixed assets.
[2] Data for 1956 and 1957 does not include payments for new concessions, which amounted to Bs1,046,000,000 in 1956 and Bs1,042,000,000 in 1957.

Exploration activity has declined sharply since 1958. The number of crew-months spent in geological and geophysical activities decreased from 409 in 1958, to 38 in 1963, and to a low of 24 in 1964. At the end of 1964, a group of nine major oil companies undertook an extensive seismic survey of an area of 1,260,200 acres in the southern part of Lake Maracaibo and in the Gulf of Venezuela, which was the largest area covered by geophysical studies in Venezuela since 1959. The number of new exploratory wells completed also decreased from 168 in 1958 to a low of 54 in 1963. In 1964, however, the number of exploratory wells increased to 61. In recent years additional emphasis has been placed on investments in secondary recovery projects which have resulted in increases in proved reserves and the storage of natural gas through reinjection. An estimated 2.2 billion barrels were added to proved reserves through secondary recovery projects in the decade ending in 1963. In 1964, over 420 million barrels were added to reserves by both gas and water injection methods. At present there are two major secondary recovery plants under construction at a total cost of Bs130 million.

Concessions

In accordance with the hydrocarbons law of 1943, concessions presently covering 7,443,540 acres were granted or renewed for a period of 40 years expiring in 1983 and 1984. New concessions granted in 1956 and 1957, which presently cover 571,007 acres, will expire in 1996 and 1997. In 1960, the Government announced that no further oil concessions would be granted to private companies. In 1962, the Government proposed a new system of "service contracts" under which foreign companies would engage in development activities for the Venezuelan Petroleum Corp., an autonomous Government institution. Several companies have expressed interest in considering possible new arrangements with the Government with respect to new areas.

Financial summary

There is set forth below a financial summary, including taxes payable to the Government and return on invested capital, for the petroleum industry for the years 1953 through 1963:

Financial summary of the petroleum industry, 1953–63

[Amounts in millions of bolivars]

	1953	1954	1955	1956	1957	1958 [1]	1959	1960	1961	1962	1963
Total income	4,892	5,337	5,875	6,829	8,463	7,662	7,289	7,287	7,477	7,915	7,902
Net profit after taxes	1,261	1,412	1,710	2,115	2,774	1,616	1,335	1,282	1,477	1,693	1,677
As a percentage of Total income	25.8	26.5	29.1	31.0	32.8	21.1	18.3	17.6	19.8	21.4	21.2
Return on invested capital	18.9	20.5	24.8	29.0	31.9	16.8	13.1	12.1	[2] 14.5	[2] 17.8	[2] 19.2
Taxes:											
Income taxes	507	585	712	931	1,199	1,465	1,260	1,070	1,216	1,462	1,546
Royalties	786	874	1,003	1,188	1,550	1,415	1,444	1,503	1,553	1,703	1,731
Other	209	117	126	162	241	186	156	138	130	143	142
Total	1,502	1,576	1,841	2,281	2,990	3,066	2,860	2,711	2,899	3,308	3,419
Taxes as a percentage of net profits before taxes	54	53	52	52	52	65	68	68	66	66	67

[1] In 1958, the maximum income tax rate was increased from 28.5 to 47.5 percent.
[2] Excluding revaluation of fixed assets.

The Government's share of profits from the industry increased sharply commencing in 1958 as income tax rates were increased in that year. The Government's share of profits before taxes averaged 52.6 percent during the years 1953 through 1957, and 66.7 percent during the years 1958 through 1963. In 1963, the oil industry had a 19.2-percent rate of return on invested capital. Government revenues from the oil industry are derived principally from the following taxes: (*a*) An income tax levied on profits at a progressive rate, the maximum rate being 47.5 percent on profits exceeding Bs28 million; (*b*) a royalty based upon a percent of production (generally 16⅔ percent or the value thereof based on a formula related to Texas posted prices; (*c*) import duties; and (*d*) surface taxes and other miscellaneous Federal and local taxes. Texas posted prices in recent years have been substantially higher than prices actually realized by the oil companies. As a result of the change in exchange rates in

January 1964, the exchange profits realized by the Government in connection with exchange transactions with the oil companies have been virtually eliminated. On the other hand, since taxable income will be reported and royalties paid on the basis of the new exchange rate, the increase in Government receipts from these sources are expected to more than offset the loss of revenues from foreign exchange transactions.

Venezuelan Petroleum Corp.

In April 1960, the Government established the Venezuelan Petroleum Corp. (Corporacion Venezolana del Petroleo—"CVP") as an autonomous institution to engage in all aspects of production, refining, and distribution. CVP has petroleum areas assigned to it which presently amount to 672,033 acres. By the end of 1964, CVP had 15 producing oil wells. CVP produced 2.3 million barrels of crude oil in 1964, and had net investments of Bs 157.5 million at the end of the year. In December 1964, the Government announced plans for CVP, which presently serves approximately 3 percent of the Venezuelan gasoline retail market, to obtain one-third of the Venezuelan retail market for all refined petroleum products by the end of 1968. A program for the allocation of new outlets was announced as well as plans to transfer to CVP certain existing outlets presently distributing products of the private oil companies.

Venezuelan iron ore exports

[Metric tons]

Country	1963	1964	Total increase	1964 distribution percent
United States [1]	9,328,399	10,138,310	809,911	68.07
Germany	1,044,117	2,149,468	1,105,351	14.43
Britain	1,383,746	1,685,785	302,039	11.32
Italy	597,439	885,294	287,855	5.95
Holland	0	34,542	34,542	.23
Total	12,353,701	14,893,399	2,539,698	100.00

[1] Venezuela supplies 68.07 percent of its iron ore to the United States.

Venezuelan iron ore exports totaled 14,893,399 metric tons in 1964, compared with 12,353,701 metric tons exported in 1963.

Venezuela's foreign trade

Foreign trade plays a vital role in the Venezuelan economy. For the 5 years ending December 31, 1963, exports and imports accounted for about 31 and 16 percent, respectively, of gross national product. Since 1926, Venezuela has had a surplus of exports over imports. During the years 1959 through 1963, exports averaged 186 percent of imports. While exports of $2,533 million in 1963 were slightly above the 1958 level of exports, imports (c.i.f.) decreased by 33.2 percent to $1,122.3 million in 1963.

Petroleum and petroleum derivatives accounted for an annual average of 92.4 percent of total exports during the years 1959 through 1963. The composition of imports has been changing, reflecting the growing self-sufficiency and diversification of the economy. The proportion of consumer goods to total imports has been decreasing while that of capital goods and raw materials has been increasing.

The following table indicates the total value of commodity exports and imports for the years 1959 to 1964:

Balance of trade

[Millions of dollars]

	Exports (f.o.b.)	Imports (c.i.f.)	Balance-of-trade surplus	Exports as percent of imports
1959	$2,326.3	$1,689.9	$636.4	137.7
1960	2,392.7	1,273.6	1,119.1	187.9
1961	2,452.0	1,229.6	1,222.4	199.4
1962	2,533.1	1,265.6	1,267.5	200.2
1963	2,533.0	1,122.3	1,410.7	225.7
1964 (9 months) [1]	1,837.2	826.7	1,010.5	222.2

[1] Preliminary.

The following table shows the volume and prices of exports and imports, and Venezuela's terms of trade (i.e., the relationship of the prices of exported articles to the prices of imported articles), for the years indicated:

Terms of trade

[1948=100]

	Exports		Imports		Terms of trade
	Volume	Price	Volume	Price	
1959	211.9	102.9	148.5	137.3	75.0
1960	222.3	103.5	114.4	134.1	77.2
1961	224.2	99.1	105.8	143.8	68.9
1962	242.6	96.4	105.0	159.2	60.6
1963	246.0	96.1	101.4	155.7	61.7

Geographic distribution of foreign trade

[In percent]

	1959		1961		1963	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
United States	49.5	53.2	46.5	54.9	39.9	54.6
Canada	4.4	3.3	4.9	4.2	10.1	5.0
Other Western Hemisphere countries:						
LAFTA countries	9.7	1.4	8.6	1.6	5.1	2.9
Other	9.6	.2	7.9	.7	10.3	.6
Europe:						
European economic community	6.3	23.4	8.2	21.5	11.7	19.2
Other	11.9	13.1	13.2	13.1	14.8	13.2
All others	8.6	5.4	10.7	4.0	8.1	4.5
Total	100	100	100	100	100	100

The above table shows that while the export percentage to the United States declined considerably, the percentage of imports has remained constant and, in fact, has increased slightly.

Some of the U.S. exportable items to Venezuela over the years are as follows: Live animals; meat; milk and cream; eggs; wheat, unmilled wheat, and unmilled corn; cereals; fruits; vegetables; sugar preparations; fodder oilseeds; rubber; paper; pulp and waste paper; cotton; mineral fuels and lubricants; animal and vegetable oils and fats; chemicals; paper; textiles; mineral manufactures glassware; iron and steel products; copper; aluminum; power-generating machinery; agricultural machinery; tools and implements; industrial machinery and equipment; aircraft; furniture; clothing; scientific, medical, optical measuring and controlling instruments and apparatus; photographic supplies; musical instruments; perambulators, toys, games, and sporting goods; office and stationery supplies.

U.S. exports to Venezuela, by commodity sections and principal commodity groups, 1959–64

Nomenclature and description	1959	1960	1961	1962	1963	1964
Exports, including reexports, total	$738,851,000	$551,218,000	$515,662,000	$470,613,000	$507,091,000	$596,949,338
Reexports	2,219,000	2,803,000	2,353	4,818,000	2,777,000	2,553,986
Domestic exports, total	736,631,665	548,414,828	513,308,888	465,797,057	504,314,000	599,503,324
Sec. 0. Food and live animals	85,492,692	86,167,144	78,437,486	56,349,393	55,385,000	66,755,235
Live animals, not elsewhere specified	2,357,191	2,112,268	1,082,128	1,142,273	2,935,000	2,126,711
Milk and cream	12,277,866	13,156,502	8,284,192	4,949,261	4,249,000	3,730,426
Eggs	5,708,132	7,955,246	6,366,387	3,807,572	3,527,000	2,547,513
Wheat, unmilled	13,268,455	15,261,036	19,090,930	11,900,330	13,469,000	19,599,212
Wheat, flour	2,072,453	376,915	140,696	303,149	389,319	438,501
Cereal, prepared	11,360,957	11,895,093	11,494,421	8,864,919	6,411,000	6,597,765
Fruit, fresh, and nuts	5,323,511	5,691,917	4,008,401	4,050,887	4,167,000	5,027,592
Fruit, preserved, and fruit preparation	6,142,987	4,900,548	4,461,935	2,934,986	2,687,000	2,269,612
Vegetables, fresh, frozen or preserved	4,234,657	3,493,752	4,880,985	4,440,664	5,607,000	5,101,139
Vegetables, preserved or prepared	2,454,799	2,066,160	1,624,551	1,158,935	1,216,855	1,080,364
Sugar, confectionary and other sugar preparations	2,830,650	3,991,634	3,244,324	3,156,928	2,366,000	1,848,277
Sec. 1. Beverages and tobacco	11,190,463	3,737,974	1,846,037	1,339,479	223,000	269,926
Tobacco, unmanufactured	332,230	1,486,176	682,522	760,722	142,000	171,306
Tobacco, manufactured	10,714,900	2,205,303	1,079,478	549,001	----------	37,452
Sec. 2. Crude materials, inedible, except fuels	10,752,366	10,522,996	16,735,304	16,363,611	17,733,000	21,887,064
Oilseeds, oil nuts, and oil kernels	696,655	744,271	1,489,167	1,600,179	1,481,000	3,286,505
Rubber, crude, including synthetic	2,613,162	3,036,842	3,449,063	3,704,900	3,097,000	3,926,259
Paper pulp and waste paper	1,997,477	2,191,762	4,021,806	4,606,754	5,718,000	7,703,132
Synthetic and regenerated fibers	267,918	685,121	703,569	1,050,784	555,000	821,508
Sec. 3. Mineral fuels, lubricants and related materials	8,524,322	6,653,067	4,617,037	3,790,624	2,903,000	3,400,229
Petroleum products	8,505,919	6,634,866	4,463,914	3,766,568	2,385,000	3,025,376
Sec. 4. Animal and vegetable oils and fats	2,080,240	2,479,663	4,563,330	3,933,126	4,281,000	6,716,751
Animal and vegetable oils and fats, processed, waxes of animal or vegetable origin	1,023,559	1,708,566	2,771,191	2,636,127	2,902,000	1,755,279
Sec. 5. Chemicals	60,448,969	52,040,213	54,786,335	52,186,742	47,624,000	61,943,030
Organic chemicals	1,649,441	1,827,556	2,518,725	2,886,740	2,687,000	3,665,771
Inorganic chemicals: elements, oxides, halogen salts	2,674,502	2,251,683	2,529,404	2,260,810	1,706,000	2,312,434
Other inorganic chemicals	2,326,394	2,049,032	2,588,571	2,853,685	2,209,000	2,826,705
Pigments, paints, varnishes	2,605,352	1,817,658	1,998,190	1,959,444	1,589,000	2,197,196
Medicinal and pharmaceutical products	20,092,397	17,564,865	17,670,167	12,705,293	10,552,000	9,747,319
Essential oils, perfume, flavor materials	2,873,424	2,715,702	2,905,517	3,045,061	3,050,014	5,574,498
Soaps, cleansing, polishing preparations	2,171,919	2,061,208	1,984,914	2,093,863	1,741,000	1,985,568
Fertilizers, manufactured	1,014,728	1,070,721	808,515	1,083,539	678,007	612,065
Plastic materials, regenerated cellulose, artificial resins	6,718,787	4,454,309	5,434,107	5,451,173	5,662,000	10,026,200
Sec. 6. Manufactured goods	105,045,075	100,980,443	99,391,708	94,022,083	105,271,000	101,975,617
Articles of rubber, not elsewhere specified	5,393,216	4,252,818	3,906,672	4,292,079	3,851,731	4,289,042
Paper and paperboard	15,413,908	13,475,007	15,364,571	14,385,743	11,713,000	11,766,843
Articles of paper pulp, paperboard	7,711,316	4,406,043	2,592,632	2,764,343	2,820,269	3,286,371
Textile yarn and thread	7,540,179	6,615,839	8,065,693	8,315,232	6,825,000	9,456,596
Cotton fabrics, woven	6,673,393	4,287,602	5,556,132	3,740,421	2,975,000	4,075,950
Textile fabrics, woven, other than cotton fabrics	3,426,422	2,253,411	3,586,656	1,956,749	2,954,000	4,180,070
Special textile fabrics, related products	2,598,000	1,809,040	2,159,458	1,739,155	1,776,067	2,005,402
Made-up articles, of textile materials	4,058,019	2,652,923	3,917,918	2,426,831	2,370,000	2,564,974

Mineral manufactures, not elsewhere specified	2,450,620	2,176,859	2,187,648	2,534,201	3,449,441	3,745,280
Glassware	5,572,576	4,541,496	3,696,104	3,729,911	3,335,516	4,118,360
Iron and steel mill products	37,019,342	22,542,889	19,360,641	20,232,601	31,172,000	18,990,857
Copper	1,767,618	2,131,416	3,036,271	2,203,977	2,348,000	1,698,460
Aluminum	1,465,450	1,124,713	1,123,845	1,318,609	1,345,000	1,807,527
Finished structural parts and structures	6,345,314	2,493,676	1,786,289	1,110,052	3,392,956	2,147,176
Metal containers for storage and transportation	6,280,998	3,959,253	3,269,380	2,940,288	2,663,581	3,432,230
Tools for use in machines or hand	6,718,810	6,209,974	4,073,039	4,339,726	5,005,000	5,705,330
Household equipment of base metals	9,115,937	6,677,031	5,479,805	4,900,432	3,562,000	2,211,527
Manufactures of metal, not elsewhere specified	9,940,505	5,254,891	4,481,466	5,172,270	5,412,357	6,433,821
Sec. 7. Machinery and transportation equipment	343,024,596	240,080,369	211,274,819	199,871,380	230,803,000	283,325,208
Power generating machinery, other than electric	21,235,669	11,528,782	12,735,725	12,699,103	13,955,000	16,553,549
Agricultural machinery, implements	18,915,124	11,642,472	9,676,734	10,865,937	12,808,000	19,077,945
Office machines	3,345,735	2,438,653	5,644,590	2,221,251	2,105,000	3,687,650
Metalworking machinery	9,048,639	1,932,952	2,779,524	4,589,438	4,161,000	4,184,900
Textile and leather machinery	4,862,706	4,778,692	4,156,519	5,661,021	5,447,000	7,680,631
Machines for special industries	27,148,687	19,461,355	14,469,570	12,604,814	19,356,000	27,041,549
Machinery, appliances (other than electrical), machine parts, not elsewhere specified	74,528,840	56,335,304	45,169,824	48,713,300	60,375,000	69,195,634
Electric power machinery and switchgear	22,256,025	14,535,675	8,157,282	8,634,377	6,712,000	12,040,815
Equipment for distributing electricity	3,892,309	2,345,501	2,393,577	2,170,172	1,212,704	1,386,923
Telecommunications apparatus	9,306,277	7,074,828	9,953,476	8,391,646	8,663,000	13,004,671
Domestic electrical equipment	17,955,015	13,257,906	12,694,921	12,122,877	9,060,000	10,446,319
Other electrical machinery, apparatus	14,156,875	11,426,574	12,854,197	12,549,051	10,873,000	13,546,593
Road motor vehicles	101,119,453	61,325,755	62,925,819	55,158,924	66,575,000	78,675,810
Aircraft	1,890,662	1,762,341	5,453,375	2,067,843	7,140,000	2,969,092
Sec. 8. Miscellaneous manufactured articles	56,059,896	38,977,679	35,730,336	31,516,451	31,171,000	39,875,160
Sanitary, plumbing, heating, lighting fixtures and fittings	6,139,149	3,778,096	2,581,648	2,669,966	3,022,337	3,467,458
Clothing (except fur clothing)	5,187,477	3,226,495	3,665,041	1,957,675	1,571,397	1,584,463
Furniture	3,895,321	3,214,593	1,262,369	1,065,762	1,125,559	1,488,909
Scientific, medical, optical, measuring, controlling instruments, apparatus	8,100,126	5,164,183	5,085,161	4,527,359	5,016,000	6,471,570
Photographic and cinematographic supplies	2,622,296	2,195,121	2,264,303	2,142,275	2,167,000	2,351,251
Musical instruments, sound recorders, reproducers, parts and accessories	6,651,647	3,282,585	2,692,348	2,469,094	2,415,000	3,160,844
Printed matter	2,966,458	2,633,077	2,340,087	1,957,299	2,051,000	2,599,193
Articles of artificial plastic materials	3,683,276	2,702,189	1,625,382	1,527,672	1,652,295	2,613,199
Perambulators, toys, games, and sporting goods	5,149,760	4,244,534	4,319,100	3,834,958	3,006,594	4,936,312
Office and stationery supplies, not elsewhere specified	3,334,571	2,786,860	2,760,617	2,544,658	2,104,698	2,615,674
Manufactured articles, not elsewhere specified	5,717,399	4,378,969	4,933,157	5,053,726	5,363,193	6,391,246
Sec. 9. Commodities and transactions not classified according to kind	9,013,046	6,748,275	5,926,531	6,424,168	8,920,000	10,801,118
Special shipments	9,013,046	6,748,275	5,926,531	6,424,168	8,920,000	10,801,118

Venezuela's balance of payments

Prior to 1958, Venezuela generally had a favorable balance of payments and it accumulated large foreign exchange reserves. During the years 1958, 1959, and 1960, however, there were substantial balance-of-payments deficits. The end of the petroleum boom after the settlement of the Suez crisis, together with political uncertainties and budgetary difficulties inherited from the Perez Jimenez regime, led to a loss of confidence and a reduction in Government investment expenditures which resulted in a general contraction of business activity, substantial capital outflow, and loss of foreign exchange reserves. The situation was aggravated by the existence of a large amount of short- and medium-term obligations that had been incurred by the dictatorship, and which the new democratic government was determined to pay as soon as possible. Various measures were taken to check the loss of foreign exchange reserves and to restore balance of payments and budgetary equilibrium. Import quotas and higher duties on certain goods were established in 1959, and exchange controls were imposed in 1960. As a result of these measures and the increasing self-sufficiency in foodstuffs and manufactured products, imports dropped by 33 percent from 1958 to 1963. The overall balance-of-payments deficit was sharply reduced in 1961 and 1962, and surpluses of $156 million and $96 million were achieved in 1963 and 1964, respectively. The public debt was greatly reduced and foreign exchange reserves of the Central Bank, which had dropped to $571 million at the end of 1961, increased to $825 million at the end of 1964.

Education and public health

Significant advances have been made in the field of education. From 1957 through 1964, total student enrollment increased from about 845,000 to about 1,702,000, the number of schools from 7,142 to 14,504, and the number of teachers from 27,757 to 59,419. Education in public schools is free and approximately 77 percent of the children of school age are enrolled. The National Institute for Educational Cooperation, which provides technical education to adults and adolescents, has trained about 95,000 workers since 1961. Illiteracy of the population over 14 years of age decreased from an estimated 40 percent in 1957 to 20 percent in 1964. Expenditures for education represented 12.1 percent of Government expenditures in 1964. There are 7 universities in Venezuela, of which 5 are public and 2 are private, with a total enrollment of 35,100 students.

Public health conditions have improved markedly in recent years as a result of large expenditures for medical facilities and sanitation. During the period 1951 through 1964, average life expectancy increased from 58.8 years to 66.4 years and infant mortality decreased from 78.7 to 48.2 per 1,000 births. Mortality among children from 1 to 5 years decreased from 13.0 per 1,000 in 1951 to 5.0 in 1964. During the period 1961 through 1964, the number of hospitals increased from 271 to 326 and hospital beds increased from 22,406 to 28,484.

Agriculture and forestry

In 1964, agriculture, livestock, fishing, and forestry accounted for 7 percent of the gross national product and 33 percent of the employed labor force. Agricultural and livestock production represented 94 percent of the total production in that year of Bs.2,085 million at constant 1957 prices. Of the total agricultural and livestock production, crops accounted for 60 percent, cattle and other livestock 22 percent, milk 14 percent, and eggs 4 percent. The principal agricultural crops are sugar, coffee, bananas, corn, rice, cocoa, yucca, potatoes, fruits and vegetables; cattle is the principal livestock. While the country is practically self-sufficient in sugar, corn, rice, beans, fish, bananas, eggs, and coffee, it imports powdered milk, wheat, and certain kinds of fruit. In 1964, food and beverage imports represented about 7.2 percent of the total value of all imports and 9.1 percent of total food consumption. Coffee and cocoa are the principal export crops.

The value of agriculture, fishing, and forestry (at constant prices) increased at an annual rate of 5.7 percent during the years 1950 through 1964, compared with an annual rate of population increase of 3.9 percent during that period. While production of export crops declined during that period, there was a substantial increase in food and industrial crop production for domestic consumption and in the production of sugarcane, dairy products, and livestock. Government programs to stimulate agricultural production have included irrigation projects, cash

subsidies, liberal credits, Government purchases, support prices, and protection through tariffs and quota restrictions on imports. New highways have opened up rural areas and connected them with urban centers of consumption.

According to the 1961 agricultural census, approximately 2 percent of the nation's total land area is under crop cultivation, 3 percent under cultivated pasture, and 13 percent under unimproved pasture. The pattern of landownership is characterized by a number of extensive estates engaged principally in livestock raising and a large number of small, family-operated farms engaged principally in crop production. It was estimated that in 1956 about two-thirds of all farms consisted of less than 12½ acres and were operated at close to the subsistence level. As a result of irrigation projects undertaken by the Government, land under irrigation increased from approximately 31,875 acres in 1957, to 65,227 acres in 1960, and to 124,490 acres in 1964. Projects now under construction are expected to bring under irrigation an additional 395,854 acres by 1968.

An agrarian reform law adopted in March 1960 contains regulations limiting land tenure and provides for the distribution of public and private lands to qualified farmers, and for farm credit and improved marketing facilities. The land subject to expropriation is generally limited to uncultivated land, farms worked indirectly through renters and sharecroppers, and unimproved pastureland suitable for cultivation. Privately owned land cannot be expropriated if public land is available in the same area, and the law provides that farms of a size below certain specified limits cannot be expropriated. Land expropriated is to be paid for in cash and Government bonds. Land is either sold or awarded gratuitously to new owners. From the commencement of the land reform program in 1959, until December 31, 1964, about 305,238 acres of land have been expropriated and paid for and 4,636,700 acres have been distributed to 77,528 families. The Government owns over 2½ million acres of land suitable for distribution to farmers.

Labor

The estimated working population of Venezuela at the end of 1963 was 2,715,000. Of the total employed labor force of 2,392,000 in that year, 35 percent was employed in primary industries as compared to 48 percent in 1950, 21 percent in manufacturing and other secondary industries as compared to 19 percent in 1950, and 44 percent in trade, service and other industries as compared to 33 percent in 1950.

The agricultural and industrial unions had 1,570,000 members at the end of 1963, accounting for 66 percent of the employed labor force. Most of the unions are affiliated with the Workers Confederation of Venezuela.

President Leoni, recently describing the Venezuelan labor movement, said: "My close connection with the Venezuelan labor movement dates from those years, and in the intervening three decades of continuous and unflagging struggle the movement has succeed in creating the powerful Confederation of Venezuelan Workers (CTV), with nearly 4,000 unions representing over 1,500,000 rural and urban workers. The CTV has always been a bulwark constitutional government in Venezuela, in part at least because the 3-year democratic regime of 1945–48 and the regimes since 1959 have considered the material and cultural well-being of the working masses a central objective and the basic reason for the democratic revolution which our country is at present undergoing."

The first Venezuelan legislation dealing specifically with employer-employee relations, the law of workshops and public establishments, was promulgated in 1917. This established the workday as 8½ hours, but permitted lengthening by mutual consent of employer and employee. It also established paid remuneration for holidays, prohibited the employer from retaining the worker's salary and determined safety and sanitary standards for places of work.

The labor law of 1928 superseded the workshops and public establishments law and was a result of the initiation of petroleum exploitation and the creation of the National Labor Organization. Among the more advanced aspects of this law were the determination of the workday as 9 hours and nullification of all contracts to the contrary, the obligation of the employer to indemnify workers for injuries resulting from accidents or occupational diseases, and the establishment of special standards for the employment of women and children.

The labor law of 1936 was inspired by the Mexican Federal labor law, the Chilean Labor Code and the recommendations of the International Labor Organization. The basic provisions of this law are still in force, although revisions were made in 1945 and 1947. This law establishes: paid annual vacations; length of service benefits; regulation of domestic employment; profit sharing; the right of collective bargaining; the right to strike; 8-hour day, 48-hour week; social security benefits.

The revision of the 1945 law separated agricultural labor from the provisions of the 1936 law and made such labor subject to a special regulation for agriculture and animal husbandry. It also incorporated standards governing labor unions and improved control over intermediaries.

The 1947 revision of the 1936 labor law provides many important social advances including the following: severance pay; equality between workers and salaried employees with regard to paid vacations; pay for a day of rest per week; pro rata payment for vacations earned; extension of length of service benefits to include death payments.

Social security law

A separate compulsory social security law provides for payments to employees in the case of illness, maternity, occupational diseases, and accidents. The cost of these payments is shared jointly by the Government, the employers, and the employees in the case of illness and maternity payments and by the Government and the employers alone in the case of payments for occupational diseases and accidents. The Government is expanding the geographical and functional coverage of the social security program and it is estimated that as of December 31, 1963, there were 326,043 employees and 616,140 relatives and dependents eligible to receive such payments.

Venezuela's debt record

During the past 20 years, the Republic of Venezuela has paid when due the full currency amount of principal, interest, and amortization requirements upon its direct and guaranteed external indebtedness for money borrowed.

During the period from 1952 through January 1958, the Perez Jimenez government and the autonomous institutions entered into numerous contracts for the construction of public works and the purchase of goods and services which provided for payment over a period of several years. In certain cases promissory notes or other instruments were issued by the Government or the autonomous institutions to evidence the payments due under such contracts. It was customary for the contractor or supplier to assign or discount the payments due or notes issued under those contracts with financial institutions in Venezuela and abroad. Since no adequate records were kept by the Perez Jimenez regime, it has not been possible to determine the exact amounts involved and the extent of the delays in payment which occurred during the years prior to 1958. Nevertheless, it was estimated by the Controller General of Venezuela in his report to the Congress for the year 1960 that the total amount of the obligations of the Central Government and the autonomous institutions under those contracts aggregated Bs2,871 million as of February 1, 1958. A substantial amount of these obligations were payable in foreign currencies.

After the overthrow of the Perez Jiminez regime in January 1958, the new government conducted extensive investigations of these contracts in order to determine whether or not irregularities had occurred in connection with the amounts charged or the work done or the goods and services supplied thereunder. Substantial delays occurred in the payment of the obligations due under the contracts as it was necessary to review carefully each contract. The provisional government on May 15, 1958, directed that claims be paid only in those cases where no irregularities were found or where the balance due exceeded the amounts objected to by the Government because of such irregularities or where the contractor had agreed to correct the irregularities by reducing the stipulated contract price. On May 29, 1959, Congress ratified the action taken by the provisional government and specified additional procedures for the review by the Controller General of contracts under which claims were then pending. Pursuant to this congressional action and a resolution of the Council of Ministers of October 2, 1959, (*a*) payment was ordered on balances owing to third party

assignees after withholding amounts objected to, (*b*) payment was ordered on balances owing to the original contractors after withholding 125 percent of the amounts objected to, and (*c*) payment was ordered suspended on balances owing to persons notoriously linked with the dictatorship. An interministerial committee was appointed at the same time to study, together with representatives of the Congress, special cases relating to claims assigned to third parties on which payment in full could not be made because the amounts objected to exceeded the balances remaining unpaid under the contract. A special committee appointed in 1962, consisting of representatives of the Congress, the Ministry of Finance, the Office of the Controller General, and the Office of the Attorney General, has continued the examination of these third-party claims. During the period May 15, 1958, to December 31, 1964, the Controller General reviewed 598 contracts, including 284 contracts on which no irregularities were found, 145 contracts on which objections were made but on which all balances had been paid and no amounts could therefore be withheld, and 169 contracts on which objections were made and amounts withheld.

In accordance with the foregoing procedures, payments aggregating Bs2,777,707,218 were made through December 31, 1964.

The remaining unpaid balance of Bs93,631,347 as of December 31, 1964, represents the amount withheld because of objections made by the Government upon which no settlement has been reached.

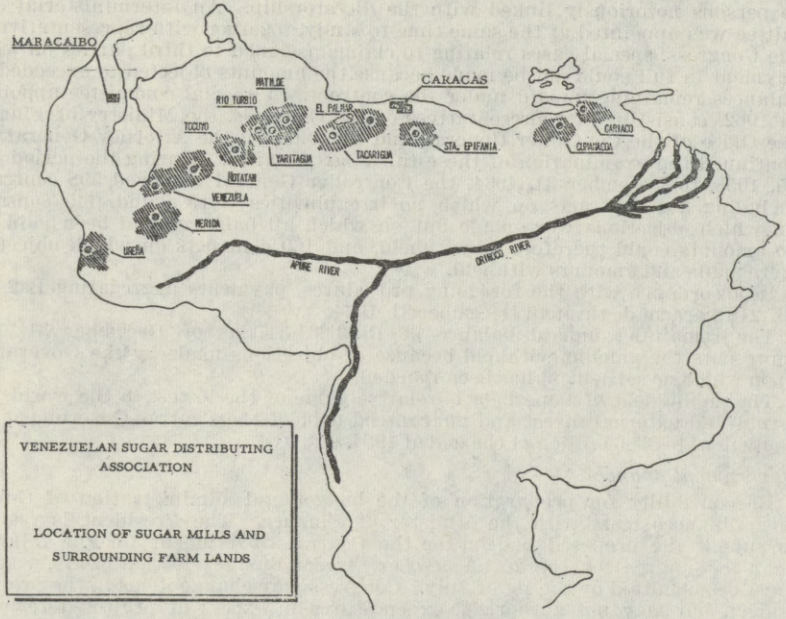
The public debt of Venezuela is relatively one of the lowest in the world. Internal and external direct and guaranteed debt of the Central Government was equivalent to $386 million at the end of 1964.

Government finance

Responsibility for preparation of the budget and administration of Government finances rests with the Minister of Finance. The President is required to submit the proposed budget for the Central Government for the following year to Congress by the 2d of October, except during election years, when it must be submitted by the 1st of July. Congress may change items in the proposed budget, but may not authorized expenditures in excess of projected revenues. The budget must include every year an appropriation at least equal to a specified percentage of total estimated ordinary revenues for distribution among the States, the Federal district, and the Federal territories in accordance with a prescribed formula, such minimum percentages to be 14½ percent in 1965 and 15 percent in 1966 and thereafter. No taxes may be levied, money borrowed, or expenditures made unless authorized by law. Expenditures may be increased or budget items reallocated during the course of the fiscal year by the Government, with congressional approval, provided total authorized expenditures at no time exceed projected revenues.

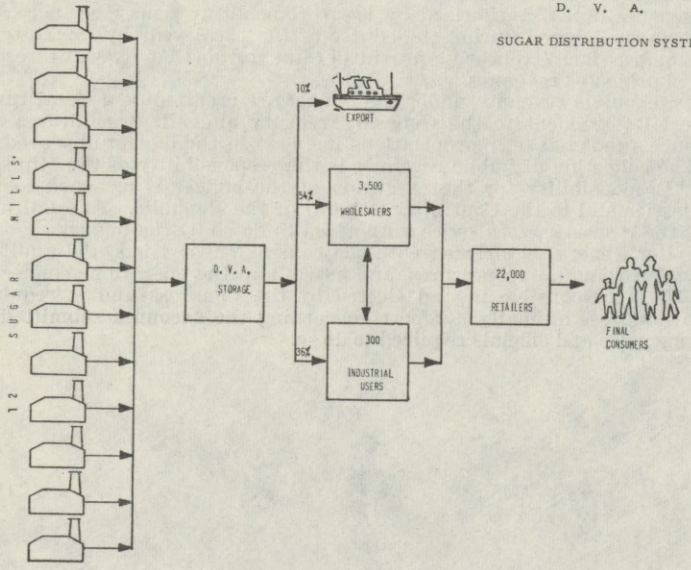
All receipts of public revenues under the budget are credited as general funds of the Central Government to the General Treasury and all expenditures are made from such funds out of appropriations included in the budget approved by Congress. The collection of public revenues is the responsibility of the Ministry of Finance. Responsibility for the execution of the budget is assigned to the various ministries and to the Controller General of the Republic. Expenditures are made by the respective ministries authorized to do so by the budget.

The Controller General is charged with the control, supervision, and auditing of the national revenues, expenditures, and assets and the operations connected therewith. He is responsible to and elected by the Congress and is required to submit to Congress annually a report concerning the accounts submitted to Congress by agencies and officials required to do so.



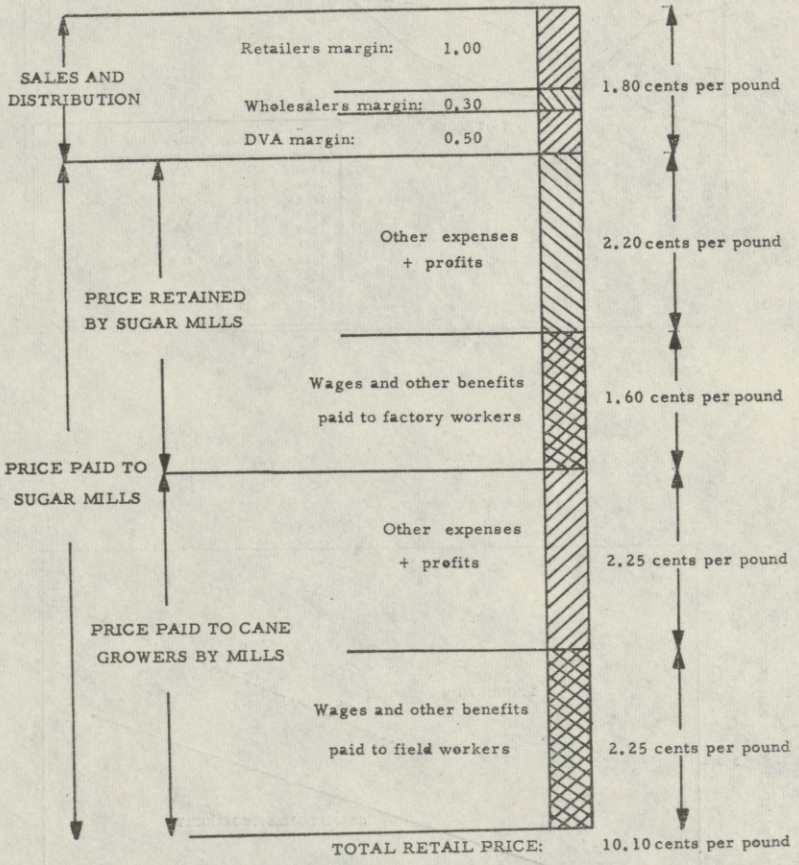
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR DISTRIBUTION SYSTEM



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

BREAKDOWN OF RETAIL PRICE OF REFINED SUGAR



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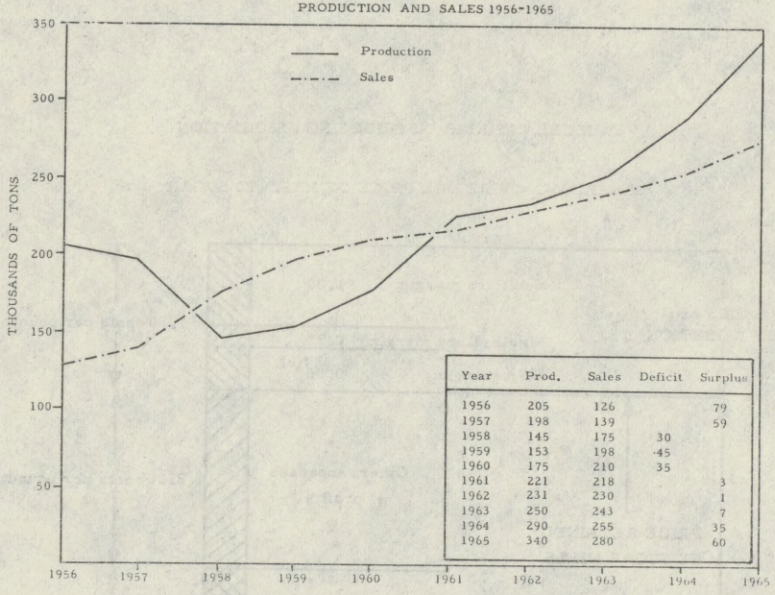
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

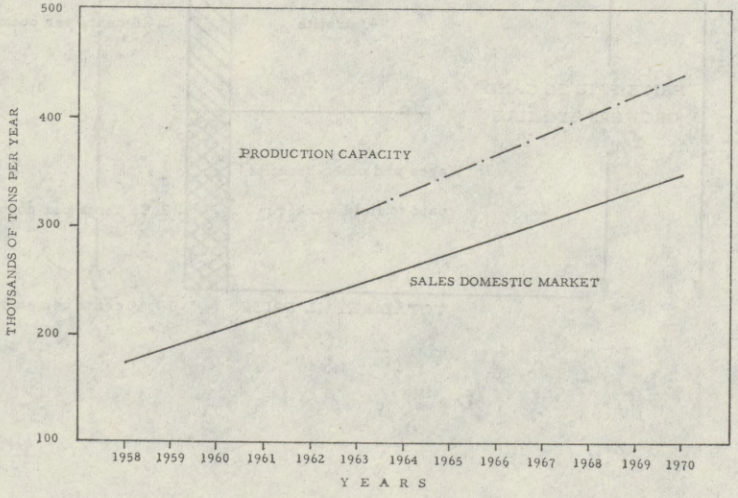
PRODUCTION AND SALES 1956-1965



Year	Prod.	Sales	Deficit	Surplus
1956	205	126		79
1957	198	139		59
1958	145	175	30	
1959	153	198	45	
1960	175	210	35	
1961	221	218		3
1962	231	230		1
1963	250	243		7
1964	290	255		35
1965	340	280		60

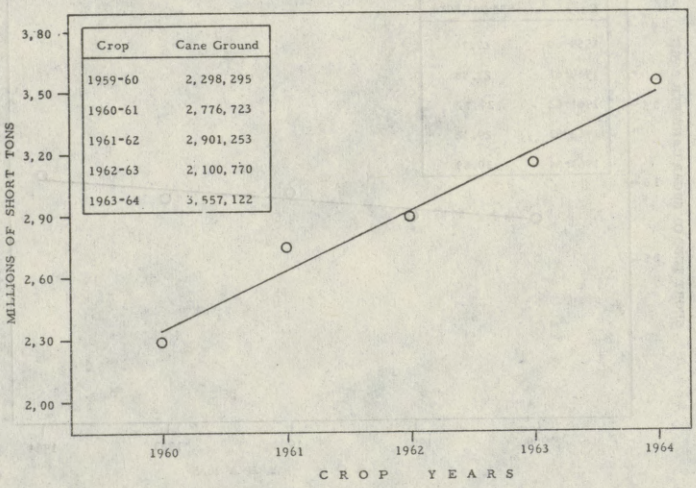
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION

PRODUCTION CAPACITY AND DOMESTIC SALES ESTIMATE



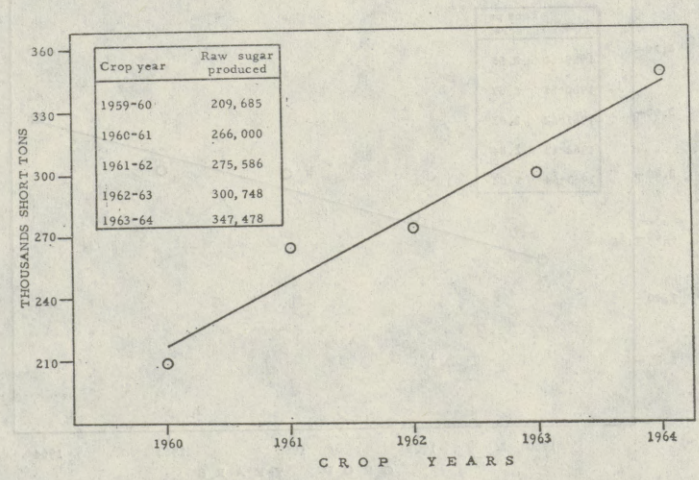
VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

SUGAR CANE HARVESTED



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

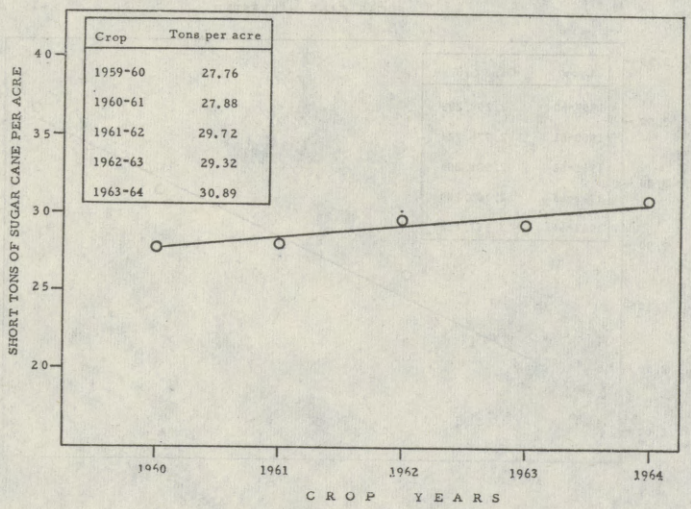
SUGAR PRODUCTION OF VENEZUELA



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF SUGAR CANE PER ACRE

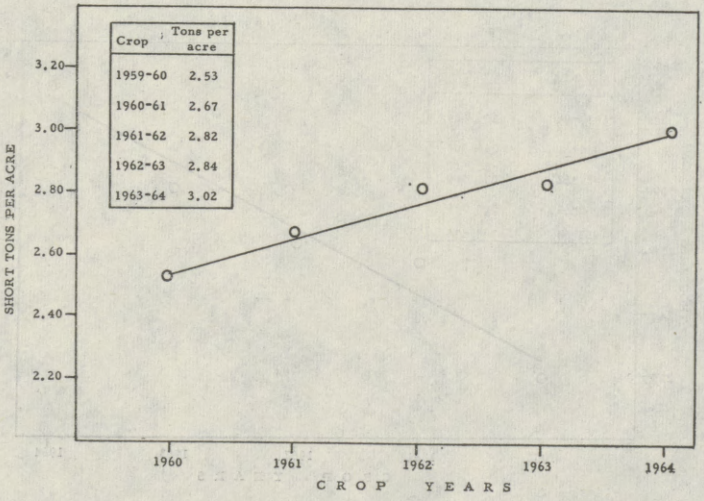
Crop	Tons per acre
1959-60	27.76
1960-61	27.88
1961-62	29.72
1962-63	29.32
1963-64	30.89



VENEZUELAN SUGAR DISTRIBUTING ASSOCIATION
D. V. A.

YIELDS IN SHORT TONS OF RAW SUGAR PER ACRE

Crop	Tons per acre
1959-60	2.53
1960-61	2.67
1961-62	2.82
1962-63	2.84
1963-64	3.02



AMERICAN CHAMBER OF COMMERCE OF VENEZUELA,
Caracas, Venezuela, August 11, 1965.

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

MY DEAR CHAIRMAN COOLEY: It has been brought to our attention that representatives of the sugar industry in Venezuela (Distribuidora Venzolana de Azucares), are now making representations to your honorable committee for the purpose of securing an increase for Venezuelan sugar in the quotas assigned by our Government. We wish to make known to you our complete endorsement of this action, and to urge your committee to a favorable decision on behalf of our Venezuelan friends.

This subject formed the topic of our directors' meeting today, and they, who represent most of the important American firms engaged in international trade, have unanimously approved this démarche.

Since we may be expected to have more than a casual familiarity with the Venezuelan sugar industry, may we give you some of the reasons for our support of the DVA petition: this Venezuelan industry is a very progressive group closely allied to the interests of Venezuelan agriculture with an outstanding record in its labor relations. As a matter of fact, the industry plays a very important part in the maintenance of sociopolitical stability in the country with a labor force that actually outnumbers those in the petroleum business.

Since our chamber is, by its constitution, committed to the improvement of relations between our country and Venezuela, we are writing you in the hope that their representations before you and other Government departments concerned may be favorably considered.

Sincerely yours,

GERALD MAXFIELD, *President.*

The CHAIRMAN. We thank you very much, Mr. Clark, for this statement, and we are very glad to have your friends from Venezuela with you in your presentation of the statement.

Mr. Teague?

Mr. TEAGUE. Mr. Clark, you spoke about the fact, and I do not doubt it at all, at least comparatively, that your agricultural workers are well-treated in Venezuela. Can you or some of your friends tell me what the average daily earnings of a fieldworker down there are, not a factory worker but an agricultural fieldworker?

Mr. CLARK. It runs from $3.40 to $3.60 a day in our currency.

Mr. TEAGUE. What is that compared to dollars?

Mr. CLARK. That is in American dollars, Congressman Teague.

Mr. TEAGUE. As I understand that is considerably higher than the average pay in Mexico. But let me ask you this further question: Is there any substantial unemployment in Venezuela?

Mr. CLARK. In the sugar industry or in the country itself, Congressman?

Mr. TEAGUE. In the country as a whole.

Mr. CLARK. In the country as a whole, I would prefer to have Dr. Perez-Olivares answer that question.

Mr. TEAGUE. All right.

(Discussion off the record.)

Mr. CLARK. Dr. Perez-Olivares, Congressman Teague, informs me that out of over 800,000 there are about 280,000 unemployed, and this quota would go a long way to decrease, I should say, the unemployment.

Mr. TEAGUE of California. I have a better idea.

Mr. CLARK. We would like to have it, Congressman.

Mr. TEAGUE of California. You are, very deservedly, prominent in Democratic circles, I am sure, and we are having a very difficult time in California getting our farm crops harvested, although the hourly rate is from a minimum $1.40 as high as nearly $4.

I wish you could persuade the President or the Secretary of Labor to let us have some of those people from Venezuela who might like to come up and help us harvest our crops and earn a lot of money.

Mr. CLARK. Congressman Teague, I would be very pleased to take that up, and I am sure there would be a good sense of responsiveness on the part of the interested Venezuelan officials.

Mr. TEAGUE of California. I would hope so. No one else has been able to bring it about. If you bring that about you are a miracle man.

Mr. CLARK. I will try, Congressman Teague.

The CHAIRMAN. Thank you very much, Mr. Clark.

Mr. Purcell.

Mr. PURCELL. Mr. Chairman, you may have stated it, but I did not get the figures if you did. I am interested in how much oil Venezuela is exporting now.

Mr. CLARK. Ninety-three percent, Congressman Purcell.

Mr. PURCELL. Ninety-three percent of what?

Mr. CLARK. Oil and derivatives.

Mr. PURCELL. How many barrels is that?

Mr. CLARK. In terms of barrels I would have to get the information from the noted economist, Dr. Perez-Olivares.

Mr. PURCELL. Any way you want to. I just want to know.

Mr. CLARK. Dr. Perez-Olivares tells me, that Venezuela produces over 3,400,000 barrels of oil a day, and she is the No. 1 oil exporting country in the world, and third in production, second to the United States then Russia.

Mr. PURCELL. How much does she export?

Mr. CLARK. How much does she export to the United States?

Mr. PURCELL. The total.

Mr. CLARK. The total overall exportable?

Congressman Purcell, Dr. Perez-Olivares tells me that it amounts to about 94 percent exportable and 6 percent domestic consumption.

Mr. PURCELL. Ninety-four percent of 3 million barrels a day is exported?

Mr. CLARK. That is correct.

Mr. PURCELL. All right.

What percent of this comes to the United States?

Mr. CLARK. Over 70 percent, Congressman Purcell.

Mr. PURCELL. Is that crude or semirefined or derivative or what?

Mr. CLARK. Dr. Perez-Olivares advises me that it is both.

Mr. PURCELL. Does he have in mind the breakdown of how much of each, crude and refined?

Mr. CLARK. We would be very pleased to furnish that information, Congressman Purcell, if you wish.

Mr. PURCELL. All right, sir. I wish.

Mr. CLARK. Would you please make a note, Dr. Perez-Olivares?

(For the information referred to see p. 242.)

Mr. PURCELL. What other countries does Venezuela sell oil to?

Mr. CLARK. All free world countries—no Iron Curtain countries. In other words, Venezuela has no dealings with Soviet bloc countries. Venezuela also sells to the United Kingdom.

Mr. PURCELL. But not any Iron Curtain countries?

Mr. CLARK. No, no, sir, Congressman Purcell.

Mr. PURCELL. Is this true as to Cuba also?

Mr. CLARK. Yes, sir.

Mr. PURCELL. You have experts with you, and I thought I could find out while I had you here. You have these economists.

Mr. CLARK. Yes. We will be glad to furnish the information, Congressman Purcell.

Mr. PURCELL. Do they sell oil to Cuba?

Mr. CLARK. Oh, no. They have no diplomatic relations. They have severed relations with Cuba. Venezuela was the first to do so. Venezuela was the first to take an affirmative stand in the Western Hemisphere when the United States took a position against Cuba, and stood resolutely and affirmatively and effectively and continuously by the side of the United States.

Not only that, but the distinguished counsel Mr. Vallenilla tells me that the labor unions in Venezuela refuse to unload any ships carrying any material to or from Cuba.

Mr. PURCELL. All right, sir.

How much wheat does your country buy from the United States?

Mr. CLARK. How much wheat, Congressman Purcell?

Mr. PURCELL. Yes.

Mr. CLARK. Approximately $20 to $25 million a year, Congressman Purcell.

Mr. PURCELL. Is that cash market?

Mr. CLARK. That is hard money.

Mr. PURCELL. Any Public Law 480 wheat?

Mr. CLARK. No; and, further, this was one of the reasons that, adverting to Mr. Chapman's testimony, that the purchases that Venezuela makes of agricultural purchases, are paid in hard money, in cash. That is why Venezuela is No. 1 as a customer of the United States as far as agricultural imports are concerned, in the Western Hemisphere.

Mr. PURCELL. I do not mean to belabor the point; we have everybody being first. All you fellows want to draw these charts, and everybody's country winds up being first.

Mr. CLARK. We only want to be No. 1 when we deserve to be No. 1, Congressman Purcell, and in this case the record speaks for itself. The Department of Commerce will, at least, confirm our position in this matter.

Mr. PURCELL. I am not arguing. I do not know. May be I just got off wrong, I am not trying to accuse you of anything. I am just trying to find out some information please, sir.

Now then, are you talking about the most dollars paid to the United States in trade of any Latin American country?

The CHAIRMAN. He said Mexico.

Mr. CLARK. In overall trade, Congressman Purcell, we are second to Mexico insofar as purchases from the United States are concerned. Narrowing it to the agricultural area, Venezuela is, No. 1 in cash payments, in dollars, in purchases from the United States. We like to think that comparisons are odious, Congressman Purcell, but we do not think facts are odious. We think they speak for themselves. And the fact is that Venezuela is No. 1 in agricultural purchases from the United States.

Mr. PURCELL. What Latin American country does the United States buy more dollars worth of products from?

Mr. CLARK. I would say the United States makes the most purchases from Venezuela in the way of oil and its derivatives.

Mr. PURCELL. How much, in dollars, is this oil worth that the United States buys from Venezuela?

Mr. CLARK. Congressman Purcell, Dr. Perez-Olivares informs me that he cannot supply that now but we would be pleased to supply it as soon as possible.

Mr. PURCELL. All right.

(For the information referred to see letter below.)

Mr. PURCELL. What is the market price of oil in Venezuela to the United States, in barrels or gallons or whatever?

Mr. CLARK. We will be very pleased, Dr. Perez-Olivares states, to supply all information on the questions that you have asked regarding oil.

Mr. PURCELL. All right, sir.

(The information referred to follows:)

WASHINGTON, D.C., *August 26, 1965.*

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

DEAR MR. CHAIRMAN: During my testimony in behalf of the Venezuelan Sugar Distributing Association, before your committee on Friday, August 20, 1965, in re H.R. 10496, Congressman Purcell asked for certain information concerning Venezuelan's petroleum industry, which is herewith submitted.

Mr. PURCELL. What percentage of Venezuela's crude, or semirefined or oil derivatives does she export to the United States?

Mr. CLARK. Out of a total export of crude petroleum and refined products amounting to 1,146,212,000 barrels in 1964, 477,321,000 barrels were exported to the United States, percentagewise this amounted to 41.64 percent of the export total.

Mr. PURCELL. What other countries does Venezuela sell oil to?

Mr. CLARK. Attached as exhibit 1 is a table prepared by the Division of Petroleum Economics, Ministry of Mines and Hydrocarbons of the Republic of Venezuela entitled, "Exports of Crude Petroleum and Refined Products by Countries, 1950–64" which is self-explanatory.

Mr. PURCELL. But not any Iron Curtain countries?

Mr. CLARK. Absolutely none.

Mr. PURCELL. How much in dollars is this oil that the United States buys from Venezuela worth?

Mr. CLARK. Attached as exhibit 2 is the December 1964 issue of "U.S. Imports of Merchandise for Consumption" prepared by the Bureau of the Census of the U.S. Department of Commerce giving the estimated 1964 value in dollars which shows U.S. combined purchases of crude oil and products to be $841,446,583, the estimated value in dollars in crude purchases alone amounted to $492,045,034.

Mr. PURCELL. What is the market price of oil in Venezuela to the United States?

Mr. CLARK. The 1964 annual report "Memoria" of the Venezuela's Ministery of Mines and Hydrocarbons shows that:

"Preliminary figures indicate that the unitary price for export of Venezuelan crudes in 1964 was US$1.97 per barrel, compared to US$2.02 per barrel in 1963. The decline of 5 cents of a dollar per barrel is not at all indicative of the deterioration of prices mentioned, but rather due to the exportation of greater quantities of lower gravity crudes that are of a lower price."

Mr. PURCELL. Do you know whether or not oil coming out of Venezuela is the oil that goes into Brownsville, Tex., and is hauled by truck into Mexico under bond and then under some kind of an agreement brought back out of Mexico as an importation to the United States?

Mr. CLARK. I have been informed by Venezuelan Government officials that Venezuela was in no way connected, nor has any knowledge whatsoever of the Brownsville, Tex., Mexican oil transaction and further that this was a transaction involving Pemex (Mexican Petroleum Corp.) and American oil interests.

We trust the above information answers Congressman Purcell's inquiries.

I am advised by Venezuelan Embassy oil authorities that they will be most pleased to furnish any additional information Congressman Purcell may wish.

With assurances of the highest esteem and regard.

Sincerely yours,

CHARLES PATRICK CLARK.

EXHIBIT 1

Exports of crude petroleum and refined products, by countries, 1950–64 [1]

[In thousands of barrels]

Destination	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Total	494,150	564,162	626,841	616,872	666,465	747,694	863,477	927,504	891,568	916,777	950,419	976,705	1,067,049	1,089,750	1,146,212
Western Hemisphere	364,219	381,604	415,569	438,176	472,821	534,551	610,778	680,272	689,586	713,528	724,928	706,996	745,641	754,616	833,828
North America	261,138	272,346	283,002	302,470	327,460	381,769	431,524	491,486	483,030	502,496	520,008	523,983	561,280	561,702	611,379
Canada (include Newfoundland)	38,322	52,453	57,174	63,658	68,755	82,578	93,092	97,876	85,680	97,804	94,991	101,221	106,872	111,316	132,367
Greenland							90	253	162	809	250	652	1,603	617	958
Mexico				10	150	34	220	2,185	156	47	615	1,867	305	163	733
United States	222,816	219,893	225,828	238,802	258,555	299,157	338,122	391,172	397,032	403,836	424,152	420,243	452,500	449,606	477,321
Central America	44,372	39,734	46,072	45,344	47,630	55,521	69,527	85,752	97,298	108,158	103,817	60,805	68,593	95,109	108,042
French Antilles	128	129	233	148	155	230	305	246	250	229	310	284	194	67	102
British Antilles [2]	26,203	18,948	20,869	19,994	21,730	23,224	24,185	24,325	25,043	32,366	41,874	13,254	9,101	11,191	12,781
Costa Rica	649	657	787	823	807	686	1,240	988	1,087	1,040	896	1,209	1,282	1,157	1,292
Cuba	6,524	8,043	8,830	8,471	10,397	11,339	13,235	22,071	28,597	29,568	12,735				
El Salvador	172	293	945	889	987	827	1,179	1,274	1,275	1,293	1,691	1,897	1,857	4,149	4,439
Guatemala	980	938	1,425	1,558	1,364	1,708	2,176	2,440	2,041	2,254	2,637	3,194	3,108	2,289	2,832
Haiti	286	349	375	478	473	672	786	705	620	722	637	456	369	277	672
Honduras	744	788	707	820	681	678	609	907	821	1,044	1,084	1,138	1,282	1,102	972
Nicaragua	355	431	588	589	793	1,027	1,010	1,207	1,103	1,070	1,193	1,424	1,549	1,921	2,091
Panama Republic	4,519	5,266	6,943	6,493	5,422	6,570	6,921	8,770	6,566	6,510	7,815	3,747	10,359	19,451	17,416
Puerto Rico	2,667	2,782	3,082	3,298	3,273	6,570	12,806	15,567	25,312	29,567	31,990	34,168	36,789	40,028	43,521
Dominican Republic	1,145	1,110	1,288	1,464	1,451	1,927	2,052	2,304	1,944	2,312	955		2,652	3,343	3,874
Others				319	97	63	3,023	4,948	2,639	183		34	51	10,134	18,050
South America	58,709	69,524	86,495	90,362	97,731	97,261	109,727	103,034	109,258	102,874	101,103	122,208	115,768	97,805	114,407
Argentina	21,881	23,383	29,804	26,662	27,303	31,904	40,313	41,392	41,298	41,767	31,423	24,726	16,612	7,927	13,219
Bolivia	278	213	249	625	109	22	78	79	30	19	126	131	36	124	129
British Guiana	6										53	7	1	1	474
Brazil	27,985	34,456	42,040	46,227	51,255	44,834	48,579	42,301	52,641	45,127	48,276	47,071	44,386	39,330	39,241
Colombia	661	1,170	2,918	4,279	4,977	3,078	2,620	2,342	419	214	726	1,467	1,377	389	395
Chile	2,794	4,826	5,833	7,198	6,041	6,740	7,265	6,263	5,543	6,339	6,392	6,974	7,319	6,876	7,474
Ecuador		11	24	50	219	36	112	177	691	911	1,553	1,316	1,817	1,821	3,082
French Guiana						1								0	0
Paraguay	97	119	195	202	316	528	427	296	510	614	835	945	528	681	746
Peru				358	333	1,255	1,421	1,071	207	483	1,747	1,842	2,314	3,549	3,630
Surinma	0	1	3	2	1	0	1	1	0	0	133	159	162	163	129
Trinidad and Tobago [3]												32,471	35,425	33,007	40,924
Uruguay	5,007	5,344	5,429	4,759	7,177	8,863	8,911	9,112	7,919	7,400	9,839	5,090	5,791	3,937	5,438

Eastern Hemisphere	122,189	163,959	157,178	138,199	161,365	184,088	223,088	244,662	200,548	201,927	224,368	268,172	320,559	334,334	309,684
Europe	109,652	135,902	117,924	104,425	120,809	157,368	195,358	210,363	176,021	175,495	190,993	230,753	275,663	296,283	270,338
Economic Community	38,156	41,542	43,796	37,853	45,327	62,844	79,414	81,006	65,683	58,681	56,568	86,336	111,596	123,566	94,767
Belgium	5,203	8,549	8,763	6,840	5,524	5,958	6,301	5,837	6,587	4,093	4,417	6,124	10,149	12,874	10,311
France	13,008	11,022	9,129	7,828	7,968	8,592	12,163	19,857	16,136	18,740	18,412	17,541	21,610	22,440	21,895
Italy	5,677	5,225	5,981	5,437	5,455	6,413	9,086	9,127	5,516	4,491	4,212	10,240	12,921	13,440	7,828
Netherlands	9,991	10,045	13,166	10,885	19,314	29,925	43,157	36,560	20,866	14,483	15,301	30,540	35,443	45,319	34,428
Luxembourg					11		23	21	26	58	32	71			
West Germany	4,277	6,701	6,757	6,863	7,055	11,956	8,684	9,604	16,552	16,816	14,194	21,820	31,473	29,493	20,305
Other countries	71,496	94,360	74,128	66,572	75,482	94,524	115,944	129,357	110,338	116,814	134,425	144,417	164,067	172,717	175,571
Cyprus												221	289	307	307
Denmark	5,449	6,845	5,956	1,907	2,076	4,409	3,810	2,571	2,302	5,179	5,436	5,965	5,881	6,383	6,149
Finland	1,131	936	314	0	81	1,017	2,107	904	166	82	94	94	103	760	963
Gibraltar												875		733	3,494
Greece	2,433	2,007	1,999	743	344	891	1,275	474	362	214	238	167	237	165	285
Ireland												368	401	399	273
Iceland				1,401	800	214	709	652	847	667	655	632	516	409	631
Malta												339	317	379	298
Norway	4,428	4,857	6,382	5,838	4,755	6,476	4,357	3,748	3,102	5,952	7,312	13,550	17,853	11,117	6,076
Portugal	2,737	2,719	3,017	3,115	3,434	3,948	4,516	3,544	3,612	3,624	4,282	3,890	5,375	5,305	4,206
United Kingdom	31,346	48,959	27,629	29,643	41,185	51,526	71,882	89,074	77,296	77,123	91,858	88,765	100,954	107,710	103,307
Spain	11,440	12,368	10,944	9,684	11,354	10,855	11,440	12,084	9,987	10,465	10,852	16,946	21,736	23,089	19,381
Sweden	10,657	13,490	16,258	13,151	10,873	14,998	15,470	16,168	12,076	12,748	13,258	11,715	10,009	15,140	29,192
Switzerland	1,875	2,084	1,417	909	397	93	127	133	116	646	14	440	15	329	262
Turkey		95	212	114	121	97	251	5	292	114	157	335	61	202	103
Yugoslavia				67	62				180		269	115	320	290	644
Others	0														
Middle East	2,543	4,963	4,923	4,306	5,721	1,382	1,311	3,047	1,712	1,598	1,297	890	736	662	755
Aden									217	400			128		
Saudi Arabia				1,465	1,563	25	143								
Israel	2,543	4,920	4,790	2,746	3,940	1,158	929	2,817	1,260	1,004	1,225	701	379	98	127
Lebanon		43	133	54	218	91	154	1	7	124	45	180	229	422	507
Syria				41		108	85	229	228	70	27	9		142	121

Footnotes at end of table, p. 246.

EXHIBIT 1

Exports of crude petroleum and refined products, by countries, 1950–64 [1]—Continued

[In thousands of barrels]

Destination	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Eastern Hemispere—Continued															
Asia, southern, and Far East	158	933	4,739	6,182	7,370	3,450	3,085	2,478	4,361	2,030	2,540	5,555	14,579	12,146	15,459
Ceylon			214	43	28		15	35	246		93				
Federation of Malaysia		23	2,272	3,868	5,700	2,509	2,222	1,764	2,233	928	349	488	1,422	1,521	2,282
Hong Kong													9	38	44
India	27	907	1,797	1,595	974	550	776	415	1,316	581	728	1,037	1,711	309	20
Indonesia	131											473	1,589	358	849
Japan			368	659	571	391	72	235	225	521	1,224	1,943	8,788	9,611	11,385
Pakistan			80	8	0			29	222		64	141	113		
Philippines					97				7		6	148	351	122	337
Taiwan											76				
Thailand		3	8	9					112						
Others												1,325	596	187	542
Africa	9,591	20,035	25,121	22,079	23,734	19,554	21,327	26,472	15,788	19,655	26,411	25,968	24,606	21,508	19,075
Oceania	245	2,126	4,471	1,207	3,731	2,334	2,007	2,302	2,666	3,149	3,127	5,006	4,975	3,735	4,057
Australia	245	1,338	3,608	794	1,357	1,910	1,449	1,015	953	1,032	1,184	2,017	2,488	1,542	2,079
New Zealand		788	863	413	2,374	424	558	1,287	1,713	2,117	1,943	2,989	2,487	2,193	1,978
Bunkers	3,004	4,399	2,735	3,235	3,481	3,668	3,118	2,570	1,434	1,322	971	1,537	849	709	299
Other destinations	4,738	14,200	51,359	37,262	28,798	25,387	26,493				152			91	2,401

[1] Includes Aruba and Curacao; eliminates shipments of crude petroleum and refined products among Venezuela, Aruba, and Curacao.
[2] Includes Trinity and Tobago until 1960.
[3] Included into British Antilles until 1960.

EXHIBIT 2

IMPORTS FOR CONSUMPTION

TABLE 2.—*Commodity by country*

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
	Pounds		*Pounds*	
Total	27,859	$383,994	114,518	$1,808,804
2929140 Agar-agar:				
Denmark			15,954	19,784
United Kingdom			6,107	26,446
Spain	28,627	47,880	191,983	291,549
Portugal	2,205	4,000	65,054	108,076
Korean Republic	11,200	16,434	49,700	71,097
Japan	23,485	36,947	148,785	248,813
Morocco	14,550	22,147	155,533	226,801
Total	80,067	127,408	633,116	992,566
2929160 Saps and extracts, vegetables, pectic substances, and mucilages and thickeners from vegetable products:				
Canada		126,253		701,919
Mexico		98,552		1,045,591
Guatemala		21,808		157,771
British Honduras		300		300
Honduras				316
Bahamas				100
Haiti				824
Dominican Republic		17,929		265,916
Venezuela				336
Ecuador				600
Peru		12,488		92,529
Chile				51,868
Brazil				2,800
Argentina				882
Sweden				10,512
Norway		2,012		55,032
Denmark		64,296		630,229
United Kingdom		4,912		521,581
Ireland				6,598
Netherlands				2,118
Belgium		5,998		23,777
France		3,920		22,762
West Germany		14,136		32,995
Switzerland				16,472
Poland				2,800
U.S.S.R.				6,750
Spain		11,875		49,152
Portugal		5,275		172,913
Italy		109,072		401,233
Yugoslavia		15,900		38,229
Greece				18,038
Bulgaria				2,238
Turkey		10,690		85,176
Cyprus		13,317		73,784
Syria				741
Lebanon		378		4,276
Israel		10,988		85,803
India		524		2,605
Malaysia				14,268
Indonesia				1,296
Philippine Republic				9,377
Korean Republic				20,344
Hong Kong				3,414
Taiwan				5,652
Japan		1,544		19,665
Morocco		1,317		37,114
Egypt				69,376
Tanganyika				5,923
Zanzibar				6,243
Seychelles				1,722
Malagasy Republic				4,491
Republic of South Africa				60,602
Total		553,484		4,847,053

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
2929200 Fibers, crinoline, vegetal, and kapok, include raw, wastes, advanced wastes, and fiber blends:	*Pounds*		*Pounds*	
India		$207		$3,225
Ceylon		11,947		11,947
Burma				3,080
Thailand		308,212		3,489,181
Vietnam		14,796		35,712
Cambodia				8,184
Indonesia		79,290		760,135
Taiwan				1,755
Japan				5,340
Morocco				5,523
Total		414,452		4,324,082
2929320 Istle fiber, crude or processed:				
Canada				2,024
Mexico		210,648		2,748,338
United Kingdom		6,903		34,770
Hong Kong				807
Total		217,551		2,785,939
2929340 Straw and other fibrous vegetable substances, processed, not elsewhere specified:				
Mexico	468,928	15,463	6,147,249	262,097
Guatemala	793	200	31,463	7,463
Venezuela			4,409	410
Peru			31,360	4,600
Brazil	2,756	788	139,085	38,104
United Kingdom	4,000	1,599	40,204	14,236
Netherlands	50,125	6,643	278,957	36,562
Belgium	11,000	2,926	66,006	13,178
India	838,076	77,890	7,160,123	653,136
Pakistan			24,640	3,586
Japan			119,846	42,457
Sierra Leone			24,640	3,166
Nigeria			233,985	25,434
Republic of South Africa	5,600	1,057	16,800	3,074
Total	1,381,278	106,566	14,318,767	1,107,503
2929820 Broomcorn:	*Short tons*		*Short tons*	
Mexico	418	95,578	5,385	1,272,718
Argentina	85	22,509	372	87,839
Austria			18	8,244
Hungary	8	2,280	8	2,280
Italy	20	14,200	167	106,439
Yugoslavia			124	47,341
Greece	11	4,617	59	25,086
Total	542	139,184	6,133	1,549,947
2929840 Guar seeds and teasels, and seaweeds and other marine plants prepared for use as human food:	*Pounds*		*Pounds*	
Canada	2,896	1,898	18,718	8,431
Mexico			592	593
Norway	4,409	158	105,144	3,683
France			24,727	13,783
Italy			8,584	3,154
India			881,642	93,960
Malaysia			52,304	2,160
Korean Republic	2,332	6,844	49,203	78,415
Hong Kong			776	1,398
Japan	28,837	41,714	283,592	408,472
Total	38,474	50,614	1,425,282	614,049

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3213000 Bituminous coal and coal, coke, or other carbon material fuel compositions and coal, n.e.s., including lignite:	*Short tons*		*Short tons*	
Canada	22,161	$186,966	304,575	$2,469,333
Mexico	51	349	51	349
Japan			26	1,500
Total	22,212	187,315	304,652	2,471,182
3217000 Peat moss and peat moss fertilizer:				
Canada		222,087		10,568,454
Mexico				16,145
Colombia				267
Sweden		6,451		67,462
Denmark		876		876
United Kingdom				7,827
Ireland				94,614
Netherlands		1,187		25,156
Belgium				2,025
France				4,832
West Germany		64,400		1,217,266
Finland				3,332
Poland		10,505		242,177
Japan		640		2,575
Total		306,146		12,253,008
3218000 Coke of coal, suitable for use as fuel:				
Canada	6,164	88,522	101,375	1,329,897
British Guiana			40	608
Belgium			220	7,296
West Germany			1,651	170,809
Total	6,164	88,522	103,286	1,508,607
3310120 Crude petroleum, including reconstituted and crude shale oil, testing under 25° API:	*Barrels*		*Barrels*	
Canada	1,591,267	2,965,648	16,836,744	31,166,593
Mexico	1,540,278	2,824,359	10,841,771	20,188,666
Trinidad			35,000	87,500
Netherlands Antilles			2,681	5,763
Colombia	118,359	245,003	870,211	1,809,363
Venezuela	4,473,989	9,050,849	75,857,169	156,342,742
Iran			6,546	13,419
Kuwait			376,000	804,640
Syrian Arab Republic	301,136	370,397	2,712,428	3,801,812
Saudi Arabia	975,087	1,944,139	14,022,603	27,147,723
Egypt			897,084	1,307,613
Total	9,000,116	17,400,395	122,438,237	242,675,834
3310140 Crude petroleum, including reconstituted, and crude shale oil; testing 25° API or more:				
Canada	10,022,345	25,959,663	85,306,495	224,553,729
Mexico			13,003	31,468
Trinidad			2,379	7,993
Netherlands Antilles			1,864,048	4,144,736
Colombia	776,932	1,892,888	9,309,574	24,273,371
Venezuela	11,040,038	27,315,729	133,528,674	335,702,292
Iran	837,298	1,309,120	24,811,159	43,833,801
Kuwait	1,120,556	1,829,441	22,776,197	42,965,692
Syrian Arab Republic	2,687,669	5,458,103	35,089,955	71,376,450
Saudi Arabia	569,691	1,100,650	7,156,840	13,501,730
Indonesia	2,368,385	4,555,447	23,468,857	44,890,476
Japan			17,737	55,871
Algeria	363,011	744,173	2,247,709	4,597,523
Libya	1,667,016	3,121,973	14,115,637	27,111,069
Egypt			25,842	55,354
Total	31,452,941	73,287,187	359,734,106	837,101,555

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3310210 Fuel oil testing under 25° API, to be further refined:	*Barrels*		*Barrels*	
Canada	12,607	$24,301	55,467	$106,474
Netherlands Antilles			73,037	11,381
Venezuela	226,975	431,898	1,468,798	2,570,727
Saudi Arabia	19,276	41,251	338,283	442,984
Egypt			183,441	258,652
Total	258,858	497,450	2,119,026	3,490,218
3310220 Fuel testing 25° API or more, to be further refined:				
Canada			316,968	831,709
Venezuela	155,891	284,533	491,083	1,084,383
Netherlands			24	318
Saudi Arabia			338,332	666,182
Indonesia			63,996	136,310
Japan			25,786	81,355
Total	155,891	284,533	1,236,189	2,800,257
3310230 Naphthas derived from petroleum, shale oil natural gas, etc., to be further refined:				
Canada	31,751	109,344	432,041	1,382,920
Panama			280,078	700,196
Trinidad	1,017,597	2,300,624	3,943,142	11,481,576
Netherlands Antilles	594,803	1,276,530	7,221,107	15,719,073
Venezuela	1,005,113	2,762,005	4,874,301	13,572,920
Netherlands	140,000	434,000	375,064	904,128
West Germany			160,973	465,947
Italy	258,843	443,398	519,039	1,039,246
Iran			298,814	480,969
Kuwait	26,500	60,858	1,860,392	4,181,760
Syrian Arab Republic			1,415,966	2,510,933
Saudi Arabia			3,623	7,247
India			154,000	285,246
Malaysia	121,088	278,739	463,582	1,160,943
Indonesia			144,576	368,674
Japan			587,970	1,648,760
Egypt			979,279	1,970,794
Total	3,195,695	7,665,498	23,713,947	57,881,332
3310240 Liquid derivatives of petroleum, to be further refined:				
Canada			471	2,973
Venezuela	89,839	217,492	1,737,464	4,116,815
Total	89,839	217,492	1,737,935	4,119,788
3321000 Gasoline and motor fuels, N.E.S.:				
Canada	15,038	54,836	515,812	2,134,397
Mexico			325	3,334
Panama			142,173	597,125
Trinidad	44,274	169,217	382,146	1,365,691
Netherlands Antilles	148,094	540,101	1,290,341	4,754,051
Venezuela	59,383	196,711	679,467	2,373,258
United Kingdom			12	206
Netherlands			288,891	856,881
Belgium			5	474
Italy			18	372
Syrian Arabia Republic			80,200	282,946
Total	266,789	960,865	3,379,390	12,368,735
3322020 Jet fuel:				
Trinidad	135,148	459,093	2,072,278	7,260,631
Netherlands Antilles	652,166	2,283,658	13,917,983	39,921,610
Venezuela	430,927	1,330,515	8,390,432	21,563,956
Total	1,218,241	4,073,266	24,380,693	68,746,197

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3322040 Kerosene derived from petroleum, shale oil, or both, except motor fuel:	*Barrels*		*Barrels*	
Canada			26	$198
Mexico			30	285
Trinidad			17,387	66,625
Netherlands Antilles			98,040	313,220
Venezuela			31,455	107,008
West Germany			333	19,688
Japan	1,763	$2,834	1,763	2,834
Total	1,763	2,834	149,034	509,858
3323020 Fuel oil testing under 25° API, N.E.S. with saybolt universal viscosity at 100° F. under 145 seconds:				
Canada			143	480
Netherlands Antilles	117,459	278,378	1,305,999	3,250,510
Venezuela			1,137,523	2,651,680
Italy	130	437	130	437
Total	117,589	278,815	2,443,795	5,903,107
3323040 Fuel oil testing 25° API or more, n.e.s., with saybolt universal viscosity at 100° F. under 145 seconds:				
Canada	2,310	8,519	76,385	313,709
Trinidad	6,638	21,467	45,238	138,766
Netherlands Antilles	664,885	2,265,432	1,828,928	5,825,578
Venezuela	400,315	880,487	2,185,405	6,585,991
Iran			366,984	495,779
Kuwait			15	128
Total	1,074,156	3,175,905	4,502,955	13,359,951
3324000 Fuel oil n.e.s., with a saybolt universal viscosity at 100° F. of 145 seconds or more:				
Canada	263,630	711,621	1,825,782	4,561,155
Mexico	426,887	843,776	6,685,386	13,396,096
Panama	317,908	635,816	1,545,262	2,882,289
Canal Zone	189,067	453,761	349,118	837,884
Leeward and Windward Islands			1,001	1,969
Trinidad	2,715,126	5,430,025	36,527,389	74,709,652
Netherlands Antilles	9,751,562	20,018,833	95,821,370	197,815,141
Colombia	323,972	621,648	1,484,841	3,059,739
Venezuela	16,442,404	33,277,826	142,656,760	286,479,951
Brazil			245,105	509,920
Argentina	25,000	50,000	1,289,123	2,591,302
United Kingdom			154	518
Netherlands	116,367	239,716	116,367	239,716
Italy			11,652	23,304
Israel			213	251
Syrian Arab Republic	248,340	591,049	2,352,560	5,623,056
Saudi Arabia			185,738	371,475
Aden			888	1,812
Bahrain			1,048,102	2,509,247
French Somaliland			1,414	2,885
Total	30,820,263	62,874,071	292,148,225	595,617,362
3325000 Lubricating oils and greases derived from petroleum, shale oil, or both:				
Canada		5,755		224,872
Mexico		10,533		21,326
Sweden		327		13,874
United Kingdom		5,725		28,022
Netherlands		25,597		171,893
Belgium				1,579
France		208		1,608
West Germany		1,861		23,755
Switzerland		590		4,017
Italy				1,846
Japan		168		4,341
Australia				486
Nigeria		3,391		3,391
Total		54,155		501,010

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3326220 Wax, Montan, paraffin and other petroleum wax:	*Pounds*		*Pounds*	
Canada	87,871	$8,734	417,774	$46,635
United Kingdom			30,894	4,697
West Germany	27,901	6,592	577,040	100,047
East Germany	86,138	10,800	1,910,326	274,656
Czechoslovakia	22,046	4,480	44,086	8,740
Switzerland			220	375
Total	223,956	30,606	2,980,340	435,150
3326240 Mineral waxes, NSPF:				
Brazil			4,364	3,111
West Germany	589,003	224,486	4,216,753	1,761,411
Republic of South Africa	902,798	138,576	4,929,794	714,515
Total	1,491,801	363,062	9,150,911	2,479,037
3329700 Marine glue pitch, tar coke pitch, oil-gas tar pitch, blast furnace pitch, etc.:				
Canada	125,900	2,166	2,172,599	38,622
United Kingdom	268,048	6,404	270,288	6,687
France			33,867	672
Total	393,948	8,570	2,476,754	45,981
3329800 Asphaltum, bitumen and limestone rock asphalt:	*Long tons*		*Long tons*	
Canada	923	15,270	24,259	465,288
Trinidad			3,745	94,623
Netherlands Antilles	18,619	273,859	576,037	7,882,270
Venezuela	48,895	699,993	385,383	5,581,354
United Kingdom			11	1,557
Netherlands			5,506	73,352
East Germany			27	2,321
Total	68,437	989,122	994,968	14,100,765
3329920 Naphthas derived from petroleum, shale oil, natural gas, etc., n.e.s.:	*Barrels*		*Barrels*	
Canada	2,793	13,362	21,847	123,039
Trinidad			946,912	1,981,112
Netherlands Antilles	424,913	842,918	3,013,430	6,348,199
Venezuela	32,757	64,662	860,430	1,864,428
Netherlands			26	166
West Germany	40	478	44	1,863
Kuwait	65	175	65	175
Saudi Arabia			36,233	70,292
Japan			89,839	231,785
Total	460,568	921,595	4,968,826	10,621,059
3329940 Liquid derivatives of petroleum, n.e.s., and hydrocarbon mixtures, from petroleum, not liquid:				
Canada		6,793		44,988
Netherlands Antilles				15,645
Venezuela				316,824
Denmark				961
United Kingdom				33,003
Netherlands				1,547
West Germany				944
Italy				454
Total		6,793		414,366
3410020 Liquified petroleum gases, propane, butane, and mixtures thereof:				
Canada	457,038	762,783	3,952,574	6,656,250
Venezuela	77,993	241,778	193,408	532,254
United Kingdom	1	1,367	5	5,463
Netherlands			34	21,299
France			284	40,183
West Germany	17	7,534	327	38,385
India			694	728
Japan			1,077	13,154
Total	535,049	1,013,462	4,148,403	7,307,716

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
3410040 Natural gas, ethane, methane, and mixtures, etc.:	*Barrels*		*Barrels*	
Canada		$6,492,031		$90,564,976
Mexico		850,110		8,820,889
West Germany				1,379
Japan				7,137
Total		7,342,141		99,394,381
4111010 Cod liver oil:	*Pounds*		*Pounds*	
Canada			1,599,712	127,182
Iceland	95,767	8,458	936,624	101,887
Norway	141,700	22,145	1,085,342	157,052
United Kingdom	30,938	4,963	384,407	53,393
Ireland			46,275	4,171
Netherlands			3,814	583
Portugal	64,573	4,315	1,131,974	110,315
Japan	180,214	29,085	2,008,788	302,454
Total	513,192	68,966	7,196,936	857,037
4111020 Whale oil, sperm, crude:				
Canada			235,420	16,431
Peru			8,033,446	510,152
Norway			6,950,764	625,604
Netherlands			5,639,754	404,135
Japan			25,866,675	2,235,806
Total			46,726,059	3,792,128
4111030 Whale oil, sperm, refined or processed:				
Canada			172,240	7,591
Norway			2,816,478	339,590
United Kingdom	271,720	28,236	3,182,136	387,244
Japan			1,971,110	254,621
Republic of South Africa			4,005,520	493,811
Total	271,720	28,236	12,147,484	1,482,857
4111040 Oils, of marine animals, n.e.s.:				
Canada	415,220	33,579	10,284,662	782,568
Miquelon			4,599	332
Mexico			14,180	589
Iceland	52,403	3,144	94,411	6,058
Norway			683,441	31,708
United Kingdom			22,276	2,042
Japan	5,374	17,719	389,227	285,562
Total	472,997	54,442	11,492,796	1,108,859
4113000 Oils, fats, and greases, animal, excluding lard:				
Canada	262,405	17,495	2,080,521	138,430
Peru			58,544	5,451
Iceland			22,046	2,899
Denmark			42,448	19,426
United Kingdom	332,335	31,644	1,822,952	169,205
Netherlands	10,053	1,052	338,577	19,609
Belgium	22,463	3,531	565,080	96,515
France	9,136	1,860	9,136	1,860
West Germany			618,201	72,812
Switzerland			5	118
Poland			4,409	981
Italy	25,853	3,529	360,581	58,309
Turkey			69,241	9,053
Japan	138,428	20,857	2,041,695	252,608
Australia	236,978	42,616	2,384,968	391,109
New Zealand			534,040	260,110
Republic of South Africa			5,245	577
Total	1,037,651	122,584	10,957,689	1,499,072

TABLE 2—*Commodity by country*—Continued

Commodity by number and country of origin	Current month		Cumulative, January to date	
	Net quantity	Value	Net quantity	Value
	Pounds		*Pounds*	
4214000 Oil, peanut or ground nut: France	1,200	$707	1,200	$707
4215020 Olive oil, unfit for use as food:				
Spain			70,547	15,420
Turkey			87,364	22,369
Total			157,911	37,789
4215040 Olive oil, fit for use as food:				
Canada			27,859	9,352
Sweden			17,637	5,120
Denmark			66,132	15,167
Belgium			11,023	2,775
France	30,297	10,150	339,937	120,902
Spain	1,482,501	420,702	43,439,419	10,397,451
Portugal	22,800	8,104	225,190	78,060
Italy	1,958,926	648,042	18,961,716	6,300,491
Greece	83,377	25,132	400,395	120,839
Turkey	263,942	65,133	945,828	228,637
Cyprus			420	171
Israel			13,462	5,599
Indonesia	22,046	5,040	22,046	5,040
Japan	27,560	7,293	27,560	7,293
Tunisia	43,562	10,297	2,377,241	554,271
Total	3,935,011	1,199,893	66,875,865	17,851,168
4219000 Oils, soybean, cottonseed, sunflower seed, and rape:				
Canada	10,250	1,716	401,010	51,464
Uruguay			350,000	41,426
Sweden	676,971	88,016	3,717,404	435,533
West Germany			1,665,829	333,958
Total	687,221	89,732	6,134,243	862,381
4222000 Palm oil:				
Belgium			124,229	16,656
Indonesia	791,749	69,672	1,455,801	129,463
Congo			4,676,846	481,830
Total	791,749	69,672	6,256,876	627,949
4223000 Coconut oil:				
Dominican Republic			4,250	517
Ceylon			2,059	291
Philippine Republic	6,115,940	1,093,350	397,133,022	47,525,154
Total	6,115,940	1,093,350	397,139,331	47,525,962
4224000 Palm-kernel oil:				
Denmark			132,276	31,497
United Kingdom			1,120,538	146,515
Netherlands	1,132,316	143,712	23,860,864	3,088,512
West Germany			6,713,944	815,735
Spain			11,023	2,608
Japan	418,874	51,586	3,207,693	388,883
Congo	2,642,476	315,107	50,081,119	6,026,372
Total	4,193,666	510,405	85,127,457	10,500,122
4225000 Castor oil:				
Brazil	10,276,248	1,031,608	92,579,891	9,315,649
Argentina	513,650	50,595	513,650	50,595
West Germany			88	173
Switzerland	1,102	324	3,747	1,097
India			33,069	4,592
Japan			3,263,508	382,884
Total	10,791,000	1,082,527	96,393,953	9,754,990
4228020 Tung oil:				
Brazil			1,025,234	183,256
Paraguay	1,143,396	236,908	11,338,399	2,600,139
Total	1,143,396	236,908	12,364,633	2,783,395

Mr. PURCELL. Do you know whether or not oil coming out of Venezuela is the oil that goes into Brownsville, Tex., and is hauled by truck into Mexico under bond and then under some kind of an agreement brought back out of Mexico as an importation to the United States?

Mr. CLARK. No, sir.

Mr. PURCELL. I did not understand what you said.

Mr. CLARK. Dr. Perez-Olivares states that Venezuela had no part whatsoever in that particular transaction.

Mr. PURCELL. Does he say that the oil does not come from Venezuela or that the Venezuelan Government has nothing to do with it?

The CHAIRMAN. I do not want to interrupt you, but what does oil have to do with this bill? This man came to testify about sugar, and you are asking him about oil. Unfortunately, these foreigners are not permitted to testify.

Mr. PURCELL. I have been sitting here 4 years trying to find out something about Venezuelan oil, and this is the only time I have had an opportunity to get at it.

The CHAIRMAN. You can get at it anytime you want to, but not in a sugar hearing. It seems to me we are losing time. We have a man here trying to catch a plane to New York, and we are sitting here talking about oil.

Mr. PURCELL. I will not belabor it, but I would like to point out that if this is as important a bill as you have stated there——

The CHAIRMAN. How is oil related to it?

Mr. PURCELL. I am not talking about oil, but let us take time to find out what is going on here.

The CHAIRMAN. He is giving you the trade balances. If there is any doubt about it he said he would supply you with all the information you asked him to supply.

Mr. CLARK. Mr. Chairman, could I ask your indulgence for a moment?

The CHAIRMAN. Yes, sir, but make it only a moment, and let us move on.

Mr. CLARK. Just one moment.

Mr. Purcell, Dr. Perez-Olivares advises me that we would be most willing to furnish any information you wish in order to satisfy any doubts that you may have informative wise or otherwise concerning Venezuelan oil.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Clark.

I will call Mr. Mahoney.

STATEMENT OF JOHN R. MAHONEY, REPRESENTING SOUTH AFRICAN SUGAR ASSOCIATION

Mr. MAHONEY. May I go forward, Mr. Chairman?

The CHAIRMAN. Go right ahead, sir.

Mr. MAHONEY. Mr. Chairman and members of the committee, my name is John Mahoney. I am a member of the law firm of Casey, Lane & Mittendorf of New York and London. I am appearing here today on behalf of our client, the South African Sugar Association,

which has a very vital stake in H.R. 10496, the legislation now pending before this committee.

First, I should like to introduce to you the gentleman at my right, Mr. William Barnes, and the gentleman at my left, Mr. Ernest Morrison, both of whom have come from Durban, South Africa, for the hearing. Mr. Barnes and Mr. Morrison are members of the executive committee of the South African Sugar Association.

I would also like to introduce my associate, Mr. John McGrath, who is sitting right behind us here, who is familiar to a number of you because Mr. McGrath has worked with me in this whole legislative matter.

The South African Sugar Industry has existed for over a hundred years. At present, there are 3,689 Negro, 2,144 white, and 1,820 Indian independent sugarcane growers in the industry. The location of the South Africa sugar industry is shown on the cover of the folder binding our statement.

If you will look at it for a moment you will see the green area marked there is really focused on Durban, which is the key point, commercial point, where the docks and everything are; the green area extends about 100 miles southeast, and then about 250 miles northeast of Durban, and probably 50 miles inland.

I want to emphasize that the South African Sugar Association is a purely commercial organization responsible for the marketing at home and abroad of all sugar produced in the Republic of South Africa. The association has no governmental representatives in its membership and plays no part in governmental policy decisions.

The South African Sugar Association does not come to this committee with a plea for special consideration. All we ask is that we be judged on our performance in supplying the United States when it desperately needed sugar during the emergency in 1963 and 1964. The U.S. Department of Agriculture can attest to this fact. We are pleased that H.R. 10496 which the Departments of Agriculture and State have proposed reflects recognition of consistent performance as the main criterion for the allocation of foreign quotas. As the administration has indicated, the South African Sugar Association was one of the dependable sources of supply to the United States even during those years when it could have sold sugar in the higher priced world market.

South Africa's location in the Southern Hemisphere results in our being able to harvest sugar at a different time of the year from most other U.S. suppliers. Our storage and port facilities at Durban are such that we are able to deliver sugar expeditiously the year around at the convenience of our customers. The efficiency of dispatch from the port of Durban has met the requirements of buyers at all times. Even before we recently improved our facilities, we were able to deliver the world's largest cargo, 25,490 tons of sugar, to the United States at New Orleans, in September 1964 on the SS *La Chacra*.

We have just completed the largest single bulk storage terminal in the world at the port of Durban.

If you will look just beyond my statement in the folder, you will see an aerial photograph of this terminal which has been in operation now for the last 5 months. The picture taken, I think from the south, if my geography is correct, from the southwest, shows quite a good

picture of the harbor facilities, the protected harbor facilities in Durban, although it does not show the skyscrapers that are off to the left of the picture.

Addressing yourselves to the picture, and particularly to what looks like a great big airplane hangar if you are inside it it really looks like a football field, it is as long as one of our football fields in the United States. The marshaling yards where the sugar is brought in are there to the right-hand side of the picture, and in any event, this terminal, which has a capacity of 200,000 tons, is designed to load one 10,000-ton ship every 24 hours and will handle 1 million tons of sugar in a calendar year. However, we are not standing still, but in order to improve on our already high standard of efficiency and reliability, we are even now expanding the storage capacity of this facility, which is shown in the picture, to a one-half million tons—the equivalent of 50 shiploads.

South Africa and the United States have carried on a considerable volume of trade for many years, as shown by the tables attached in appendixes B and C. During 1964, South Africa purchased among other things $9 million worth of rice, $6 million worth of wheat, and $4 million worth of cotton from the United States, together with $25 million worth of cotton thread and textile fabrics. During the first 6 months of 1965, a critical year for the United States in this area, there is already a balance of payments of $126 million in favor of the United States. Reliable estimates indicate that for the full year 1965 the balance will exceed $200 million in favor of the United States. That is detailed in appendix C.

South Africa has therefore been instrumental in helping to provide the United States with a second quarter total balance-of-payments surplus of $248 million which was announced—by the Department of Commerce earlier this week.

During the last 15 years, American trade with South Africa has resulted in a balance of payments in favor of the United States of over $1 billion. This huge balance has been a direct result of trade alone since South Africa has never asked for nor received any aid from the United States.

To summarize, against a background of considerable trade between South Africa and the United States, a record of performance which stands on its own merits and a record of reliability during those critical years 1963 and 1964 when we in South Africa and others were specifically requested by the U.S. Government to come to its aid with extra sugar, we now request that we be allowed to continue to supply sugar to the United States under a quota as proposed by this bill. We believe that the provisions of H.R. 10496 reflect a recognition of past performance and a realization of our ability to supply the U.S. market in the future, and fulfill the promises made by the U.S. Government during 1963 and 1964.

I would just say, parenthetically, I thank the chairman and the committee for being kind enough to give us the chance to appear at this time.

We would be glad to answer any questions that the chairman or any member of the committee would like to put to us in amplification of this statement. Thank you, sir.

The CHAIRMAN Thank you very much, Mr. Mahoney. Any questions?

Mr. TEAGUE of California. Just one, Mr. Chairman.

Mr. MAHONEY. Yes, sir.

Mr. TEAGUE of California. Mr. Mahoney, does South Africa have a preferential status situation with the British Commonwealth?

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

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. That is all. Thank you very much.

Mr. MAHONEY. Thank you, sir.

SUPPLEMENTARY STATEMENT ON BEHALF OF THE SOUTH AFRICAN SUGAR ASSOCIATION

Importation of sugar into South Africa

During the hearings before this committee on August 18–23, 1965, the testimony submitted on behalf of several sugar producers suggested that the South African Sugar Association had purchased sugar from the Dominican Republic and Brazil at cheap, world-free market prices and exported sugar to the United States at the U.S. prices, thus profiting from the transactions at the expense of the Dominican Republic and Brazil.

The true facts of this matter are submitted by the South African Sugar Association as follows:

From November 1964 through May 1965, the South African sugar industry experienced its worst drought in 70 years. During early 1965 when the industry realized that the sugar crop would be seriously reduced, the South African Sugar Association decided unhesitatingly and at whatever cost to honor all its commitments to the United States and its contracts with Canada and Japan, all of which required sugar of South African origin. It was able to do this by readjustment with some customers and by some importations to meet the temporary needs of its domestic market. These actions fully complied with the requirements of the U.S. Sugar Act.

With the ending of the drought in June 1965, it is unnecessary even to consider more importations and South Africa will continue in 1965 to be a sizable net exporter of sugar in terms of the U.S. Sugar Act.

Swaziland

The attention of the South African Sugar Association has been drawn to the written submission made by Mr. Robert D. Larsen on behalf of the Swaziland Sugar Association to the House Agriculture Committee at the termination of the hearings. We feel obliged to submit this additional testimony to correct the record.

While the the South African Sugar Association does not oppose the allocation of a quota to Swaziland, we believe the Swaziland Sugar Association has erred in basing its request for a quota on the argument that it is entitled to a part, specifically 8½ percent, of South Africa's quota in the United States.

During 1963 and 1964, while South Africa and Swaziland marketed all their sugar jointly through the South African Sugar Association, between 6½ and 7½ percent of the total sugar marketed was produced in Swaziland. When the joint marketing arrangements were terminated in December 1964, Swaziland was not given a percentage of each of the then existing markets, but instead Swaziland, by written agreement, obtained the entire future United Kingdom market which was equal to approximately 10 percent of the total sugar marketed jointly. Now, after having obtained the entire United Kingdom market Swaziland is attempting to obtain, in addition, 8½ percent of other South African markets in disregard of the arrangements agreed to at the time.

(Discussion off the record.)

The CHAIRMAN. We will go ahead with the meeting on Monday morning at 10 o'clock.

(Whereupon, at 5:10 p.m., the subcommittee recessed to reconvene on Monday, August 23, 1965 at 10 a.m.)

AMEND AND EXTEND THE SUGAR ACT OF 1948

MONDAY, AUGUST 23, 1965

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

The committee met, pursuant to recess, at 10:20 a.m., in room 1301, Longworth House Office Building, Washington, D.C., the Honorable Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Abernethy, Jones of Missouri, Hagen of California, Stubblefield, Morrison, Matsunaga, O'Neal, Stalbaum, de la Garza, Vigorito, Greigg, Callan, Mrs. May, Findley, and Resident Commissioner Polanco-Abreu.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will come to order, please.

At the request of some of the witnesses who have been listed on the witness list, I will change the order, and I will call first Mr. Robert Farrington, representing the Republic of China. We are delighted to have you. I might say for those who are not familiar with you, that we have worked with Mr. Farrington here in the Capital for a great many long years.

I know that you have appeared before this committee many, many times Mr. Farrington and that you are held in the highest esteem by all of the members of the committee and of the House of Representatives. We are very glad to have you here and to hear from you now.

Let me go off the record.

(Discussion off the record.)

The CHAIRMAN. You may proceed, Mr. Farrington.

STATEMENT OF ROBERT L. FARRINGTON, ON BEHALF OF THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 1155 15th Street NW., Washington, D.C. I am appearing in the interests of the Republic of China, a longstanding friend of the United States and for many years a dependable source of sugar supply for the United States.

China's basic quota under the 1962 amendment to the Sugar Act of 1948 was 38,114 short tons for the year 1963, plus a global quota allocation of 33,155 tons—a total of 71,269 short tons. For 1964, China was given a basic quota of 34,042 short tons, plus global quota allocations of 47,114 short tons, or a total of 81,156 short tons. For 1965, the proration to China stands at 69,819 short tons.

It is a point worthy of note in considering China's performance record that in 1963 and 1964 the world market price was generally always above the U.S. market price. China has, however, consistently fulfilled its basic quota and when the United States needed sugar, has also applied for allocations under the global quota plan.

The Republic is deeply grateful to the United States, and particularly to this committee, the State Department, and the Department of Agriculture for an important share in that portion of U.S. sugar needs obtained from foreign sources. We submit, however, as we did in our testimony in 1962, that China's longstanding record of performance in supplying sugar to the United States, and China's relative standing in world sugar production and export capability, justify increased allotments, percentagewise, in that part of U.S. sugar which it is necessary for the United States to obtain from foreign countries.

China hopes also that she will receive equal treatment with other sugar-producing countries when the United States needs additional sugar to fill any unexpected deficits in U.S. sugar supply.

When we were privileged to appear before this committee regarding the proposed amendments to the Sugar Act in 1962, we made the point illustrated by a schedule, that in terms of sugar production and export capability China ranked much higher on the list than it did with regard to the portion of the foreign quota allocated to China. The same situation still prevails.

It is respectfully urged that this information be taken into consideration by this committee in determining the basic quota provided for China in the legislation now under consideration.

It is further submitted that China's record of performance and her export capability justify a basic quota of at least 300,000 tons.

The specification in this proposed new law of a larger basic quota, more in line with China's actual production and export capability, would add stability both to the sugar industry in China and to the assurance of supply for the United States.

It is well known to this committee that the island of Taiwan is the principal area of agricultural and industrial production for the Republic of China at the present time. Taiwan has a land area of 13,835 square miles, a little over 2½ times the size of Connecticut. It had a population of 12,535,000 at the end of 1964—about five times that of Connecticut.

The agricultural population in 1963 was about 5,611,000 or almost one-half of the total population. About two-thirds of the sugarcane farms are owned by the growers and the farms consist, on the average, of about 1.04 acres. The average farm family is about six to seven persons.

Notwithstanding much industrial development in Taiwan during the past 3 years, sugar remains the island's most important crop, and about one and one-quarter million people depend upon it for a livelihood. Exchange earnings from sugar exports amounted to around $135 million in 1964, or about 30 percent of the revenue from total exports. About 86 percent of the sugar is exported, mostly to the Middle East and Far East countries where Taiwan continues to be faced with constant economic warfare from the Communists, due in part to Cuban sugar production.

A larger volume of sugar purchases by the United States from China would also help in maintaining China's remarkable economic growth which has been particularly in evidence since 1959. For example, China's gross national product, in U.S. dollar equivalent was 1.34 billions in 1959 and was estimated at 2.36 billions in 1964, an increase of more than 75 percent in 5 years.

When we appeared before this committee to testify on the proposed Sugar Act Amendments of 1962, we showed the trade balances between China and the United States for 1960 and the first 6 months of 1961. The situation in the 1961–64 period was as follows:

Year	Imports from United States	Exports to United States	Balance in favor of United States
1961	$139,804,000	$51,503,000	$88,301,000
1962	141,342,000	58,594,000	82,748,000
1963	150,920,000	58,170,000	92,750,000
1964	146,090,000	84,019,000	62,071,000

A breakdown of the major U.S. agricultural commodities involved, as shown by the U.S. Bureau of Census, of 1961–63, and the Bank of Taiwan exchange settlements for 1964, is as follows:

(The chart referred to follows:)

U.S. exports of agricultural commodities to the Republic of China

[In thousands of U.S. dollars]

Commodity group	1961	Unit, 1962	1963	1964
Cotton	26,112	30,643	26,529	21,855
Oilseeds (mostly soybeans)	14,047	9,317	14,026	18,501
Grains	16,225	17,584	28,250	17,485
Animal fat	2,377	2,394	3,482	6,471
Tobacco	2,439	3,090	2,630	2,121
Soybean oil	543	1,059	390	1,808
Dairy products	525	839	482	350

Mr. FARRINGTON. As of July 1, 1965, the United States discontinued economic aid to China. In order that the Republic of China may continue to be a good customer of the United States, it is only equitable that China be given the opportunity to earn more dollars through trade with the United States in order to offset the present unfavorable balance between the two nations.

Mr. Chairman, I have enjoyed the opportunity of appearing before this committee again. If there are questions, I shall do my best to answer them.

The CHAIRMAN. Thank you very much, Mr. Farrington, for your very fine statement.

Mr. FARRINGTON. Thank you.

Mr. FINDLEY. May I ask a question?

The CHAIRMAN. No, sir—I will not recognize you.

Mr. FINDLEY. Mr. Chairman——

The CHAIRMAN. Yes, sir. I will call another witness.

Mr. FINDLEY. A parliamentary inquiry. Am I to be ruled out of order for any questions?

The CHAIRMAN. Along the lines that you started on last week; yes.

Mr. FINDLEY. I will be glad to——

The CHAIRMAN. Confine your remarks to sugar and that will be all right.

Mr. FINDLEY. May I state to you the questions that I would like to ask?

The CHAIRMAN. You will have to abide by the rules of this committee and not try to castigate witnesses as happened last week. You are not permitted to follow that line of questioning.

Mr. FINDLEY. How do you know what I am going to ask when you do not know what my questions are?

The CHAIRMAN. What is the question you would like to ask?

Mr. FINDLEY. I have no intention of asking the same question that I asked last Friday. I want to ask about sugar legislation, how it affects his clients. I want to ask him if his clients would still wish a quota if changes are made with regard to import duties and the recapture part or feature, such as that.

The CHAIRMAN. That is perfectly all right. Come back, Mr. Farrington.

Mr. FINDLEY. Mr. Farrington, the sugar report document which reached my desk this morning indicates that the United States, that is, the domestic price of raw sugar has averaged about 3.5 cents a pound over world price the last 6 months. Taking off the duty which is roughly six-tenths of 1 cent a pound, this would mean a price advantage of about 2.9 cents a pound for those foreign interests who get quotas. Is this fairly close—is this an accurate summary?

Mr. FARRINGTON. I am not an expert on sugar prices, Mr. Findley, but I would assume that it is; yes, sir.

Mr. FINDLEY. This would mean about $58 per ton price advantage for those who get a quota. If the one-half recapture feature were restored as originally proposed to be in the so-called industry agreement, by how much would reduce a quota premium—can you give us an estimate of that, please?

Mr. FARRINGTON. Oh, I do not believe I could.

Mr. FINDLEY. Would it reduce the quota premiums to such an extend that your clients would not be interested in a quota?

Mr. FARRINGTON. I am not in a position to say that that is true—no—I think that China might still be interested in a quota, certainly.

Mr. FINDLEY. If the duty on a shipper were raised to, say, $2 a hundredweight, instead of the present 60-odd cents a hundredweight, do you feel that your clients would still be interested in a quota?

Mr. FARRINGTON. I cannot commit my clients on that point, sir.

Mr. FINDLEY. The way that I would compute it there would still be about 1.5 cents a pound quota premium. What I am trying to get at, Mr. Farrington, is what is the least quota premium which would be considered attractive to your clients?

Mr. FARRINGTON. I would have to confer with them. I cannot answer that question. I just do not know.

Mr. FINDLEY. But we may assume that your clients would be interested if the recapture provision is restored to the legislation?

Mr. FARRINGTON. We would still be interested in the quota yes, sir.

Mr. FINDLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Hagen of California.

Mr. HAGEN of California. If you were—when you deliver Taiwan sugar, where do you deliver it, in New Orleans, or where?

Mr. FARRINGTON. In the room is Mr. T. W. Hu who is with the Chinese Embassy. May I ask him to join me here and see if he can answer some of these questions?

The CHAIRMAN. Yes.

Mr. FARRINGTON. I think that a great deal of it is delivered in New Orleans and some in New York.

Mr. HAGEN of California. Can you lay down that sugar at the refinery as cheaply as that that comes in from South and Central America?

Mr. FARRINGTON. What is your question?

Mr. HAGEN of California. Can you lay it down as cheaply at the U.S. refinery as that which comes in from Central or South America?

Mr. FARRINGTON. I think so; yes, sir.

Mr. HAGEN of California. Is there not a great freight differential? It is a long distance from Taiwan.

Mr. HU. Not very much difference.

Mr. HAGEN of California. Not that much difference?

Mr. HU. No.

Mr. HAGEN of California. In the event that there would be a difference, who would bear that cost?

Mr. HU. We would.

Mr. FARRINGTON. China would.

Mr. HU. China would have to bear it.

Mr. HAGEN of California. In other words, you would agree to pay the freight or you would receive a lower price and the buyer would absorb the freight?

Mr. FARRINGTON. That is correct.

Mr. HAGEN of California. Is China's production cost about the same as in the Western Hemisphere?

Mr. FARRINGTON. Mr. Hagen, I do not think that the production costs are any higher here than they are in the Western Hemisphere.

Mr. HAGEN of California. I wonder if you could give us an answer to this question—you may or may not be able to do it now—what is the break-even price for the distributor, the producer in Free China?

Mr. FARRINGTON. He does not want to give it. He does not know.

Mr. HAGEN of California. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Farrington.

Mr. FINDLEY. May I ask a couple more questions?

The CHAIRMAN. Yes, sir.

Mr. FINDLEY. On page 1 of your statement, Mr. Farrington, you state:

> China has, however, consistently fulfilled its basic quota, and when the United States needed sugar, has also applied for allocation under the global quota plan.

Can you state whether this is done at a financial loss?

Mr. FARRINGTON. It could have been sold higher elsewhere in many instances. China preferred to fulfill its quota to the United States.

Mr. FINDLEY. Were you able to make money on the transaction?

Mr. FARRINGTON. I assume that there was some money made, yes, sir.

Mr. FINDLEY. And was not the filling of the quota a matter of firm contract?

Mr. FARRINGTON. Well, it was a matter of cooperating with the United States when they needed sugar and a matter of a good merchant trying to take care of his customer.

Mr. FINDLEY. You do not feel that it was a matter of filling a firm contract then?

Mr. FARRINGTON. No; I do not think that it was a matter of a firm contract.

Mr. FINDLEY. Not a matter of a firm contract?

Mr. FARRINGTON. It was a matter of wanting to have a good record of performance with the United States.

Mr. FINDLEY. Can you tell us how you arrived at your 300,000-ton figure as being the portion that you feel that the Republic of China is entitled to?

Mr. FARRINGTON. It seemed to us, in view of China's record of production and its record of exports, that 300,000 tons would be an equitable figure.

Mr. FINDLEY. Did you try to balance this off on the requests of the other countries?

Mr. FARRINGTON. We are looking primarily at China.

Mr. FINDLEY. I was wondering if there was a conference with other representatives of other countries on that point?

Mr. FARRINGTON. No.

Mr. FINDLEY. Am I correct in estimating that the price advantage or the quota premium value to the Republic of China on 300,000 tons would be about $17 million?

Mr. FARRINGTON. I would not know.

Mr. FINDLEY. Would that figure be high or low?

Mr. FARRINGTON. We could not give an estimate without some calculations on it.

Mr. FINDLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Farrington.

We will now call on Mr. Robert C. Barnard on behalf of the Australian sugar industry.

Mr. BARNARD. May I introduce Mr. Otto Wolfensberger, who is chairman of the sugar board, from Queensland, Australia, who, with your permission, will sit beside me at the table.

The CHAIRMAN. We are very glad to have him here.

We shall be glad to hear from you now.

STATEMENT OF ROBERT C. BARNARD, ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY; ACCOMPANIED BY OTTO WOLFENSBERGER, CHAIRMAN, THE SUGAR BOARD, QUEENSLAND, AUSTRALIA

Mr. BARNARD. Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am very glad of the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

I would like to submit my prepared statement for the record and to summarize briefly the reasons why we believe that Australia merits consideration as a continuing supplier of sugar to the United States.

The CHAIRMAN. Without objection the request is granted, and the statement will be included in the record.

(The prepared statement of Robert C. Barnard follows:)

STATEMENT OF ROBERT C. BARNARD ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY

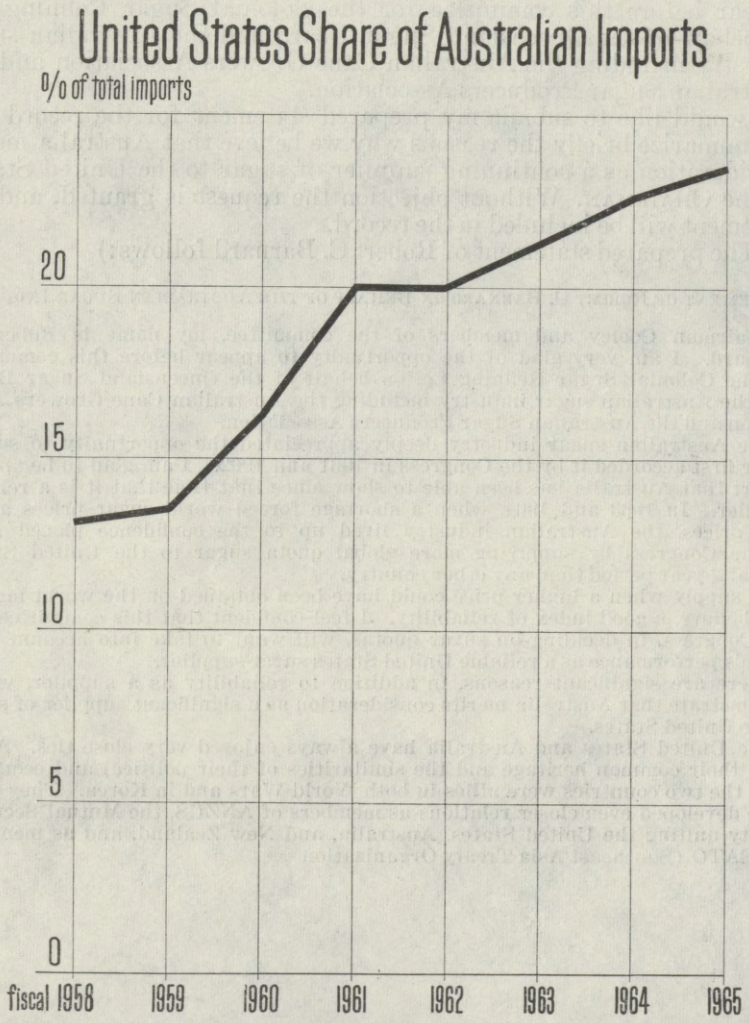
Chairman Cooley and members of the committee, my name is Robert C. Barnard. I am very glad of the opportunity to appear before this committee for the Colonial Sugar Refining Co. on behalf of the Queensland Sugar Board and the Australian sugar industry including the Australian Cane Growers Association and the Australian Sugar Producers Association.

The Australian sugar industry deeply appreciated the opportunity to supply sugar first accorded it by the Congress in 1961 and 1962. I am glad to be able to report that Australia has been able to show since that time that it is a reliable supplier. In 1963 and 1964, when a shortage forced world sugar prices above U.S. prices, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

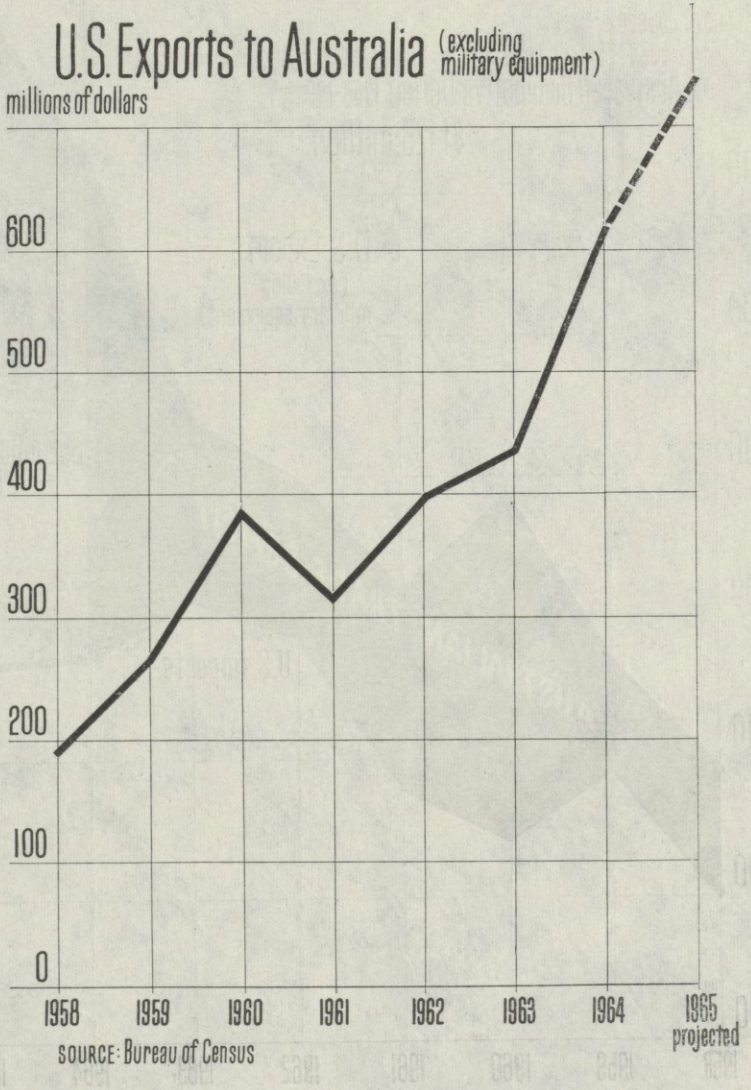
To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability. I feel confident that this committee and the Congress, in deciding on sugar quotas, will want to take into account Australia's performance as a reliable United States sugar supplier.

There are significant reasons, in addition to reliability as a supplier, which demonstrate that Australia merits consideration as a significant supplier of sugar to the United States.

The United States and Australia have always enjoyed very close ties. Aside from their common heritage and the similarities of their political and economic past, the two countries were allies in both World Wars and in Korea. They have since developed even closer relations as members of ANZUS, the Mutual Security Treaty uniting the United States, Australia, and New Zealand, and as members of SEATO (Southeast Asia Treaty Organization).



SOURCE: Commonwealth Bureau of Census & Statistics; Canberra, Australia


U.S. Exports to Australia (excluding military equipment)
millions of dollars
600
500
400
300
200
100
0
1958
1959
1960
1961
1962
1963
1964
1965 projected
SOURCE: Bureau of Census

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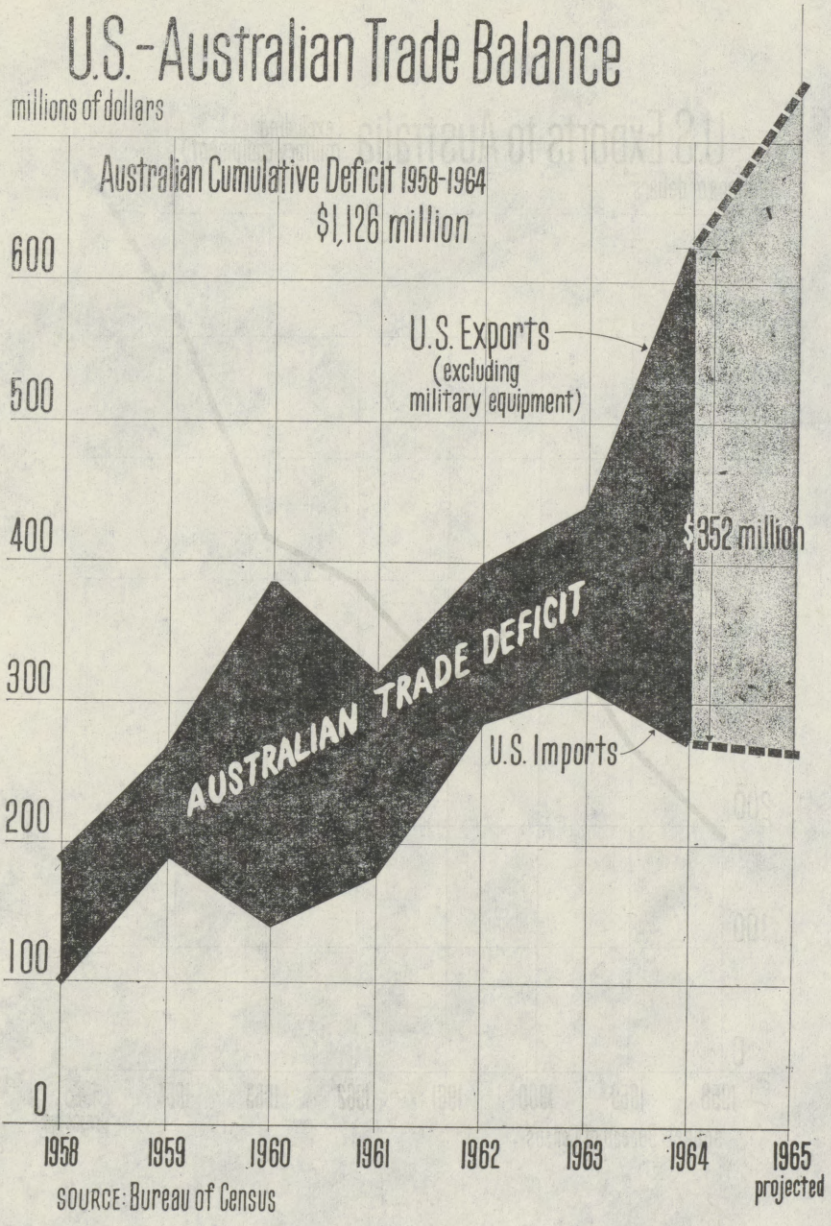
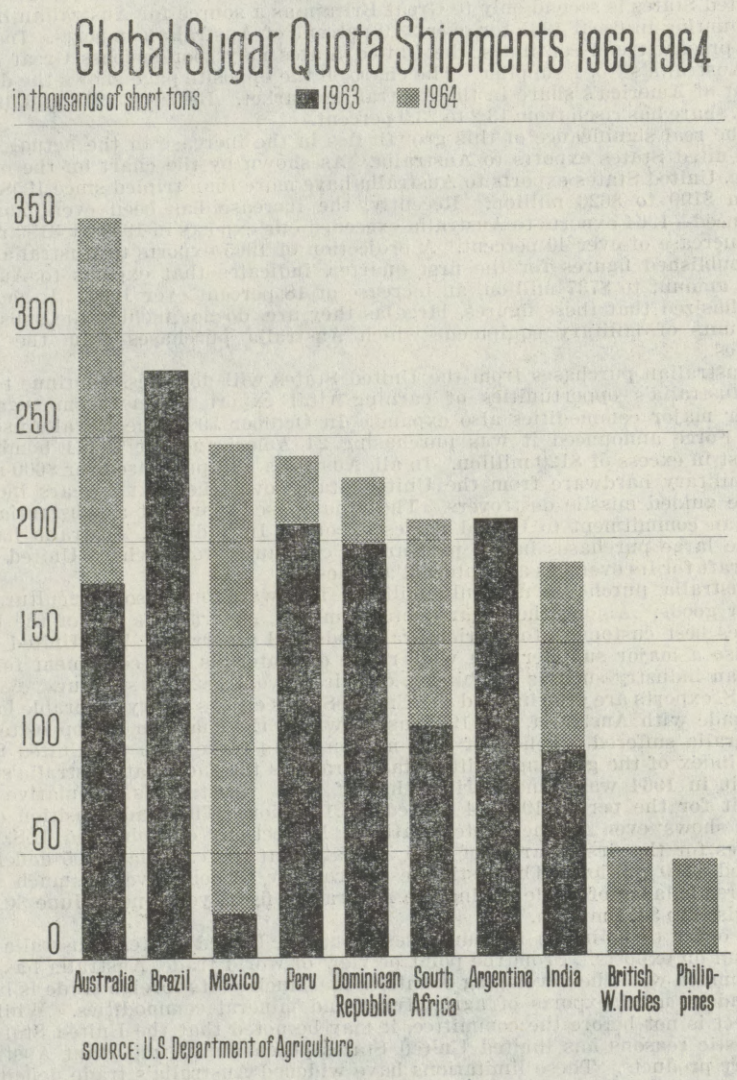

U.S.-Australian Trade Balance
millions of dollars
Australian Cumulative Deficit 1958-1964
$1,126 million
600
500
400
300
200
100
0
U.S. Exports
(excluding
military equipment)
$352 million
AUSTRALIAN TRADE DEFICIT
U.S. Imports
1958
1959
1960
1961
1962
1963
1964
1965
projected
SOURCE: Bureau of Census


Global Sugar Quota Shipments 1963-1964
in thousands of short tons
1963
1964
350
300
250
200
150
100
50
0
Australia
Brazil
Mexico
Peru
Dominican Republic
South Africa
Argentina
India
British W. Indies
Philip-pines
SOURCE: U.S. Department of Agriculture

At the present time Australia has troops beside those of the United States in South Vietnam. Since 1962 Australia has supplied military and economic assistance to South Vietnam. Like their American counterparts, Australian soldiers initially acted as battle advisors to South Vietnam units, and Australia now has a fighting force in action.

In recent years, the close ties that have joined the United States and Australia as allies have been further strengthened by the rapidly growing trade that is now bringing these two democracies closer together economically. Today, the United States is second only to Great Britain as a source for Australian imports, accounting in fiscal 1965 for over 23.9 percent of Australian imports. Indeed, if the present trend continues, the United States may soon surpass Great Britain as Australia's No. 1 supplier. The chart on the opposite page shows the development of America's share in the Australian market. Between 1958 and 1965 the U.S. share has risen from 13.2 to 23.9 percent.

The real significance of this growth lies in the increase in the actual volume of United States exports to Australia. As shown by the chart on the opposite page, United States exports to Australia have more than tripled since 1958, rising from $190 to $626 million. Recently, the increase has been even more pronounced—1964 exports to Australia exceeded our exports in 1963 by $189 million, an increase of over 40 percent. A projection of 1965 exports to Australia, based on published figures for the first quarter, indicates that exports to Australia will amount to $737 million, an increase of 18 percent over 1964. It should be emphasized that these figures, large as they are, do not include the substantial amounts of military equipment which Australia purchases from the United States.

Australian purchases from the United States will doubtless continue to grow if Australia's opportunities of earning vital export income from sugar and other major commodities also expand. In October 1963, the Royal Australian Air Force announced it was purchasing 24 American-built F–111 bombers at a cost in excess of $120 million. In all, Australia will purchase over $600 million of military hardware from the United States over the next 4 years including three guided missile destroyers. These purchases represent a substantial Australian commitment to United States exports. In addition, Australia has also made large purchases in the past and is continuing to purchase United States aircraft for its overseas and internal airlines.

Australia purchases not only military hardware but also agricultural and other goods. Among the sugar quota countries, Australia is one of the United States best customers for agricutural goods and otherwise. The United States is also a major supplier of a wide range of materials and equipment for Australian industry such as machinery, chemicals, vehicles, and sulphur.

U.S. exports are growing and the United States enjoys a very favorable balance of trade with Australia. In 1964, as shown by the chart on the opposite page, Australia suffered a deficit of $352 million in its trade with the United States. One index of the growing United States trade is the fact that Australia's trade deficit in 1964 was almost triple that of 1963. Australia's cumulative trade deficit for the period 1958–64 exceeds $1.1 billion. The trade position during 1965 shows even further deterioration. Projections of published U.S. trade figures for the first quarter of 1965 indicate that the calendar 1965 deficit will exceed $470 million. This estimate is probably conservative inasmuch as the adverse balance of trade during the Australian fiscal year ended June 30, 1965, has risen to $471 million.

In order to maintain its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia has much in common with the developing countries inasmuch as its foreign trade is largely dependent upon exports of agricultural and mineral commodities. While the subject is not before the committee, it may be noted that the United States for domestic reasons has limited United States purchases of important Australian export products. These limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases from the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to United States domestic interests.

In a large sense, sugar imports will benefit all United States exporters and Australia. Australia's sugar is grown and milled primarily in the State of Queensland, where the sugar industry is the principal economic activity. The

10,000 independent cane farmers have individual farms averaging 80 acres, and on 80 percent of these farms, no other crop can be grown economically. The farmers themselves cooperatively own 13 of Australia's 34 sugar mills. In all, several hundred thousand Australians in sugar growing areas alone depend on the sugar industry for their livelihood. And, in fact, the sugar industry is important to the entire Australian economy.

The development of the sugar industry in Queensland has brought about intensive settlement along 1,300 miles of Australia's tropical northeast coast and the development of roads, airfields, ports, and communications. The development by the sugar industry of this isolated area of the South Pacific is of strategic importance to Australia, the United States, and the rest of the free world. Indeed, it was facilities developed for the sugar industry in Queensland which assisted General MacArthur to mount speedily the offensive that turned the tide in the Pacific in World War II.

The Australian sugar industry is one of the most efficient in the world. This year its production will be about 2¼ million tons of raw sugar, and more than two-thirds of this production will be exported. Australia has become the free world's largest sugar exporter.

As the free world's largest sugar exporter, Australia has developed modern mechanized bulk export facilities. Since 1963, bulk sugar storage capacity at Austrialia's 6 sugar ports has been increased more than 75 percent and now has a capacity of 1.4 million tons. This is almost 60 percent of total production. These 6 sugar ports are fully mechanized. This permits a 15,000-ton cargo to be loaded in less than 24 hours as compared with the 3 weeks that it takes to load such a cargo manually. The bulk terminals are operated by permanent sugar industry employees only and since the first bulk terminal came into operation in 1957, there has never been a delay in a sugar shipment from these ports due to a labor dispute or any other cause. These bulk terminals and mechanized loading facilities assure Australia's regular sugar customers of ready supply and speedy shipment.

I said at the outset that the Australian sugar industry offers the United States the advantages of a stable, reliable supplier. Let me give you some of the facts about the period when the world price rose above the U.S. price. During the 1963–64 sugar shortage, the Australian sugar industry committed more global quota sugar to the United States than any other country in the world. As shown on the chart opposite, Australia supplied 355,000 tons under the global quota during the 1963–64 period—180,000 tons in 1963 and 175,000 tons in 1964. This represented 10.5 percent of the global quota sugar supplied in 1963 and 17.6 percent in 1964. In each of these years Australia not only filled its statutory quota, but made global shipments totaling more than four times its statutory quota. In all, Australia supplied the United States with 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

On a long-term basis Australia can make available 400,000 short tons of raw sugar each year for the United States without expanding existing acreage or mill facilities and still meet the needs of other established markets. Although we are willing and able to supply this amount of sugar to the United States, we are hesitant to propose a specific figure as a fair quota for Australia. However, in his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that "the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter."

We suggest that Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of the U.S. foreign sugar requirements comparable to that it supplied in 1963–64 when sugar was in short supply. While the formula proposed by the administration is a fair one, I would like to point out that the amount of sugar Australia will be permitted to supply under this bill is about 30,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963–64 shortage period. Furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers rather than on the restricted basis proposed in H.R. 10496.

I would also like to point out that under the existing law and under H.R. 10496 Australia is not permitted to participate in deficit reallocations. Certainly its storage facilities and record for reliability recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the salutary effect Australia deficit participation would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the U.S. market.

To summarize briefly:

1. *Reliability.*—In both 1963 and 1964, the Australian industry supplied some 220,000 tons of sugar per year to the U.S. market, despite the fact that higher prices could have been obtained on the world market.

2. *U.S. export market.*—Australia is a valued and significant customer, whose purchases from the United States have increased rapidly in recent years.

3. *A significant customer of the United States.*—Among the full duty countries, Australia is the second largest cash purchaser from the United States both of agricultural products and other goods.

4. *U.S. favorable trade balance.*—The United States had a favorable balance of trade with Australia of over $352 million in 1964 and a cumulative favorable balance of $1.1 billion for the period 1958–64. For Australia this large and growing trade deficit makes it increasingly difficult to support its growing purchases from the United States.

5. *Significance of sugar to Australia.*—Although Australia needs to increase its exports to the United States in order to be able to maintain its increasing purchases, U.S. domestic problems have made it necessary to curb purchases of certain major Australian exports. Sugar presents an excellent means for the United States to increase its purchases from Australia without any risk of injury to U.S. domestic interests.

6. *Ally.*—Australia is a valued ally that has cooperated fully with the United States in the defense of southeast Asia and the South Pacific.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

Mr. BARNARD. The Australian sugar industry deeply appreciated the opportunity to supply sugar to the United States first quoted by the Congress in 1961 and 1962. I am glad to be able to report that during 1963 and 1964, when a shortage forced the world sugar price above the U.S. price, the Australian industry lived up to the confidence placed in it by the Congress by supplying more global quota sugar to the United States in that 2-year period than any other country.

Australia and the United States have always enjoyed very close ties. Aside from our common heritage, we were allies in both world wars and in Korea. Since then the two countries have developed even closer relations as members of the ANZUS mutual security group and the Southeast Asia Treaty Organization (SEATO). Since 1962 Australia has rendered economic and military assistance to South Vietnam and at the present time Australian forces there are once again fighting alongside American forces.

Last week, Mr. Chairman, it was announced in Australia that Australia is increasing its defense commitments and its troops to Vietnam, which it is supplying to Vietnam. And instead of going into details, Mr. Chairman, may I submit for the record a clipping from the New York Times announcing the arms increase and an editorial from the Washington Post applauding Australia's increased commitment of troops to Vietnam?

The CHAIRMAN. Certainly, without objection they may be inserted into the record.

(The newspaper articles referred to follow:)

[From the Washington Post, Aug. 19, 1965]

AUSTRALIA'S ROLE

Australia's decision to send more troops to South Vietnam, to up its defense budget and to give more support to Malaysia signal the country's larger role in the Pacific.

This increased participation in enterprises of such importance to the United States and other free nations will be applauded heartily in this country. The significance of these added contributions to military strength in the Pacific exceeds their substantial practical amounts of added power. They call attention to the presence of a rising world power on the widening stage of world affairs. There are even more important indices of this power's rapid growth and increasing maturity in the rate of its industrial development, the breath of view exhibited by its political leaders and the alteration of many of its earlier and narrower positions on affairs of concern to the world.

The United States and Australia are bound together by a common inheritance of Western tradition, by a shared experience in the conquest of new lands and by a similar outlook on the world. So the evidences of the growing stature of Australia will please Americans generally.

[From the New York Times, Aug. 18, 1965]

AUSTRALIA PLANS ARMS FUND RISE

27-PERCENT INCREASE LAID TO WARS IN VIETNAM AND MALAYSIA

(By Tillman Durdin)

SYDNEY, AUSTRALIA, August 17.—Federal Treasurer Harold Holt jolted Australians tonight by presenting a budget that provides for heavily increased expenditures, particularly for defense.

Mr. Holt cited Australia's participation in the fighting in Vietnam and Malaysia and the expansion of her military force. Higher income, excise, and sales taxes are to pay for a 27-percent rise in defense spending.

The 1965–66 budget, as outlined in Parliament in Canberra, provides for roughly a 10-percent increase in overall expenditures, to a total of £2,667 million ($6,074,080,000). Of this total, defense spending will take £386 million ($764,640,000), up more sharply than any other item in the budget.

Described as a guns-before-fun budget, the outline specified a 2.5-percent increase in income taxes and higher rates on gasoline, cigarettes, and alcoholic beverages.

Much of the new military equipment being bought abroad has been ordered from the United States. It includes a squadron of supersonic F–111 strike-reconnaissance aircraft, other planes for the air force and the navy, and two new destroyers.

Included in the defense expenditures, Mr. Holt told Parliament, is $21,280,000 to provide military equipment and training assistance for Malaysia over the next 2 years.

Mr. Holt's budget came under immediate attack from the Labor Party leader, Arthur Calwell, who asserted that two-thirds of the tax increase consisted of indirect levies and thus fell heavily on the least wealthy citizens.

Pointing out that expenditures would exceed revenue by $286,728,000, Mr. Holt said there were plans to make up $168 million through loans. He admitted that inflationary pressure would result from the deficit spending and said he expected Australia's flourishing economy to slack off in the coming year.

The stiff budget may be counterbalanced to an extent through increased trade with New Zealand. Details disclosed today indicated that the free-trade agreement negotiated last week between Australia and New Zealand was more comprehensive than generally believed.

Statements issued in Wellington and Canberra diclosed that 60 percent of the total trade between the countries was covered in the agreement, which calls for the lifting of import duties.

For New Zealand this means that 80 percent of her exports to Australia—worth $44 million—will enter Australia duty free. For Australia, roughly half her exports to New Zealand—worth $89 million—will enter New Zealand duty free.

Mr. BARNARD. Thank you, Mr. Chairman. Australia is a very significant U.S. customer. In recent years the close ties between the United States and Australia have been further strengthened by rapidly growing trade between these two democracies. We have tried to show the economic relations between the two countries by a series of charts. This first chart (see p. 266) shows the development of America's share in the Australian market. As you can see, it has grown substantially from 13.2 percent in fiscal 1958 to 23.9 percent in the year ending June 30, 1965. Today, the U.S. share is second only to that of Great Britain as Australia's No. 1 supplier.

In terms of the actual volume of U.S. exports to Australia, the growth has been even more substantial. The second chart (see p. 267) shows that U.S. exports have more than tripled since 1958—rising from $190 to $626 million. Recently, the increase has been even more pronounced—in 1964, exports to Australia increased $189 million over 1963 and the 1965 projection—which is based upon published figures for the first quarter—indicates that our exports to Australia will increase over $100 million this year alone to well over $700 million.

Also I should point out, these export figures do not include the substantial amounts of military equipment which Australia purchases from the United States. Due to its defense commitments—including those in South Vietnam and the rest of southeast Asia—Australia's planned defense budget will virtually double between 1963–64 and 1967–68. This will involve large purchases of equipment, the bulk of which will come from the United States.

Over the next 4 years Australia will purchase over $600 million of military hardware from the United States including, among other equipment, 24 F–111 bombers and 3 guided-missile destroyers.

As this next chart (see p. 268) shows, the United States enjoys a very favorable—and ever increasing—trade balance with Australia. In 1964 alone, Australia suffered a trade deficit of $352 million in its trade with the United States and the projected deficit for 1965 exceeds $470 million.

Australia's 1964 trade deficit was almost triple that of 1963 and its cumulative trade deficit with the United States for the period 1958–65 exceeds $1.1 billion.

Mr. Chairman, this chart understates the amount of the trade deficit, because it does not include the military equipment that I referred to a moment ago, the purchases which have been so substantial in the United States.

May I say a word about the significance of sugar to Australia? I am here representing the Australia sugar industry. I do not represent the Government. However, I have recently received a letter from the Australian Ambassador stressing on behalf of his Government that a "substantial sugar quota for the Australian industry is a matter of very great importance" to Australia. With the Chairman's permission, I would like to submit the Ambassador's letter for the record.

The Chairman. Without objection, that may be entered into the record.

(The letter dated August 18, 1965, from the Australian Embassy, Washington, D.C., follows:)

AUSTRALIAN EMBASSY,
Washington, D.C., August 18, 1965.

Mr. ROBERT C. BARNARD,
Cleary, Gottlieb, Steen & Hamilton,
Washington, D.C.

DEAR MR. BARNARD: Thank you for your letter of August 18.

You may be assured that the question of a substantial sugar quota for the Australian industry is a matter of very great importance to my Government.

It is the view of the Australian Government that entitlement to an adequate quota for the Australian industry can be justified entirely on the grounds of commercial equity and the ability of the Australian industry to compete with other world producers. I would emphasize here that the Australian industry, which is stable and well organized, enjoys an enviable international reputation as an efficient and reliable supplier.

It will be recalled that during the recent world shortage of sugar the Australian industry made special efforts to meet the difficulties of the United States, often at prices lower than could have been obtained on the world market. In fact, Australia was the major foreign supplier under the global quota allocations which operated over the period 1962–64. However, I feel obliged to point out that the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

In addition there are, of course, other relevant considerations. For instance:

The development of some 1,300 miles of the northeastern coastline of Australia—a strategically important area—has been virtually based on the sugar industry and the continued development of the region depends very largely on this industry.

In a world of regulated markets, the need for assured access to the world's largest market must continue to be a matter of vital concern to both the Australian Government and the domestic industry.

You will also be aware of the close trade ties existing between Australia and the United States. Over recent years there has been a rapid expansion of U.S. exports to Australia, which is the fastest-growing of the U.S. major commercial markets. However, Australia has found that its efforts to expand exports to the United States of major Australian commodities have often been impeded.

A substantial sugar quota for Australia would be a direct and material recognition of the high value to be attached to sound and enduring economic relations between the United States and Australia.

You will no doubt be aware that earlier this year the Prime Minister wrote to President Johnson on certain subjects of mutual interest to the United States and Australia. The Prime Minister's letter referred to some of the matters I have mentioned. I am therefore attaching for your information a copy of this letter and of the reply received from the President, which were reported to the Commonwealth Parliament at the time.

Yours sincerely,

J. K. WALLER, *Ambassador.*

UNITED STATES-AUSTRALIAN FINANCIAL RELATIONS

BALANCE OF PAYMENTS

Exchange of letters between the Australian Prime Minister and the President of the United States

In the Australian Federal House of Representatives, Canberra, on April 1, 1965, the Australian Prime Minister, Sir Robert Menzies, laid before Members of the House a letter he had written to President Johnson on March 12 and the President's reply of March 24 relating to the possible effects of measures taken by the U.S. Government to improve its balance-of-payments position.

AUSTRALIAN LETTER

The text of the letter of March 12 Sir Robert Menzies sent to President Johnson was as follows:

"MR. PRESIDENT: This note is designed to be direct and clear, as it should be in a communication to one whose friendship I value, and whose sympathetic understanding of Australia and her problems we have great reason to appreciate.

"Since you informed Congress on February 11, 1965, of the measures you proposed to take to improve the external payments position of the United States I have been studying, with my colleagues in the Australian Government, the likely effects of those measures upon our situation, abroad and at home.

"So far as we can see, Australia does not come within the several reservations stated by you and designed to lessen the impact of your measures upon various countries such as Canada, Japan, the United Kingdom, and others more generally described as developing countries.

"I feel I should say to you that while we fully and warmly understand the reasons for the action your administration is taking to deal wits its balance-of-payments problem, we fear that this action as it now stands could have adverse effects on Australia which we imagine it would be no part of the United States intention to inflict.

"When the interest equalization tax was first announced, we pointed out to the U.S. administration our interests in the matter but did not seek exemption from it.

"Amongst other reasons, we wanted to avoid the embarrassment this might have caused your administration in its negotiations with certain other countries on this matter.

"We do not seek exemption from the tax now, but we do wish to bring to your notice the facts of our economic situation which will be relevant to the administration of the system of voluntary restraint to which U.S. investors are being asked to conform in making decisions about investments abroad.

"Australia is not a 'developed' country in the sense that the mature, capital-exporting, and highly industrialized countries of Europe are developed.

"On the contrary, we have an immense task of developing a relatively under-populated continent which, while rich in some resources, presents in other respects most formidable difficulties of climate, terrain, and distance.

"As yet we have a population of little more than 11 million people. Like the United States in earlier years, we are endeavoring to build our numbers up by large-scale immigration. But this effort necessarily adds to our capital needs.

"Although by now we have achieved a large and varied production of goods, and in fact generate from our own savings more than four-fifths of the capital we require, we must perforce rely heavily on export earnings and on capital inflow to obtain abroad additional resources for growth.

"Australia is a free-enterprise economy that has welcomed private overseas investment and treated it with exactly the same consideration that it gives to private investment of Australian origin.

"Moreover, Australia has joined with other free-world countries in measures to promote freer international trade and payments and, to this end, maintains an 'open' economy with practically no quantitative restrictions on imports and no restrictions on current payments.

"Although subject to formal control, repatriation of capital invested in Australia is not, in practice, refused. Being predominantly an exporter of primary products, Australia experiences large fluctuations in the amount of her export receipts and, being in a phase of rapid development, normally has a deficit in her current balance of payments. Though this varies from one year to another, it has to be covered by net capital inflow. By far the greater part of this has comprised private overseas investment in Australia.

"In the 8 years from 1956–57 to 1963–64 the accumulated deficit on current account amounted to $2,417 million.

"During that period, the annual inflow of private overseas investment (including undistributed income) in companies in Australia totaled $3,022 million, of which $1,147 million came from the United States and Canada—most of it from the United States.

"Ordinarily Australia has a large current account deficit with the United States. In 1962–63 Australia's exports to the United States totaled $297 million while her imports from the United States amounted to $478 million. Her net invisible payments to the United States in that year were $181.2 million giving a deficit on current account of $362.2 million.

"In 1963–64, with exports of $312.9 million, imports of $559.9 million and net invisible payments of $194.7 million, her current account deficit with the United States rose to $441.7 million.

"In the half year to December 1964 Australia's recorded exports to the United States were $153.2 million compared with $180.3 million for the same period of 1963, a decline of 15 percent, whereas Australia's recorded imports from the United States increased as between these two periods from $273.7 million to $392 million, a rise of 43 percent.

"In this connection, we feel constrained to point to the contrast between the rapid expansion of United States exports to Australia—Australia now being the fastest growing of the United States major commercial markets—and the manner in which United States policies impede Australian efforts to expand exports to the United States of some major Australian export commodities.

"The United States, alone among major trading countries, maintains a very high tariff on raw wool, despite many representations and negotiations aimed at reduction or elimination of duty; quotas imposed on lead and zinc in 1958 remain unchanged despite a greatly improved world market situation; United States domestic legislation imposes limitations on, and creates uncertainties for, the Australian export trade in meat; the continuance of access for Australian sugar is uncertain and the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

"In 1963–64 these commodities accounted for 81 percent of total Australian exports to the United States. They are the products on which Australia must chiefly depend if a significant expansion of exports to the United States is to be achieved and if the progressive deterioration in our trade and payments balances with the United States is to be arrested and redressed. Yet, with respect to each of them, U.S. restrictions of one and of another prevent or impede expansion.

"This current account deficit with the United States has been offset in part by capital inflow from the United States, most of it on private account.

"In 1962–63 the annual inflow from the United States and Canada (by far the greater part being from the United States) of private overseas investment (including undistributed income) in companies in Australia was $201.6 million, and this increased to $220.2 million in 1963–64.

"In the latter year, the inflow from the United States and Canada was not far short of half of the total of $481.6 million of private overseas investment in companies in Australia.

"To turn now to our immediate situation, it is a fact that in 1963–64 Australia's export production was high and for most exports reasonably good prices were received. Capital inflow was strong and our external reserves were strengthened.

"For the present financial year, however, the prospects are much less favorable. Export prices have fallen, local demand for imports has been strong and, although capital inflow has been fairly well sustained, it is certain that substantial drawings will be made on our external reserves. These seem certain to decline over the year as a whole by appreciably more than £A100 million ($224 million). For the financial year ahead, the signs point to a continued drain on our external reserves.

"We have greatly enlarged our defense programs and this will entail substantial additions to overseas payments for defense equipment and supplies.

"Overseas expenditure in 1965–66 and latter years arising from existing defense commitments and the new 3-year defense program is estimated at about £A400 million (or the equivalent of about $880 million), of which about £A250 million (or some $550 million) will relate to procurement in the United States.

"Although recent arrangements reached with you to phase payments for some major items over a longer period will ease the burden to some extent, it will still be considerable. At the time we undertook these commitments we had no reason to anticipate that our payments position vis-a-vis the United States would be altered for the worse by action of the kind you have since announced.

"An additional consideration is that the Australian Government has commitments of nearly $200 million in the United States over the next 5 years in respect of debt maturities and sinking fund commitments. This figure is exclusive of installation repayments of approximately $130 million due to the International Bank over that period.

"Although a relatively large-scale importer of capital, Australia is nevertheless a donor and not a recipient of international aid.

"Australia has, in fact, played her full part in various international aid arrangements and also provides a considerable amount of aid, both civil and military, on a bilateral basis to less-developed countries.

"The development of Papua and New Guinea is a prime Australian responsibility and one that is making large and increasing calls on Australia's resources. Requests for additional aid are being received from other developing countries as well and, in most cases, are met to the best of our ability. Our recent gift of wheat to India worth nearly $9 million is a case in point. These all add to the pressures on our external resources.

"In what at present appears to be a deteriorating balance of payments situation, any substantial falling off in capital inflow would be a matter of serious concern to the Australian Government.

"Furthermore, since we hold the bulk of our external reserves in sterling, any drawings we have to make on our reserves will tend to increase Britain's balance of payments difficulties which are, of course, a matter of international concern.

"In drawing attention to these facts, the Australian Government hopes that, in setting overseas investment targets for United States banks and other businesses, the administration will take full account of the Australian situation and will not take action likely to result in any substantial reduction in the flow of private American capital to this country.

"This is not to say that we would oppose the issue by U.S. investors of some equity capital in their subsidiaries here to finance new investment in this country: indeed it would accord with an attitude we have frequently expressed.

"We have made it clear on many occasions in the past that we think it desirable for oversea investors to take in Australian investors as partners in businesses established in Australia. On the other hand, however, we would be troubled and embarrassed if United States investors were to begin repatriating capital, substantially increasing the proportion of profits remitted or adding largely to their fixed-interest borrowings or other forms of capital raising in Australia which gave Australian investors no equity share in the businesses in question.

"Developments such as these could very well force upon us the need to reconsider the policies we have hitherto followed in these areas. This we should regard as regrettable in the extreme, especially if it resulted in a conflict of policies, with subsequent confusion in, and disruption of, established and greatly valued financial and commercial relationships between our two countries.

"Our own policies in these important fields have, we believe, had the encouragement and approval of successive U.S. administrations.

"We should like to think that it will be possible to continue them without detriment to ourselves and without impairing the effect of the policies you find necessary to strengthen your own balance of payments and uphold the world standing of the dollar.

"I am, Mr. President, and with warm personal regards.

"Yours sincerely,

"R. G. MENZIES."

U.S. PRESIDENT'S REPLY

The text of President Johnson's reply of March 24 was as follows:

"DEAR MR. PRIME MINISTER: We have now had a chance to give careful study to your letter of March 12 concerning the effect on Australia of our balance of payments program.

"We fully understand the importance that your Government attaches to this matter, and appreciate the frankness with which you expressed your concern.

"I am grateful, too, for your sympathetic understanding of the reason which impelled us to take forceful action.

"We think it it fair to claim that because of the special role of the dollar in international monetary arrangements, early and substantial improvement in the U.S. balance of payments is in the interest not only of the United States, but also of the entire free world.

"We are determined to eliminate the U.S. international deficit, and I am happy to be able to say that the February 10 program already appears to be taking hold.

"We understand, of course, that external capital is of great importance to Australia.

"In terms of the high standard of living of the Australian people, and the remarkable pace of advance during the past decade, Australia must be counted one of the advanced countries of the world. But as you point out, yours is a country with a great potential for further development.

"As an old friend and ally, we have watched with admiration your record of achievement, and we know the importance of continued Australian success. We attach high value to the good economic relations between Australia and the United States.

"In the present instance, we believe after careful review, that our balance of payments program is not likely to have a serious adverse effect on the Australian economy.

"The part of the program supervised by the Secretary of Commerce is designed to avoid any undue disruption in the growth of sound business relationships.

"Indeed, I understand that certain large direct investments in the production of iron ore in Australia are planned for the near future. And in the case of loans by our banks and financial corporations, we intend to emphasize primarily the need to curb the outflow of such funds to industrialized countries already rich in reserves.

"We believe, therefore, that this program will not impose undue strain on Australia. But it is always possible that specific actions under a program of this sort can have consequences for a friend that outweigh their value to the general program.

"I have asked the Secretary of the Treasury and the Secretary of Commerce to give a careful hearing to Australia's view in any particular case which might be of this sort.

"On our general commercial relations, I can assure you again that a reduction in trade barriers, in agriculture as well as in industry, is a prime objective of U.S. policy.

"As I wrote you last August, our negotiators in the Kennedy round will bend every effort to help bring the Geneva negotiations to a successful conclusion.

"Again, let me thank you for your letter and for your forthright statements of views.

"Sincerely,

"LYNDON B. JOHNSON."

Mr. BARNARD. In order to maintain and increase its purchases from the United States, Australia must depend on exports. From the point of view of world trade, Australia is largely dependent upon exports of agricultural and mineral commodities. Although the subject is not before this committee, it may be noted that the United States has for domestic reasons significantly limited United States purchase of important Australian export products. While Australia understands that particular domestic situations may sometimes call for the imposition of limitations, nevertheless these limitations have widened Australia's trade deficit with the United States and have made it increasingly difficult for Australia to support its growing purchases in the United States.

As Australia's third most important export to the United States, sugar offers a good way for the United States to increase its imports from Australia without any risk of injury to United States domestic interests. In a large sense, sugar imports will benefit all United States exporters as well as Australia. And when I say Australia, I mean the 10,000 independent farmers who raise the cane in Australia. The hundreds of thousands of people in the sugar area whose livelihood is related directly or indirectly to sugar and, indeed, the entire Australian economy.

May I say a word about Australia's capacity to ship and to store sugar?

This year the Australian sugar industry will produce about 2¼ million tons of raw sugar, two-thirds of which will be exported. As the free world's largest sugar exporter, the Australian industry has developed modern storage and mechanized port facilities. Australia's bulk storage capacity is 1.4 million tons, almost 60 percent of total

production. A 15,000-ton cargo ship can be loaded in less than 24 hours compared with the 3 weeks it takes to load manually.

Australia's large storage capacity and its mechanized bulk export facilities assure its regular sugar customers of ready supply and speedy shipment.

The Australian sugar industry offers the United States the advantages of a stable, reliable supplier. I believe Australia's record under the present act speaks for itself in this regard. There was a sugar shortage during 1963 and 1964 and the world price of sugar rose above the U.S. price. Yet during this 2-year period, the Australian sugar industry supplied more global quota sugar to the United States than any other supplier. As the principal supplier of global quota sugar during this period, Australia ranks first among the countries which Undersecretary Schnittker said suffered "a substantial loss of revenue by sending sugar to the United States in that period." To supply when a higher price could have been obtained on the world market is, I believe, a good index of reliability.

As the last chart (see p. 269) shows, Australia supplied 180,000 tons of global quota sugar in 1963 and 175,000 tons in 1964 for a total of 355,000 tons in the 1963–64 period. In each of these years Australia not only filled its statutory quota, but made global quota shipments amounting to more than four times its statutory quota. In all Australia supplied 224,000 tons of raw sugar in 1963 and 216,000 tons in 1964.

I feel confident that in deciding on sugar quotas this committee and the Congress will want to take into account Australia's demonstrated performance as a reliable United States sugar supplier.

May I say a word about the sugar quota. On a long-term basis Australia has the capability of making available 400,000 tons of raw sugar for the United States each year. We are willing and able to supply this amount. In his letter to President Johnson on March 12, 1965, Prime Minister Menzies pointed out that—

> the size of the present Australian quota is not commensurate with Australia's position as the world's second largest sugar exporter.

We suggest that Australia's record demonstrates that as a minimum Australia should be permitted to continue to supply a part of United States foreign sugar requirements on a basis comparable to that it supplied in 1963 and 1964, when sugar was in short supply. While the formula proposed by the administration is certainly a fair one, I would like to point out that the amount of sugar Australia will be permitted to supply under the bill is nearly 30,000 tons less than the some 220,000 tons per year which Australia delivered in the 1963–64 shortage period. Furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers, rather than on the restricted basis proposed in H.R. 10496.

Finally, I would also like to point out that under the existing law and under H.R. 10496 Australia is not permitted to participate in deficit reallocations. Certainly its storage facilities and record recommend Australia as a reliable source from which to fill U.S. sugar deficits. In view of the recent world shortage, I believe the committee will wish to consider the saluatory effect Australia deficit participa-

tion would have in assuring U.S. consumers of a ready supply of sugar.

We have full confidence that when this committee considers not only Australia's record, but the other facts about United States-Australian trade and ties and Australia's capacity to supply which I have touched on today, the committee will reach the right conclusion as to what is a fair and reasonable participation for Australia in the United States market.

May I again thank the chairman and the members of this committee for their courtesy in letting me present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

The CHAIRMAN. Thank you, Mr. Barnard. You have a very well prepared statement which I assume you will be very helpful to the committee. I would like to ask you to comment on the global quota question.

Mr. BARNARD. Yes, sir.

The CHAIRMAN. You have before you, do you not, information that indicates that Brazil in 1963 shipped to the United States markets more than any other country?

Mr. BARNARD. That is correct, sir.

The CHAIRMAN. What happened in 1964? Do you know?

Mr. BARNARD. She shipped no global sugar into this country; yes, sir. I cannot speak for that—I do not know why.

The CHAIRMAN. My recollection of it is that the testimony indicated that they had some sort of a drought or something like that, but in Australia you delivered in 1963 more than in 1964?

Mr. BARNARD. Yes, sir.

The CHAIRMAN. You delivered more than in 1964?

Mr. BARNARD. Yes.

The CHAIRMAN. And Mexico, in 1964, apparently, almost caught up with Brazil?

Mr. BARNARD. That is correct, sir.

The CHAIRMAN. That is all. Are there any other questions?

Mr. FINDLEY. Mr. Chairman——

The CHAIRMAN. The Chair recognizes Mr. Stalbaum.

Mr. STALBAUM. In the figures on page 10 of your printed statement you erroneously said it supplied about 300,000 tons, but the figure is printed as 30,000 tons.

Mr. BARNARD. I am sorry if I said 300,000 tons—30,000 tons is the correct number.

Mr. STALBAUM. That is what I thought. You would like your testimony to be corrected?

Mr. BARNARD. I would like it to be correct; yes sir. It is in error. Thank you very much.

Mr. FINDLEY. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. FINDLEY. On page 10 of your statement you state—

furthermore, we feel that Australia's record entitles it to participate in the growth in the market on the same basis as other foreign suppliers rather than on the restricted basis proposed in H.R. 10496.

Would you elaborate on that?

Mr. BARNARD. Yes, sir; H.R. 10496, in the provisions beginning on page 5, and then also on page 6, restricts Australia's participation in the growth in the U.S. market both in terms of percentage and otherwise. It is a formula which permits Australia to participate on a reduced percentage basis in the growth of the U.S. market as distinguished from foreign suppliers in the Western Hemisphere and other foreign suppliers who participate fully on the percentage basis in the growth in the U.S. market.

Mr. FINDLEY. The advantage or preferential treatment is not limited to the suppliers in the Western Hemisphere?

Mr. BARNARD. There are a number of suppliers outside of the Western Hemisphere that participate on a full-growth basis also.

Mr. FINDLEY. Can you give the committee any explanation as to why Australia should be so treated?

Mr. BARNARD. I have had no part in the drafting of this, sir. The only surmise that I can make is that there were some assumptions that these were more developed countries, and hence there should be a restriction on the limitation in growth.

Mr. FINDLEY. You heard my question to Mr. Farrington?

Mr. BARNARD. Yes.

Mr. FINDLEY. Is my estimate of $58 a ton reasonably accurate as to the value of the quota premium you would anticipate under this bill?

Mr. BARNARD. I think that depends upon what the world price is at any one moment. It changes from time to time. I do not see how one could forecast what the premium would be over the period of the bill.

Mr. FINDLEY. Based on last year's prices, would that be fairly close to the actual figure?

Mr. BARNARD. I have not done the arithmetic for the past year, but I would accept your arithmetic if you have done it.

Mr. FINDLEY. Would Australia be interested in a sugar quota if the recapture provision, assuming it to be at the one-half level, is placed in the legislation?

Mr. BARNARD. The decision whether or not to have the recapture provision appears to us to be a matter of the U.S. domestic policy on which I do not think that it is appropriate for a foreign supplier to comment on. Obviously, we prefer the administration's or the committee's recommendation that there be no such recapture. We are interested in supplying this market on a fair and reasonable basis and we hope that that is the basis on which we can do so.

Mr. FINDLEY. If the import duty is raised, say, to $2 a hundredweight, do you anticipate that Australia would be interested in a quota?

Mr. BARNARD. Australia is interested in supplying this market on the basis which the United States concludes as fair and reasonable. Whether or not 2 cents would result in a fair and reasonable basis is very difficult for me to say at the moment, because it would depend on a lot of factors.

Mr. FINDLEY. Mr. Barnard, one final question. You were hoping that the quota will be, at least 200,000 tons, am I correct?

Mr. BARNARD. Yes, sir.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Mr. Hagen of California.

Mr. HAGEN of California. With respect to the Australian domestic consumption, do you have any price protection or other protection for the Australian producers?

Mr. BARNARD. Yes, sir.

Mr. HAGEN of California. What does it consist of?

Mr. BARNARD. The price at which sugar is sold in the Australian market, I think, is substantially the same as the price for the market in the United States.

Mr. HAGEN of California. How is that accomplished?

Mr. BARNARD. It is done in a way that is somewhat like the method in this country.

Mr. HAGEN of California. There is no import of foreign sugar?

Mr. BARNARD. No; there is not.

Mr. HAGEN of California. It is precluded?

Mr. BARNARD. I do not know that it is precluded in Australia—it is such a substantial producer itself that there is no reason for imports.

Mr. HAGEN of California. If there would be no protection there would be that possibility?

Mr. BARNARD. We would suppose that there might be, yes.

Mr. HAGEN of California. You, probably, have a system of import quotas or something similar.

Mr. BARNARD. I am advised that there is some restriction of imports, yes.

Mr. HAGEN of California. How do you maintain the price?

Mr. BARNARD. It is on the basis of the quantities available for sale on the market.

Mr. HAGEN of California. With respect to this recapture provision, this differential import fee, would the U.S. refiners increase their profits through reduction or elimination of the charge?

Mr. BARNARD. The U.S. refiners under the recapture clause, and at the present time, as I understand it, pay the price in the United States which is the U.S. price adjusted for tariff and freight.

Mr. HAGEN of California. In other words, the elimination of the import duties—the recapture fee—would be of sole benefit to the foreign suppliers, is that correct?

Mr. BARNARD. I believe that is correct, sir.

Mr. HAGEN of California. Is there any competition, pricewise, for your sugar—there are several sellers in Australia and elsewhere and there are many U.S. buyers.

Mr. BARNARD. There is a single seller on behalf of the Australian sugar, but the sugar is sold in competition with other suppliers, yes.

Mr. HAGEN of California. How much price competition is there?

Mr. BARNARD. There is a regular market in the United States, sir, on which the sugar is quoted and the price fluctuates in the United States.

Mr. HAGEN of California. Is it a posted price with no price competition or does a refiner here go to specific supplier X and say, "I will buy all of your sugar at 4 cents a pound," and if he does that, then there would be some competition?

Mr. BARNARD. I am not aware of any supplier who sells his entire output on that basis. My understanding is that there is competition as the sugar is offered for sale in the U.S. market. The price depends upon the price going at the time that the sale occurs.

Mr. HAGEN of California. I do not think that this committee and I, certainly, do not really understand this price mechanism in relation to these foreign suppliers.

The CHAIRMAN. I think the point is that everybody in the sugar market knows the price of sugar. It is there in the quotations. It is offered and bid on.

Mr. BARNARD. That is correct.

The CHAIRMAN. And in 1963 the market went up to a higher price.

Mr. BARNARD. That is correct.

Mr. HAGEN of California. Every U.S. purchaser pays the same price for sugar?

Mr. BARNARD. The price will fluctuate within a given period of time. Every morning, as the prices are reported in the press, you will see that there is a fluctuation in the price from the previous day. Every day is perhaps an exaggeration, but the price fluctuations are regular in the market and they are quoted in the press.

Mr. HAGEN of California. So then in the context of the quota system the U.S. refiners do try to get the best price?

Mr. BARNARD. Of course, they do.

Mr. HAGEN of California. And they do that by dealing or trading off one foreign buyer or seller against another?

Mr. BARNARD. That is correct.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Mr. Callan.

Mr. CALLAN. On your Australian trade balance figures, I notice that 1963 imports to the United States look about $310 million and then they drop to about $170 million. Was this on meat products?

Mr. BARNARD. I do not think that it is made of any one product. There was a decline in a number of things. I could supply you with the actual figures, if you would like.

Mr. CALLAN. I would like to know if this is primarily meat products.

Mr. BARNARD. I will be glad to supply you with the figures.

(The information referred to follows:)

CLEARY, GOTTLIEB, STEIN & HAMILTON,
Washington, D.C., August 23, 1965.

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

DEAR MR. CHAIRMAN: During the course of my testimony today, Representative Callan noted that United States imports from Australia had fallen from $314.4 million in 1963 to $273.9 million in 1964 and asked the extent to which this decline was the result of a decline in United States imports of mean from Australia. Inasmuch as I did not have this information available at that time, Representative Callan requested that I submit it for the record.

The following information is submitted for the record pursuant to Representative Callan's request:

According to Bureau of Census trade statistics, the United States imported $128.5 million worth of meat from Australia in 1964 as compared with the $177.1 million worth of meat imported from Australia in 1963. This represents a reduction of $48.6 million (or 27.4 percent) in United States meat imports from Australia in 1964.

The United States total imports from Australia declined from $314.4 million in 1963 to $273.9 million in 1964, a difference of $40.5 million. Thus, the $48.6 million reduction in United States imports of Australian meat more than accounts for the $40.5 million reduction in the United States' total imports from Australia in 1964 as compared with 1963.

Mr. Chairman, I appreciate the opportunity which you and Representative Callan have accorded me to submit this information for the record.

Respectfully,

ROBERT C. BARNARD.

The CHAIRMAN. Mr. Stalbaum.

Mr. STALBAUM. Mr. Barnard, in establishing the quotas for the others was there any weight given for 1964?

Mr. BARNARD. As I understand it, it gives double weight for 1964.

Mr. STALBAUM. Not for 1963?

Mr. BARNARD. Single weight for 1963 and double weight for 1964.

Mr. STALBAUM. Do you feel that the situation was more severe in 1964 than in 1963?

Mr. BARNARD. I know that at the end of 1963 and early 1964 there was a considerable concern about sugar supplies into the U.S. markets. And it was at that time that the telegram was sent out which the chairman referred to urging foreign nations to come forward with supplies for the U.S. market. I think that the maximum differential between the U.S. price and the world price occurred toward the end of 1963 and the beginning of 1964.

Mr. STALBAUM. Thank you.

The CHAIRMAN. Thank you very much.

(The following statement was supplied by Mr. Barnard:)

SUPPLEMENTARY STATEMENT OF ROBERT C. BARNARD

In the course of the hearings questions were asked regarding trade in tobacco with the United States. Because of the interest in this matter I have prepared a brief statement relating to Australian purchases of U.S. tobacco.

Over the years Australia has purchased a significant quantity of tobacco from the United States. Australia also grows tobacco. This year the Australian Government adopted a stabilization plan for tobacco under which the poundage of leaf grown in Australia that may be marketed is strictly limited. The stabilization law fixes the amount of Australian leaf that may be marketed in Australia over the next 4 years at 26 million pounds per annum without any provision for increase. This amount specified in the law compares with 31.5 million pounds of tobacco marketed in 1964. The stabilization plan, therefore, amounts to a positive cutback of 17 percent in the marketing of Australian tobacco.

This stabilization plan fixes the annual marketing quota in absolute amounts and the quota is broken down into individual farm quotas. It will be the individual farm marketing quota which will be the regulator of Australian production in the future. In view of the cutback in the marketing of Australian leaf, U.S. growers should benefit from these new arrangements.

In this regard, it is interesting to note that a significant amount of land has been taken out of tobacco and has been put into sugar.

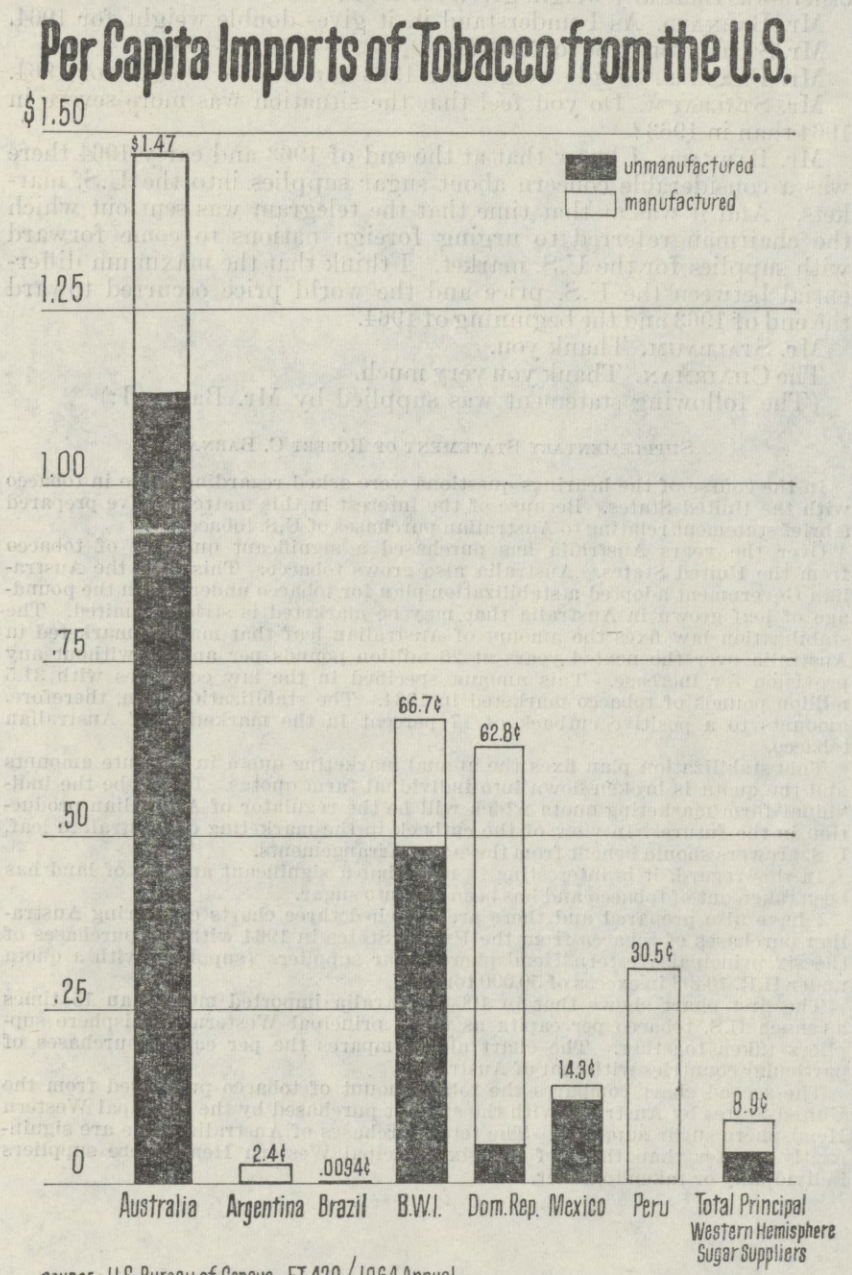
I have also prepared and there are attached three charts comparing Australian purchases of tobacco from the United States in 1964 with the purchases of the six principal Western Hemisphere sugar suppliers (suppliers with a quota under H.R. 10496 in excess of 50,000 tons).

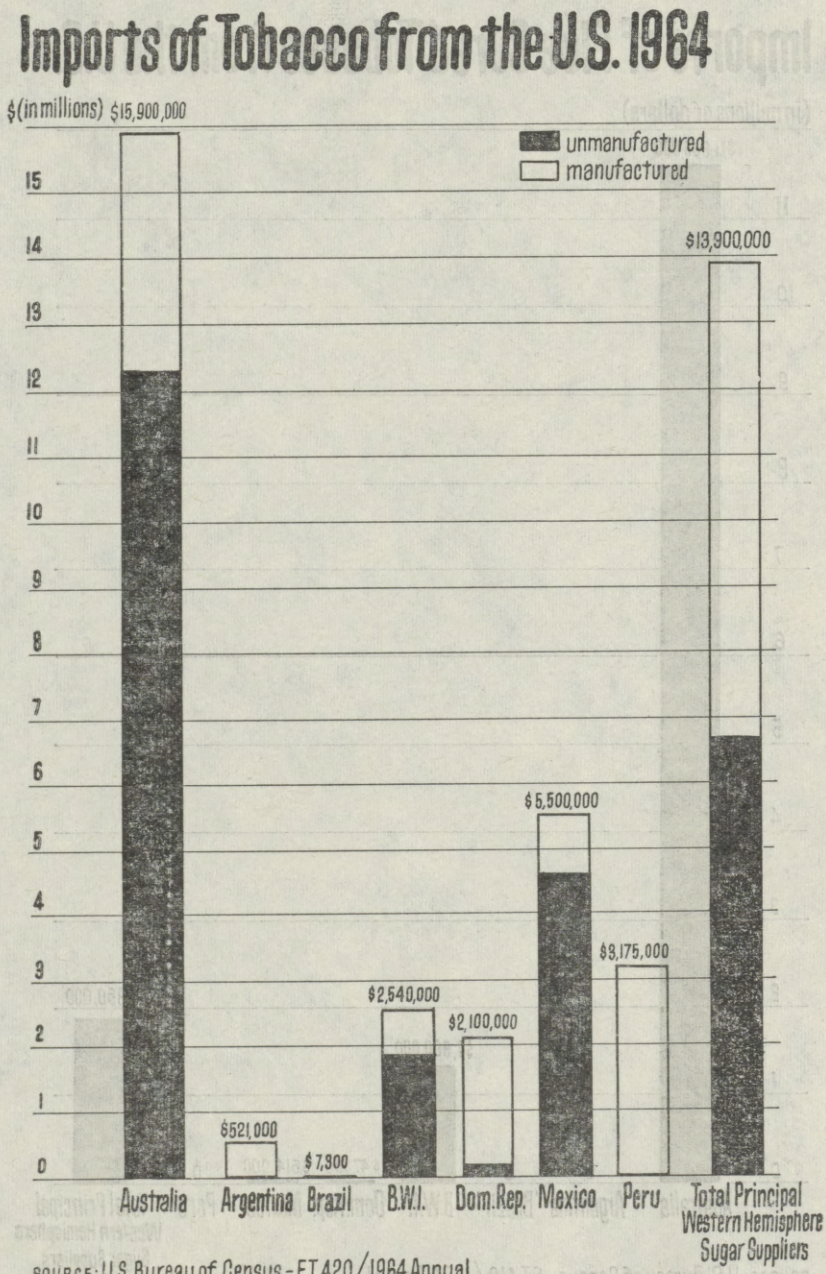
The first chart shows that in 1964 Australia imported more than 15 times as much U.S. tobacco per capita as the 6 principal Western Hemisphere suppliers taken together. The chart also compares the per capita purchases of particular countries with that of Australia.

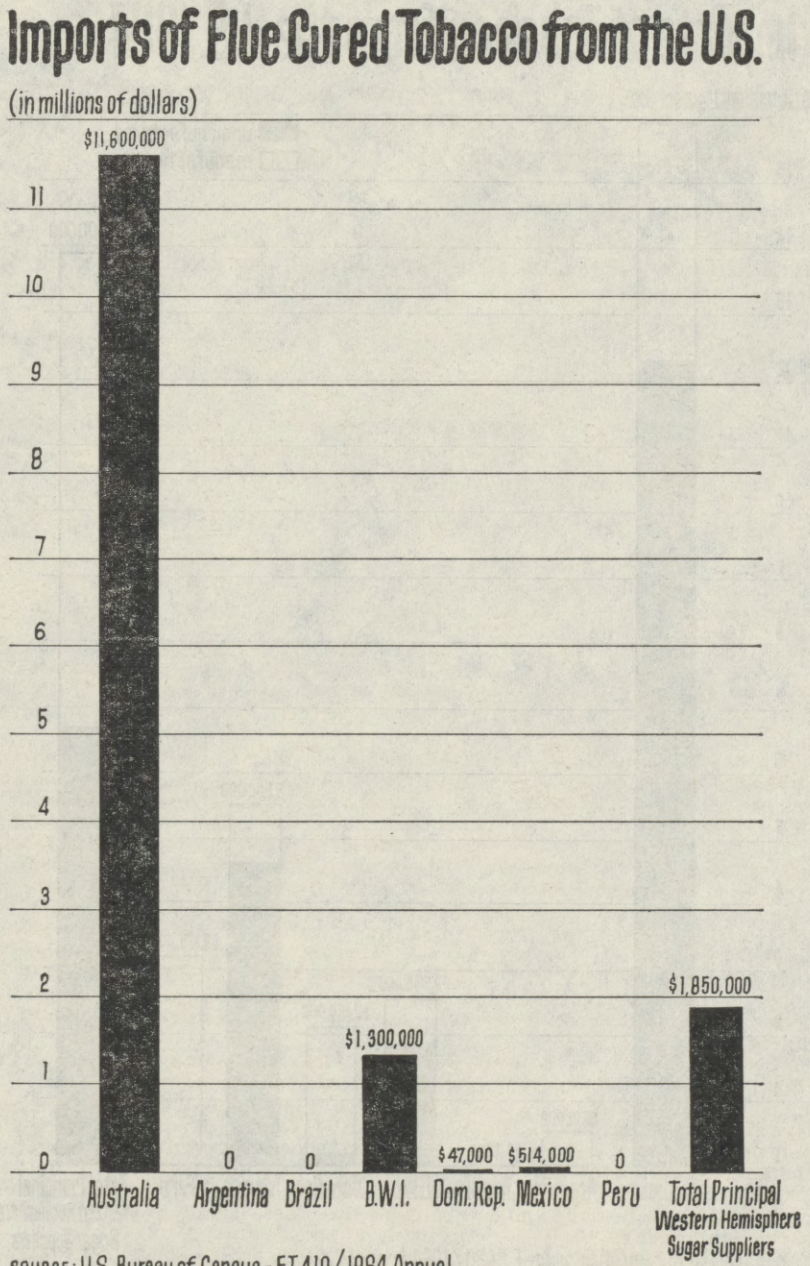
The second chart compares the total amount of tobacco purchased from the United States by Australia with the amount purchased by the principal Western Hemisphere sugar suppliers. The total purchases of Australia alone are significantly greater than those of the six principal Western Hemisphere suppliers individually or taken together.

The third chart makes a similar comparison of purchases of Flue-cured tobacco from the United States. This chart shows that Australia purchased more than six times as much as the six principal Western Hemisphere suppliers combined purchased from the United States.

It should also be pointed out that with respect to all agricultural products, Australia is the second largest cash purchaser from the United States among the full-duty countries.




Imports of Tobacco from the U.S. 1964
$(in millions)
$15,900,000
unmanufactured
manufactured
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
$13,900,000
$5,500,000
$3,175,000
$2,540,000
$2,100,000
$521,000
$7,300
Australia
Argentina
Brazil
B.W.I.
Dom.Rep.
Mexico
Peru
Total Principal Western Hemisphere Sugar Suppliers
SOURCE: U.S. Bureau of Census - FT 420/1964 Annual


Imports of Flue Cured Tobacco from the U.S.
(in millions of dollars)
$11,600,000
11
10
9
8
7
6
5
4
3
2
1
0
0
0
$1,300,000
$47,000
$514,000
0
$1,850,000
Australia
Argentina
Brazil
B.W.I.
Dom. Rep.
Mexico
Peru
Total Principal Western Hemisphere Sugar Suppliers
SOURCE: U.S. Bureau of Census - FT 410/1964 Annual

Mr. CHAIRMAN. I will now call Mr. Charles H. Brown. Mr. Brown is a very distinguished former Member of the House of Representatives. We know him well, and the members of the committee hold him in the highest esteem. We shall be delighted to hear from you now, Mr. Brown.

STATEMENT OF CHARLES H. BROWN, ON BEHALF OF THE SUGAR INDUSTRY OF FIJI; ACCOMPANIED BY JOHN POTTS, DEPUTY CHAIRMAN OF THE SOUTH PACIFIC SUGAR MILLS CO.

Mr. BROWN. Mr. Chairman and members of the committee, my name is Charles H. Brown, and I appear here today as the U.S. representative for the sugar industry of Fiji. I am accompanied by Mr. John Potts, deputy chairman of the South Pacific Sugar Mills Co. who sits here by my side.

And with the chairman's permission, I would like to submit my statement for the record, and then just talk from notes here for just a very brief time and hit the highspots.

The CHAIRMAN. All right, you may do that. Your statement will be made a part of the record without objection at this point.

(The prepared statement of Charles H. Brown follows:)

STATEMENT OF CHARLES H. BROWN ON BEHALF OF THE SUGAR INDUSTRY OF FIJI

Mr. Chairman, my name is Charles H. Brown and I appear here today as the U.S. representative of the sugar industry of Fiji—a group of about 322 small islands (95 inhabited) which are some 2,700 miles southwest of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

In 1962, this committee gave the people of Fiji an opportunity to supply sugar to the United States by granting this little island country a permanent sugar quota. This was a historical event in Fiji, because sugar is the lifeblood of the country's economy, and access to the U.S. market has been one of her major trade objectives for two decades.

Fiji has asked me to express to this committee—and through you to the people of the United States—her deep gratitude for this access—a gratitude which, I suggest, they demonstrated tangibly during the worldwide sugar shortage of 1963 and 1964. During those two difficult years when sugar importing countries were clamoring for supplies, Fiji delivered to the United States more than 103,000 tons of raw cane sugar—83,000 more than her basic quota for the 2 years even though that 83,000 tons would have brought higher prices elsewhere.

Fiji is a loyal, stable, reliable source for high quality raw cane sugar. Her total production last year was 348,000 tons; 360,000 in 1965; and she has the potential to produce (within the next 5 years) more than 450,000 tons per annum. Her shipments to the United States this year will run about 47,000 tons. This represents about 18 percent of Fiji's production; and Fiji desperately needs to maintain and, if possible, increase these shipments to the United States.

This little country in the Southwest Pacific has long been a loyal friend to the United States. Fiji sons fought with American sons at Bougainville, the Solomons, and Guadalcanal. A strong U.S. force was employed to hold these strategically important islands in World War II; and many American soldiers remember Fiji well. Indeed, President Johnson was hospitalized in Suva for a short period during the war.

Under the ANZUS pact, the United States shares responsibility for the defense of Fiji with New Zealand and Australia, because these islands are the "crossroads of the Southwest Pacific."

We use her harbors, her airports and other facilities in connection with space tracking and defense training.

In 1952–56, Fiji supplied troops to help suppress the Communist terrorists in Malaya.

It is a fact that everytime we have called upon Fiji for assistance—whether it was for men, facilities, or sugar—she has responded quickly as a reliable friend and ally.

Fiji—like some other countries—is experiencing a disturbing population explosion—increasing at the rate of 3½ percent per year. There are about 456,000 people in the islands, almost the size of Hawaii in 1950; and the population is extraordinarily youthful—44 percent under the age of 15; 72 percent under 25. These young people want opportunities; and the national income must be expanded at least 3½ percent just to maintain the present modest standard of living; and, of course, it must be more if living standards are to be improved.

The only real opportunity for economic growth is agriculture, because the majority of the people look to the land for their livelihood; and the main cash product is sugar.

Sugar represents 65 to 75 percent of Fiji's total export sales; and exports comprise about half the total national income.

One of every four or five people in Fiji depend directly on the sugar industry for a living; and many more depend on it, indirectly.

Fiji canegrowers are independent farmers, operating some 15,000 farms averaging about 10 acres of cane land per farm; and the number of farmers has been increasing annually.

Though these farmers do not have the modern machinery that American farmers have, they are just as proud of their farms and their yields per acre; and they are just as strongly anti-Communist. They are family farmers—hard-working, patriotic, and loyal to Western ideals.

Fiji's sugar mills are modern, efficient, and Fijian-operated. South Pacific Sugar Mills, Ltd., is a large publicly owned company, incorporated in Fiji, and owned by shareholders in Fiji, Australia, and New Zealand. Over 97 percent of the employees of the company were born in Fiji. There are no racial problems in the mills. Relations among the ethnic groups are excellent.

South Pacific Sugar Mills buys the cane from the independent farmers under a contract arrangement proposed by an independent commission of inquiry, negotiated and accepted by the growers and the mills. The sugar is manufactured in four modern mills, and there are permanent-type storage facilities for 120,000 tons—one-third of the present production.

Fiji can ship its present annual export of 47,000 tons to the United States year in and year out without difficulty and would like to ship 100,000 tons per year to the United States beginning in 1966.

And there is no question about Fiji's ability to supply this tonnage. She has the farms, the farmers, and the milling capacity. Right now there are 152,000 acres in sugarcane; and there are, at least, another 180,00 acres of good sugar land accessible to existing mills; and there are ever-growing numbers of farm applicants who want to grow sugar.

Fiji desperately needs to maintain its position in the U.S. market. Where other nations have preferred remunerative markets for as much as 85 to 100 percent of their sugar (i.e., domestic consumption, exports to United States or Britain or other major importer), Fiji's domestic consumption takes only 6 percent of her production (20,000 tons) and her contract with Britain takes 44 percent (160,000 tons). This leaves some 50 percent of Fiji's production (180,000 tons) to be sold on a world price basis, for which Canada and New Zealand have traditionally provided some outlet. But Fiji's haunting problem is where to sell 25 percent or more of her total production at remunerative prices. An assured market in the United States for at least 50,000 tons is vitally important to the economic and social stability of Fiji.

Any formula or criteria which will continue these vital purchases will be most appreciated by Fiji. However, I direct the committee's attention to Fiji's special problem: Fiji gained access to the U,S. market only in late 1962. As of now, she has had only 2 full years to prove her loyalty and reliability—1963 and 1964. Any formula based on performance earlier than 1963 would mitigate against this little country. For this reason, H.R. 10496 particularly fits Fiji. Under this proposal, she would receive a statutory quota of some 18,000 tons; and her share of the Cuban reallocation would be some 27,000 tons.

Also, Fiji would benefit from the proposal which provides special participation for developing countries in any growth of consumption in the United States.

But whatever the bill or the formula, Fiji desperately needs to sell at least 50,000 tons in the U.S. market. And the more sugar the United States has bought from Fiji, the more rice, machinery, tobacco, and cigarettes, chemicals,

etc. Fiji has bought from the United States. In the past 4 years, her imports of U.S. agricultural commodities have increased 300 percent. The people of Fiji have purchased tobacco and canned fish from the United States for years; and now, they are importing U.S. brown rice.

SUMMARY

Fiji applies to the Congress for a quota under which she may continue to supply raw sugar to the United States and respectfully directs the committee's attention to the following considerations:

1. Fiji has an excellent record as a reliable supplier of sugar to many different countries for many years.
2. Fiji has been a loyal supplier to the United States. During the world shortage of 1963 and 1964, she supplied 103,000 tons—83,000 more than her quota, despite the fact that higher prices could have been obtained elsewhere for those 83,000 tons.
3. Sugar is the lifeblood of the Fiji economy.
4. Because of Fiji's high rate of population increase, and her limited field of available natural resources, sugar production provides the most immediate practical means for economic development and employment opportunities for the young people in the islands.
5. Beginning in 1966, Fiji offers to sell to the United States 100,000 tons of raw cane sugar per year.
6. Fiji is a small but growing customer of the United States, particularly in the field of agricultural products; and Fiji pays with cash dollars.
7. Fiji is important strategically in the Southwest Pacific and, through the years, has proved herself to be a loyal friend and ally to the United States and the free world.

Mr. BROWN. I am here today representing the Fiji Islands as they are known as the country of Fiji. And in the very real sense, Mr. Chairman, Fiji is here because this committee in 1962, over the objections of some, established a new sugar policy in this country. After the fall of Cuba this committee said that henceforth the United States should buy sugar from many different sugar exporting countries so as to broaden and disburse our base of supply. And the sugar bill passed the House in 1962, and I have the House report before me. And in this the committee included sugar quotas for 16 new countries. Those of us who were here at that time will remember the howl that went up in some quarters saying that this committee had given sugar quotas promiscuously to a lot of countries that people had never heard of. But in 1963 and 1964 in the worldwide sugar shortage they heard of those countries and those 16 countries whom you provided quotas shipped into this country 2,684,000 tons of sugar. That is over 1,300,000 tons a year for each of those 2 years. And the American housewives saved millions of dollars. And we, probably, have averted sugar rationing in this country because of the wisdom and the foresight of this committee. And I think that this committee deserves the credit and should receive it.

I am proud to represent one of the countries for whom the committee provided a quota in its 1962 bill. And I want you to know that my country came through and justified the confidence you placed in us, because Fiji shipped to the United States 103,000 tons of sugar in 1963 and 1964. That is 63,000 above its statutory quota, and 63,000 tons for which it could have received more money in other markets.

Now we come to the new Sugar Act, and while I am here as an advocate for one country, Fiji, and I want you to know and the record to show that Fiji wants to sell more sugar in this country next year than it did last, just like all of these other countries, so I have sat by

on that bench long enough to know what Fiji wants, what the Western Hemisphere countries want and all of these other countries want is not the primary interest in this bill. It is what Uncle Sam wants. And what the American housewife wants and deserves, a steady supply of sugar at a fair and reasonable price, good sugar, and she wants those supplies uninterrupted, whatever the emergency may be that might arise throughout the world.

In other words, the American housewife just likes one thing worse than high-priced sugar, and that is, sugar rationing stamps and at all costs we must prevent that.

I think that this committee took a great step toward providing a protection against rationing stamps in 1962 by broadening and disbursing the sources of supplies. And as I understand the situation now that decision may be even more important in the next 5 years than it has been in the past 5 years.

Let us get this picture. Over and above the 6,400,000 tons a year that the domestic and offshore producers of the United States are trying to provide this market we are going to have to buy some 3,300,000 tons from various foreign suppliers.

Now we have a treaty obligation for about 1 million tons of that from one major source. That is the biggest single source we have had since Cuba. And we have made commitments in the past to buy hundreds of thousands of tons from this country and hundreds of thousands of tons from that country.

I think a major consideration before this committee is to distribute this sugar so that whatever emergency arises in any given country that our supplies will keep flowing into this country, and that means disbursal and it means diversity of sources.

Now some of the testimony I have heard just this week underlines the importance of disbursal and diversity of supplies. We heard the other day from a fine honorable gentleman who represents a major source, the major source of supply to this country, and he spoke very frankly to this committee about some of the political troubles that are going on in that little island country. He spoke of sabotage and insurrection. He spoke of subversities. And I think it is true or he would not have told you.

We heard another gentleman who represents a country that supplies about 400,000 tons of sugar to this Nation and he said that just a few weeks ago his country was within a whisper of being taken over by the Communists. And right now the country is under martial law.

I suspect that if we knew the true story of all of the subversion, all of the insurrections and everything operating throughout the various countries of the world in these troubled times that we would have legitimate concern for some of these supplies on which we are relying for our sugar to protect the American housewife. But the point is that this committee should distribute this sugar to a great variety of sources and maintain the good sugar relations with many countries, so that if and when any emergency arises in any one of them there will be a steady flow of sugar—there will be someone in there to fill the breach and keep the supplies coming forward.

That is why this committee opened sugar relations with Fiji in the first place in 1962. Fiji produces sugar, lots of sugar for export.

It is a veritable sugar bowl out there in the Southwest Pacific. Of the 29 countries that supplied sugar to the United States last year Fiji ranks 10th as a sugar exporter into the free world. There are only nine that produced more sugar for export than does Fiji.

Last year Fiji exported 340,000 tons of sugar. This year it is going to be more. And next year it may be 380,000 tons.

Fiji has been a loyal, stable, reliable source for sugar for a lot of countries, for a long time. We are sugarcane growers. We are not plantation growers. They are independent family farmers. There are 15,000 of them. They average about 10 acres of land each. And while they do not have the fine mechanical equipment that American farmers do they are just as proud of their farms—they are just as proud of their yields per acre—and they are just as anticommunistic and just as loyal to Western ideas.

Fiji sugar mills are modern. They are efficient. They are Fijian operated.

The South Pacific Sugar Mills Co. is a large public company with shareholders out in Fiji, Australia, and New Zealand. Over 97 percent of these people who work in those sugar mills were Fijian born. The sugar is manufactured in four mills with a crushing capacity of more than 400,000 tons a year. They have permanent-type storage facilities for 120,000 tons. That is about one-third of their present crop.

Fiji needs the United States market. I want to tell you why. And I hope that you will pay particular attention to this, because there are some figures that you will be looking at in your studies of this problem. The Fiji figure is not accurate on one of these tables. And I know that you do not want to make any decisions based on misinformation. Here is the situation with the Fijian crop.

This year we produced 360,000 tons of sugar. Six percent of it, 20,000 tons was used domestically. That is the domestic consumption. Some 160,000 tons is tied up under contract to the United Kingdom at a remunerative price. It is an assured market—a remunerative price contract, very similar to a quota in the United States.

Now, one-half of Fiji's sugar, 180,000 tons, has to be sold in the open market. If there is no U.S. market for that sugar. That is 50 percent of her supply. Of course, I think that there are people in Fiji that would like to have 180,000 tons quota in the United States, but now speaking for myself I doubt that the United States should buy all of the exportable sugar from any country. I think it improves the efficiency of a country plus the sugar industry if it has to get out and sell a little bit in the open market. I do not believe that the United States should take all of the exports from any country.

Lastly, what Fiji needs and what she has to find is an outlet of about 100,000 tons of sugar a year. She has some markets in New Zealand. The New Zealand market is not literally an assured market. She sells some sugar sometimes most years, in fact, in Canada, but Canada is not an assured market. And, certainly, not at a remunerative price. It is a very competitive market. And Fiji competes with Latin American countries and with the Commonwealth countries all over the world for the Canadian market. And it is on a world price basis.

The price even to Commonwealth markets is just a little tiny bit above the depressed world price.

Fiji needs to sell to this country at a remunerative price about 100,000 tons of sugar a year. And, of course, the very minimum she needs to sell is what she has been selling, and that is roughly 50,000 tons.

Unfortunately, Fiji does not have a long history of performance with the United States. It is not her fault. She tried for 20 years to get into this market, but we had obligations to Cuba. But Fiji has a 2-full-year record and will soon have a third full-year record.

In 1963 she shipped to this country 49,000 tons. In 1964, 54,000 tons. And in 1965 her total shipments will run about 47,000 tons.

Now, under the bill that is pending here before you, the Government has recommended that Fiji get about what it is selling now: 18,000 tons basic quota, 27,000 tons, part of the Cuban reallocation. That is a total of about 45,000 tons. And she would get special participation in consumption growth as a developing country.

But, now, the chairman is right, the responsibility for writing this legislation is in the committee. And when you come to consider a fair quota for Fiji I ask that you consider these facts:

First of all, Fiji is a sugar bowl. It is the 10th largest exporting country in the free world. She is a reliable source. Fiji is a loyal friend of the United States. We had to call on her for sugar during World War II and she got it over here into the United States.

In 1963 and 1964 she shipped 83,000 tons more than her statutory obligation.

Fiji is a loyal ally of the United States. Fiji's sons fought with American sons at Bougainville and in the Solomons and at Guadalcanal. When we called on her to send troops to Malaya in 1952 and 1956, she sent troops and they fought with honor. She is a loyal ally of this country and is on notice against any aggression against Australia and New Zealand and the United States.

Also, Fiji is a small but growing customer of the United States. Her agricultural imports she has always imported from us, such as tobacco and canned fish. Now she is importing brown rice.

Her imports from this country have increased 300 percent on agricultural commodities within the last 2 years.

Now above all, I ask that this committee consider the importance of disbursal of supply, of keeping good sugar relations with these countries that have the sugar and can get extra quantities in here to us in the event we ever need them, so that we will not have to get into sugar rationing or high-priced sugar.

This committee started relations with Fiji. The relations are good. Let us keep them that way.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Brown, for a very good statement. I think that you have represented your clients well, as you did in 1962, when you appeared before our committee.

Mr. BROWN. I hope I did.

The CHAIRMAN. Any questions?

Mr. FINDLEY. Does Fiji have any ocean shipping?

Mr. BROWN. She charters the ships. They come from all parts of the world.

Mr. FINDLEY. Are they under the British flag?

Mr. BROWN. No.

Mr. FINDLEY. What flag?

Mr. BROWN. Whatever flag is offering shipping at the time—Australian, Japanese—any shipping that is available.

Mr. FINDLEY. The reason that I ask is that one of our problems in South Vietnam is free world shipping is going into North Vietnam. Would this pose a serious problem to Fiji if this legislation contained a cutoff to any country which trades with North Vietnam?

Mr. BROWN. We would have to look into that where the ships have been chartered from. We would have to make a study of it; frankly, yes. We have not made a study of it.

Mr. FINDLEY. In dollars how much does the quota premium on a 100,000-ton quota mean to Fiji? Can you estimate that?

Mr. BROWN. No, I cannot, Mr. Findley, because you see, I think that you are talking the short-range view of this thing. Remember, in 1963 and in 1964 there was not a premium price in the United States.

Mr. FINDLEY. Those were exceptional years.

Mr. BROWN. Well now, I do not know whether they were or not, because, you see, Cuba had just been in the orbit of communism—just about 3 or 4 years. This whole sugar picture, worldwide, is terribly unpredictable right now. No one knows what this so-called world price is going to be. I think you understand, do you not, of all of these sugar producers in the world about 90 percent of it flows under assured markets by means of contractual arrangements and only about 10 percent of it is really on a so-called free market.

Mr. FINDLEY. This quota obviously means something to Fiji or you would not be here.

Mr. BROWN. I will tell you what it means. The first consideration of any sugar-exporting company is assured outlets for its supplies. It must sell the sugar. And the price is the secondary consideration.

I am not going to kid you. We want assured markets at good prices. I mean, that is the backbone of the industry. And that is what we try to negotiate in every instance.

Mr. FINDLEY. May I assume that if the recapture provision is placed in at one-half level this will pose no problem in Fiji?

Mr. BROWN. It would pose a problem in this regard: there would be that many less dollars that would come to Fiji, and they need the money.

Mr. FINDLEY. You would still wish a quota?

Mr. BROWN. We seek quotas for outlets wherever we can find them, because we have got to get rid of the sugar.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Thank you, Mr. Dole.

Mr. DOLE. Almost every witness who has testified has mentioned the great sacrifice that they made in 1963 and 1964 in shipping sugar into this country. Have you any idea in dollars and cents what these sacrifices may have amounted to either to your client or any others who have appeared here?

Mr. BROWN. I could quickly calculate it. I think that the world price was about 4 cents a pound above the domestic price at that time, and that is about $80 a ton. And times 80,000 tons, that is quite a bit of money. What is it, $6,400,000? And you know in a country like Fiji that is quite a bit of money. But the main thing that Fiji and

these other countries kept sugar flowing into the United States because they thought and were justified that this committee and the Congress would write a new sugar act soon and provide assured outlets for supplies on a long-range basis.

Mr. DOLE. Enlightened self-interest policies.

Mr. BROWN. That is right. It came from countries that are friendly to the United States and loyal allies. So it was not just in the light of self-interest. It was just that friendship and their high regard.

Mr. DOLE. And profit.

Mr. BROWN. I say that it was enlightened self-interest in the long run. Now, if this country of Fiji does not get a decent sugar quota under this act it is not in the light of self-interest.

Mr. DOLE. Thank you.

The CHAIRMAN. Thank you very much.

We will now call on Mr. George M. Grant, who has been with us for many years and served with great distinction on this committee. We are very glad to have him with us. Do you have any people from Thailand with you?

Mr. GRANT. Yes; I do.

The CHAIRMAN. Let us go off the record.

(Discussion off the record.)

The CHAIRMAN. On the record.

Mr. GRANT. I have a statement for the record and will file it if all of the members will promise to read it.

The CHAIRMAN. We will all read it.

Mr. GRANT. And I have a short statement to present.

The CHAIRMAN. You may proceed. We will be glad to hear from you now.

STATEMENT OF GEORGE M. GRANT, ON BEHALF OF THE MINISTRY OF INDUSTRY, THAILAND, ACCOMPANIED BY MR. CHALONG PUNGTRAKUL AND MR. SA-ARD HONGSAYONTA

Mr. GRANT. Mr. Chairman and ladies and gentlemen of the committee, I appreciate the nice remarks of the chairman. I know that you know me sitting around the rostrum, where I had the privilege of being for many years with you gentlemen and ladies but to those of you who do not know me, my name is George M. Grant. I appear before you today on behalf of the Ministry of Industry of Thailand.

At this point I would like to introduce Mr. Chalong Pungtrakul and Mr. Sa-ard Hongsayonta. These gentlemen will assist me in answering any questions that you may have.

To save time I have prepared a short statement summarizing the reasons and justification for Thailand's petition for a United States annual statutory sugar quota of 85,000 tons. I shall file a more detailed statement for the record.

And I would ask at this time that I may file that for the record.

The CHAIRMAN. Without objection, that may be done.

Mr. GRANT. And I think, also, that at each member's desk is a copy of a very interesting little booklet that I picked up called, "Report From Southeast Asia" by Thanat Khoman, Foreign Minister of Thailand. I would like to ask the privilege of filing this, not for the record, but for the information of the committee.

The CHAIRMAN. All right. That may be done.

(The document entitled, "Report From Southeast Asia," by Thanat Khoman, Foreign Minister of Thailand, will be found in the files of the committee.)

(The document entitled "Statement of George M. Grant" follows:)

STATEMENT OF GEORGE M. GRANT ON BEHALF OF THE MINISTRY OF INDUSTRY OF THAILAND

Mr. Chairman and members of the committee, my name is George M. Grant. I am appearing before you on behalf of the Ministry of Industry of Thailand, a Government entity responsible for supervision and promotion of sugar production in Thailand.

Thailand is keenly interested in the pending legislation to revise and extend the Sugar Act of 1948, as amended. This interest is somewhat of novelty in comparison with those countries presently sharing in the U.S. sugar market; at the outset of my remarks I think it is best to point out two factors which differentiate Thailand from past sugar suppliers. First, Thailand has only recently attained a position as a net exporter of sugar. Because of this—and this is my second point—Thailand has never exported sugar to the United States with the exception of several shipments in the middle of the 19th century. Thailand was extremely anxious to participate in the U.S. market this year, but such was precluded due to the administration's action in restricting the market to historical past suppliers.

It must be realized that Thailand's inability to export sugar until recent years was the result of an expanding industry attempting to satisfy the domestic requirements in Thailand. Once this objective was realized, continued investment in sugar production surpassed internal needs; in 1963 Thailand exported 50,000 tons of raw and plantation white sugar to nearby markets, after quadrupling their sugarcane production during the preceding decade. At the present time annual production approximates 330,000 tons of sugar. It is expected that the surplus of sugar available for export will be in the neighborhood of 160,000 tons this year.

This surplus is becoming critical and poses serious difficulties and probable adverse economic repercussions. Thailand urgently needs a stable price for a growing export which, in the face of severe fluctuation in world price, cannot be an economically feasible commodity in the absence of a dependable market.

Furthermore, the current surplus of sugar has created critical political problems in the Thailand Government with regard to sugar production, by causing a decline in income and employment.

Since the Second World War, the proponents of the sugar industry have successfully impelled the industry to reach its present level of achievement. Costly investment in milling machinery and farm equipment, affecting thousand of laborers and farmers, now hangs in the balance, depending on the creation of a stable market for this increasing important industry. A statutory sugar quota of 85,000 tons for Thailand would relieve a situation which is becoming distressingly malignant.

Allow me to introduce a few facts and comments on Thailand.

We are prone to consider the kingdom of Thailand in the mystic romanticism of "The King and I." Indeed, this exotic flavor still lingers, but has been overshadowed by a new era of progressive outlook and economic advance. Thailands' 30 million inhabitants occupy some 200,000 square miles, a territory slightly smaller than France. The country consists mainly of a large central valley, bordered on the north and west by mountains, and on the south by the Gulf of Siam. The northeast section of the country, comprising about one-third of Thailand, is a high plateau region. Thailand's neighbors are, counterclockwise from the south, Cambodia, Laos, Burma, Malaysia. A multitude of streams and rivers interlace the topography, providing the vastly important network of water for irrigation and transportation. The major river is the Chow Phya, which shelters the capital city of Bangkok 16 miles upstream from its estuary.

Thailand's fertile valley abounds in vegetation due to the warm and humid climate. Chow Phya River Valley has three seasons, the longest being the rainy monsoon, extending from June through October; the monsoon is preceded by the hot season, and followed by a 3-month cool season, during which the temperatures dip to an average of 80 degrees.

Thailand boasts a variety of ethnic groups. The industrious and commercially powerful Chinese account for 1.6 percent of the population, with other nationalities comprising about 0.2 percent.

The Thai people originally migrated southward along the banks of the Chow Phya and Mekong Rivers from China, finally settling in the Chow Phya Basin over a thousand years ago. During the following centuries Thailand developed a culture and a character of its own.

Peaceful times were disturbed in 1568, when the Burmese beseiged the capital city of Ayudhya and dominated the country for 15 years. A successful counter-attack dispersed the invaders, but further attacks from the northern and eastern neighbors gave the pacific Thai people a troubled century, but also endowed these ancestors of hailand with a superb resilience to aggression.

In the 17th century Thailand was suddenly in the limelight of the Western World due to the rapid exploitation of the wealthy Indian trade. As a stepping-stone to India, Thailand attracted much Western influence and became, in the eyes of Europe, one of the most important kingdoms in southeast Asia.

In the late 18th century the monarch Rama I moved the capital to Bangkok and formed a dynasty which has ruled Thailand since that time. In 1932 a bloodless coup d'etat terminated the centuries-old absolute monarchy and a constitutional monarchy was instituted.

The 19th century was the transition period, during which present-day Thailand took shape. British, French, and American influence were primarily present: the British secured a leading role in Thai finances; the Americans, as arbitrators in a French-Siamese dispute in 1907, became traditional advisers in foreign affairs; and the French legal advisers were, to a certain extent, responsible for establishing the present judicial system of Thailand. Unlike its southeast Asian neighbors, however, Thailand has never been a colony of any European or Western power, despite numerous overtures throughout the centuries. Thailand's high regard for freedom is illustrated by the decision of King Rama VI to send Thai troops to France during World War I.

The Government of Thailand is an excellent model of stability and efficiency. A constant and uninterrupted history of government is of prime importance to a nation's development. Thailand has ruled itself for a thousand years.

Thailand's constitutional monarchy combines due regard for Thai tradition with a penetrating analysis of and borrowing from European and American sources. The King is assisted by a Privy Council, an office of the Royal Household and an office of his Majesty's Secretary General. All legislation is enacted by the Parliament, signed by the King, and countersigned by the Prime Minister.

Recent transitory constitutions have endowed the Council of Ministers, the equivalent of our Cabinet, with the executive and administrative functions of government. The Council is composed of ministers and deputy ministers, chosen by the Prime Minister, who presides at the weekly meetings. The Constituent Assembly has legislative power and provides a debating forum and accurate indicator of public opinion.

I was anxious, Mr. Chairman, to present this brief geopolitical and historical summary so that we all may have a more accurate understanding of Thailand and its way of life. We are all quite well informed on other southeast Asian regions, but I find many of us consider Thailand to be a nice little friendly country which doesn't require the close attention of neighboring Communist-infiltrated countries.

Thailand is small, yes, and friendly indeed, but never let us overlook its importance in the current Asian sphere of activities. The potential value of Thailand in assisting the reestablishment of a peaceful Asian bloc cannot be underestimated.

Thailand's total commitment to the free world is a stabilizing influence in a very critical area of the world which is presently the prime target of Communist subversion. There is little doubt that Thailand is on the Communist schedule for ultimate control; it appears that the time table has been delayed due to "easier game" in neighboring countries. There is no doubt that the Government of Thailand has made and will continue to make every effort to repel Communist approaches, which are becoming stronger with each passing day. We are indeed fortunate to have an ally such as Thailand, whose very spirit and tradition is totally incongruous with Communist doctrine and ideology. In this area of upheavals and Communist subversion, Thailand is a unique working example of political and social stability.

Thailand's avowal to support freedom is evidenced by her membership in the United Nations Organization and its various agencies and the Southeast Asia Treaty Organization, which has given eminence to Thailand by selecting Bangkok as the seat of the Organization. Further, Bangkok's magnificent Peace Hall (Sala Santhitham) contains the offices of the Economic Commission for Asia and the Far East. Thailand has always had total respect for its agreements and treaties, and has ever been ready to defend the principles of freedom and democracy.

Thailand's central location further emphasizes its importance in the Asian area. Bangkok is the natural hub of all air routes in the region—south down through the Malaysian Peninsula to Singapore and Jakarta, eastward to Tokyo, westward to India and the Middle East, and New York equidistant by either the eastern or western route.

Thailand occupies a position of vast strategic importance in addition to being an ideological bastion of freedom in a torn and struggling southeast Asia. The Cold war, no longer so cold 100 miles to the east of Thailand in Vietnam, makes the Thai people sharply aware of increasing pressures and the supreme importance of maintaining a free society in a free country.

In the face of external pressures a growing and stable economy must be maintained. Thailand is well on the difficult road leading to economic independence and self-sufficiency; but for Thailand, as for any industrially emerging nation, the road is often slow and difficult. Presently the country is on the threshhold of success, and has reached the critical stage which is all-important in the transition to a self-sustaining economy.

The metropolitan areas are flourishing with business activity and industrial growth. Serious efforts are being made to supplant the primitive agricultural techniques of the farmers with modern technology and mechanization.

Industrial expansion has been especially dynamic, having increased its output 16.9 percent in mining and 8.4 percent in manufacturing a year since 1958. Manufacturing has branched out to include various types of light and small industry. The basic rudiments of this upsurge, including additional electric power and communications facilities, are rapidly growing to support further expansion.

Agricultural wage earnings have risen 5.8 percent a year since 1958. Thailand's gross national product (GNP) is estimated to have doubled during the 1950–60 period, reaching the equivalent of about $2.7 billion in 1961. Per capita national product is estimated at around $110, but this average is distorted by the fact that about 85 percent of the population is rural and thus satifies many of its basic needs outside the money economy. By contrast, the Greater Bangkok area, with more than 2 million people, comprises a market of considerable purchasing power. Economic growth has been financed chiefly by export earnings from the nation's primary production: Agriculture, forestry, and mining. The annual rate of investment has been around $350 million, or nearly 15 percent of the gross national product. The Government, committed to speeding up the pace of economic advance, has set up a National Economic Development Board to plan public investment under the current 6-year plan and a board of investment to promote greater private industrial investment and attract more foreign venture capital. Private enterprise has been encouraged by the conservative fiscal and monetary policies that Thailand has pursued since the currency stabilization of 1955, which eliminated the multiple exchange reserves. The baht is now convertible with minimum regulation and has gained a reputation as a sound currency in international markets. Spending on economic development is being stepped up under the 6-year plan, but these outlays are to be covered by tightening tax collections, borrowing from the public, and foreign aid, rather than by deficit financing. The importance of agriculture to the Thai economy is indicated by the fact that it provides a livelihood for roughly 80 percent of the population and produces about 90 percent of the country's export earnings.

Most agricultural land is owner-cultivated, and Thailand's farmers are untroubled by tenancy or civil unrest. Apart from rice, the main commercial crops for the fast-growing domestic processing industries are corn, cassava, kenaf, sugarcane, rubber, and cotton. The land is still Thailand's greatest natural resource. At present, little more than 15 percent, or about 25 million acres, is under cultivation; of this only about one-ninth is covered by irrigation projects completed or under construction. There is much potential for agricultural development which could be realized by expansion of the cultivated areas, extension of irrigation and flood control and the introduction of fertilizers and new cropping patterns.

The foregoing serves as a brief outline of the current economic situation in Thailand. It is in truth a recurring theme that any growing nation has experienced: the hesitant initiative, the throes of early development, the complexity of later industrial expansion—throughout which the focus is upon maximum utilization of natural resources.

Thailand's prime natural resource is the fertility of the soil; in essence, the economy is based upon agriculture. Knowing and understanding this, we must appreciate the dependency of Thailand upon its agricultural system.

Progress is often contingent upon innovation. Thailand, reliant upon, but not restricted to agriculture as its major earning power, has sought new crops to attain a twofold objective: a self-sustaining economy and an industrial expansion. The rapid growth of the Thailand sugar industry is the direct result of such innovation, although in fact, sugar production in Thailand gained significance 30 years ago.

It is interesting to note that during the first half of the 19th century, cane sugar was among Thailand's principal exports. During the latter half of the century, however, low world prices forced the sugar industry to nearly cease its activities. World War I, tariff protection since the 1920's, government initiative since the 1930's, and World War II all stimulated the local industry and Thailand attained its present export position in 1961.

Sugarcane cultivation is distributed over 10 general areas scattered rather evenly throughout the nation. There are now 43 mills in operation, handling the cane production of more than 205,000 acres of land producing over 4,500,000 tons of sugarcane. The rate of return of raw sugar per hundred tons of cane harvested is 7.5 tons; the average yield of cane per acre is 18.3 metric tons. Both the rate of return and the yield-per-acre are low in relation to other sugar producing countries. This yield per acre could be increased through more efficient planting and harvesting techniques, as well as improvement of species of cane and use of fertilizers. The technical assistance program of the sugar industry aid fund is making some progress against these deficiencies; it is essential that the cost structure of sugar production be reduced if the price of Thai sugar is to be made competitive on world markets.

The sugar industrial aid fund, established by the Government in 1961, provides both technical as well as finanical assistance to the canegrowers. The fund extends credit for 2 or 3 years for the purchase of equipment, sells fertilizers at reduced cost, and pays for agronomist services.

The recent construction of the majority of the sugar milling facilities indicates the new expansion of the sugar industry. Only 6 mills were built between 1937 and 1951, while 14 were established in 1957 alone; 11 more were put into operation during 1960 and 1961. Quite obviously substantial investment has been made in the sugar industry in recent years. The estimated domestic consumption of Plantation White cane sugar during 1963 was 135,000 tons; household users consumed over 80 percent of this total, with industrial users constituting the market for approximately 18 percent of the remainder. Exports of Plantation White and raw sugar totaled over 55,000 tons in 1963, with Japan importing more than half of this tonnage.

One of the major factors in the Thailand sugar industry is, of course, the price structure relative to cost of production and present average world market prices. Over the past few years substantial subsidies have been paid by the Thailand Government to sustain the sugar exporters, as production costs have exceeded the present depressed world market price for raw sugar. This situation is indeed a dilemma at the present time, as the promoters of the sugar industry are anxious to strive for a competitive export position. The only alternative would be severe curtailment of production and the simultaneous closing and dismantling of many of the sugar mills, which of course, represent large investment. The repercussions of this measure would certainly be reflected in loss of income to all facets of the sugar industry, from the millowner down to the small farmers dependent on cane sugar for their livelihood. A reversal in the sugar industry would cause irreparable harm to the economy in general and would create widespread social unrest.

As recently indicated, the sugar industry has expanded over the past 10 years in leaps and bounds. There are presently five Government-owned sugar factories, representing a total investment of $30 million, and 38 privately owned factories, the capital investment of which approximates $80 million.

In addition to the heavy financial obligations undertaken with the expansion of the industry, a large number of farmers switched their crops to cane sugar concurrently with the growth of the industry.

There are 38,000 individual sugarcane farmowners in Thailand, plus 19,000 mill, factory, and transportation workers. In addition there are 45,000 farm employees and laborers engaged in the sugar industry. Including 420 Government officials, the total number of Thailanders deriving their income from the industry is 102,270. As there is an average of 5.6 dependents per family in Thailand, there are 570,000 Thailanders dependent upon the growing and milling of sugar for their daily needs and sustenance.

Almost all sugar farmlands in Thailand are owned by the farmers, with the exception of about 2 percent under sugar factory and Government ownership. The Government seeks only to assist the farmer by providing current technical advice and financial assistance during the early part of the growing season when operating funds are short.

I would like to present a summary comparison of the income levels prevalent in Thailand. Industrial wages, as is generally true throughout the world, are far higher than farm income. The mean industrial wage in the urban areas is about $35 per month, as compared to the average farm income of the sugarcane grower of $17 per month, or half the industrial wages per harvesting season. Furthermore, the sugarcane farmer cannot utilize a two-crop rotation system, which is often used by other crop growers to provide a double harvesting season and, subsequently, double income. The rotation system has been used with tremendous success by the maize growers; maize production has increased tenfold over the past 6 years, and this year Thailand should reach an annual production of maize of over 1 million tons.

Quite obviously the sugarcane farmer requires a higher price for his sugarcane, which is naturally essential to keep the mills and factories in operation. The present procedure of the industry is an overall subsidy system, whereby taxes on the milling output are used toward supporting the export price of raw sugar. A quota in the United States would allow a general wage increase for all factors of the industry.

This critical period can be alleviated by granting a statutory sugar quota of 85,000 tons to Thailand. The Government of Thailand has in the past, and will in the future, make all efforts to stabilize the sugar industry, for too much has been spent already to forgo the future and close down the milling facilities. Even in the face of adverse market conditions, this policy has consistently been reaffirmed by the Thai Government. But without a U.S. sugar quota it is impossible to complete with the depressed world market price structure, largely the result of global "dumping" practices.

I would like to emphasize that Thailand does not intend to rely in the future solely on the U.S. market if a quota is granted. Thailand is fully aware of the fact that Cuba's return as a source of sugar to the United States will reduce if not remove U.S. foreign quotas. It is firmly and sincerely believed, however, that the sugar industry in Thailand is experiencing only temporary difficulty and will shortly succeed in competing in worldwide markets. This is no idle statement; indeed, the recent heavy Government expenditures toward success of this priority industry will bear out the assurance that the farsighted program will soon be realizing the benefits of the recent increased investment.

A sugar quota for Thailand would serve also to stimulate and encourage expanded international trade. In 1964 Thailand imported over $115 million worth of U.S. products, of which $17 million was agricultural commodities. In 1964, U.S. imports from Thailand approximated $27 million, representing an unfavorable balance of trade for Thailand in excess of a 4:1 ratio. Such a ratio is naturally detrimental to a growing country dependent upon foreign exchange earnings for industrial expansion.

A sugar quota for Thailand will contribute to one of the major provisions of the Sugar Act: "To promote the export trade of the United States." Thailand has indicated its willingness to increase volume of trade with the United States.

As a comparison with present sugar quota countries, I would like to point out that Thailand's 1963 imports of U.S. agricultural commodities exceeded those of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Haiti, Equador, Paraguay, British Honduras, French West Indies, and the Fiji Islands—more than half of the countries which participated in the statutory quota system over the past 3 years. Furthermore, all of Thailand's imports of agricultural commodities were for cash. Thailand's principal exports include rice, rubber, tin, maize, teak, and tapioca products. Major imports are petroleum products, iron and steel, motor vehicles, and industrial machinery.

We are not unaware of the pressures being exerted to restrict foreign sugar suppliers to Western Hemisphere nations. Thailand understands the strengthening of the economic base derived from the U.S. sugar quota system, and strongly desires to participate in these mutual benefits, whereby the supplier earns funds for capital development and the United States is assured a steady and stable sugar supply.

Thailand has historically relied in large part upon its own efforts and resources for development, and its achievement in this direction has been most encouraging. During fiscal year 1963, there were eight countries having U.S. statutory sugar quotas which received more financial assistance from AID than did Thailand. Thailand does not wish to rely solely upon foreign donations for industrial development. This policy of self-help would be much strengthened by a statutory sugar quota, which would provide an outlet for sugar at a remunerative price.

I cannot overemphasize the strategic importance of Thailand, in both foreign policy and military considerations. Present foreign quota sugar suppliers, including the Republic of the Philippines, enjoyed in 1964 a U.S. market of over 4 million tons; in requesting a quota of 85,000 tons, Thailand asks only for a mere pittance of 2 percent participation in the U.S. market from foreign sources. In order to relieve the present surplus, Thailand also requests a 1965 quota of 15,000 tons, to be delivered before the end of this year. Approval of these small requests will indeed be a timely indication by the United States of its continued support of a small but infinitely important country, a strategically invaluable outpost in an area of the world stricken by Communist pressures. We know well the U.S. cost of maintaining and protecting neighboring lands from attack and aggression, and we all hope and pray that Thailand will never need the machinery of war to protect its boundaries from invasion. Granting Thailand's request for a nominal sugar quota would indeed provide the machinery for peace and future prosperity.

May I thank you, Mr. Chairman and members of the committee, for the privilege of appearing before you and presenting Thailand's petition for a statutory sugar quota. I shall be pleased to answer any questions you may have to the best of my ability. Thank you.

Mr. GRANT. Thailand, with a few minor exceptions, has ruled itself for about a thousand years, unlike its neighboring nations, which have all been colonized by Western powers at one time or another. Traditionally and historically Thailand has been a friend of the United States. Today the Thai people are not only our stanchest friends and loyal allies but a major bulwark against Communist aggression in southeast Asia. It is well to have preference for Western Hemisphere sugar suppliers, but this is one major exception. Thailand is on the frontlines of attack in southeast Asia.

One of the members of this hearing said that he did not want to see any graphs, but I am presenting not a graph, but a map of a section of southeast Asia which, to my mind, says more than thousands upon thousands of words. And I would like the privilege of pointing out a place or two on this map which I am sure will be interesting to the members of the committee.

Before you is a map of the southeast Asia arena. Here we are making a stand in Vietnam, where we have committed over 125,000 troops to prevent a Communist takeover. Here is strife-ridden Laos; here is hostile Cambodia, which has recently broken diplomatic relations with the United States of America; both are "neutral" and both waiting to decide which way to jump. Here is the North Vietnam border, less than 100 miles from Thailand—and here is the Ho Chi Minh trail, only 50 miles from Thailand. Here is Burma, hanging by a thread between independence and submission to Red China.

And here is Thailand. As you can see, this friendly ally stands directly in the path of the Red Chinese conquest, blocking the way to Indonesia, which already is leaning toward communism; to Malaysia,

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a friendly and newly independent nation; to the Philippines, which only recently crushed a still latent Communist movement.

Thus, gentlemen, the United States must lean heavily on Thailand to protect its flanks so to speak. Most U.S. officials recognize this. The President has suggested that a $1 billion AID program be instituted to raise the living standards in this area, and he has sent Mr. Eugene Black to head an emergency study group to seek ways in which this massive aid program can be implemented immediately. The U.S. Embassy and AID mission in Thailand are working frantically to assist Thailand, as already the Communists have infiltrated the northeast sector. This 130-mile Mekong River frontier is crossed and recrossed daily by Pathet Laos forces, and numerous clashes between armed bands of Communists and Thai police have already occurred.

Peiping has served formal notice that Thailand is the next target for what it calls liberation. Thus, we have here a desperate race between the United States and Thai Governments to build the economy on the one hand, and Red China's subversive drive on the other.

By a simple legislative measure you gentlemen will assist immensely in this concentrated effort. A sugar quota for Thailand will be a contribution to a major segment of the economy. The Thai sugar industry represents an investment of over $110 million, and a source of income for more than 100,000 workers, affecting over half a million dependents. We have here the ideal opportunity to serve dual worthy causes: obtaining our sugar requirements, and at the same time helping a most valuable ally and supporter.

Thailand is also a very good cash customer of the United States. It has an unfavorable trade balance with the United States in a 1-to-4 ratio.

I will repeat that statement: A 1-to-4 ratio. Thailand imports almost all her tobacco and cotton needs from the United States. The United States, in all fairness, should not turn its back on a cash customer in time of need—a customer whose destiny is also the destiny of the U.S. effort in that area. And it imported from the United States agricultural import commodities exceeding that of 12 sugar quota countries. I again repeat that statement: Thailand imported more from the United States of commodities than 12 of those who are now under sugar quotas and who are participating in the statutory quota system and have for the past 3 years.

Thailand does not want grants and doles. The Thai Ambassador and the Foreign Minister have repeatedly stressed that Thailand wants to help himself. This is a historical characteristic of its people.

Right now Thailand needs support for a sugar industry which has grown too fast. With the exception of rice and several minor agricultural products such as tapioca, Thailand has only begun developing its agricultural economy in earnest over the last 10 years. Paradoxically, this development has been encouraged directly by the United States through a technical assistance program in its efforts to raise the prosperity of the country. Only in very recent years has Thailand had an export surplus of sugar, and only last year has this surplus been considerable. Now the surplus stands at 100,000 tons.

For immediate relief of this desperate situation, Thailand has requested a special quota in 1965 of 20,000 tons, in return for which it intends to purchase an equivalent value of additional U.S. tobacco. In addition to the statutory quota of 85,000 tons requested, if the Congress can find a way to grant this 1965 quota, it, too, will be of great value to the Thai economy.

As I previously stated, Mr. Chairman and members of the committee, I will attempt to answer any questions that the committee might care to ask.

The CHAIRMAN. Are there any questions?

Mr. FINDLEY. Mr. Grant, welcome back.

Mr. GRANT. Thank you.

Mr. FINDLEY. Do you have an estimate of how much of this quota of 85,000 tons would mean in Thailand in terms of dollars?

Mr. GRANT. I am afraid that I would have to give you the——

Mr. FINDLEY. Can one of the gentleman with you provide that?

Mr. GRANT (continuing). The same answer that has been given by several other witnesses; that owing to the fluctuation and not knowing what the price would be I could not.

Mr. FINDLEY. At the current price, the quota premium would be worth around $4 to $5 million, would that be about right?

Mr. GRANT. To save the time I would think so.

Mr. FINDLEY. Thank you.

Mr. GRANT. As a matter of fact, let me answer it this way, too: I think that it would go toward paying for a lot of the commodities that this nation is buying from the United States. As I said a moment ago we are shipping in four times as much as they are shipping to us. We are paying cash for it.

Mr. FINDLEY. Thank you.

Mr. DOLE. I certainly sympathize with the position of your client in southeast Asia. We appreciate Thailand's help to our country.

You stated they do not seek a dole or a grant. Does that have any reference to either of us?

Mr. GRANT. That is very good.

Mr. DOLE. Thank you.

The CHAIRMAN. Thank you very much.

Mr. GRANT. Thank you very much.

The CHAIRMAN. We will next hear from Mr. James W. Riddell, counsel for the Indian Sugar Mills Association.

You have a prepared statement?

Mr. RIDDELL. Yes; I do, and in the interest of saving the time of the committee I would like to read it rather than to attempt to summarize it. It is very short.

The CHAIRMAN. You may proceed. How long will it take?

Mr. RIDDELL. About 10 minutes.

The CHAIRMAN. All right, start reading. [Laughter.]

STATEMENT OF JAMES W. RIDDELL, COUNSEL FOR THE INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman and members of the committee, my name is James W. Riddell. I am a partner in the firm of Dawson, Griffin, Pickens & Riddell, 731 Washington Building, Washington, D.C. My firm is counsel for the Indian Sugar Mills Association, an organization of the Indian sugar industry, which by an act of Parliament of the Republic of India has exclusive responsibility for the export of Indian sugar.

India has been privileged to supply sugar to the United States since 1961. In 1961, as a result of administrative action taken by the then Secretary of Agriculture, India shipped 175,000 tons of sugar to the United States. In 1962, a total of 146,540 tons was shipped to the United States. Of this amount, 100,000 tons came in in the first half of the year pursuant to administrative action and then, pursuant to the action taken by the Congress with respect to the Sugar Act in that year, which granted India for the first time a statutory quota in the 0.71-percent category, 8,325 tons were shipped in the second half of the year as basic quota and 38,215 tons were shipped as global quota. In 1963, 21,823 tons were shipped as basic quota, and 97,638 tons were shipped as global quota. In 1964, 20,326 tons were shipped

as basic quota and 96,195 were shipped as global quota. This year, again pursuant to action taken by the Secretary of Agriculture, India will be permitted to ship to the United States 100,164 tons of sugar. Thus, India has been a major supplier of sugar to the United States since 1961 and has averaged in excess of 100,000 tons of supply per year.

From these figures, it will be noted that since 1962, when India was first granted a statutory quota, she has supplied to the U.S. sugar in an amount roughly five times as great as her statutory quota.

When I first appeared before this committee on May 25, 1962, to plead the cause of India for a statutory quota, the questions that were quite properly asked of me by the members of this committee were directed to the potential of the sugar industry of India to fulfill a commitment to the U.S. market. Today I am in a position to point with some pride at the record of India's performance. In every respect the Indian sugar industry has fulfilled its commitments under the Sugar Act.

I think that the best evidence of this lies in the fact that the Secretary of Agriculture has allotted to India for the calendar year 1965, an administrative quota in the amount of 100,164 tons, and that the bill forwarded for the consideration of this committee would give India a quota and an allocation of the Cuban quota which would permit shipments under the act of approximately 100,000 tons. This action was taken by the administration while in full possession of all of the relevant facts, including India's performance during the critical years of 1963 and 1964 when, for the first time in a great many years, the world price of sugar exceeded the U.S. price.

Mr. Chairman, I do not call attention to India's performance in 1963 and 1964 for the purpose of laying any claim in any way based upon gratitude. India performed in 1963 just as she performed in 1961, 1962, 1964, and as she will perform in 1965, and in every other year for which you gentlemen see fit to grant her the privilege of selling in the U.S. market. India has performed and will perform for the simple reason that she is grateful for an opportunity to sell her sugar in the best market in the world. Further, the need to sell sugar to the United States is greater than that of any other nation in the world.

I am aware that the argument has been made on behalf of others who have appeared here that because their particular clients performed in 1963 and 1964, they are now entitled to some special consideration. Mr. Chairman, in my judgment, a seller who has not the sense to take a short-term loss to protect his long-term interests is not entitled as a matter of simple business to a U.S. quota for sugar. That the various foreign suppliers of the world who were privileged by the action of this committee to sell in the United States did so in 1963 and 1964 when the world price was higher than the U.S. price simply demonstrates that the reasons for the Sugar Act are valid and its purposes fulfilled. The U.S. price is fixed with the objective of securing to the people of the United States a stable supply of sugar. Who can claim credit for having performed in such a way as to carry out the purposes of the act? India cannot and, in my view, neither can any other nation.

I pitch my case for an increased quota on quite different grounds: Upon India's ability to deliver—to fulfill its commitments to the U.S. market; upon the need of the people of India for a place in the U.S.

market; and upon the advantages to the people of the United States which are offered by a market of over 488 million people.

India is among the largest sugar producers in the world. If indigenous sugars, gur and Khandsari are taken into account, production is well over 7 million tons per year. Of this, over 3 million tons is centrifugal sugar produced in 226 vacuum sugar factories, and it is expected that higher production of centrifugal sugar will be achieved in the years to come. Today the annual export target for India is set at between 500,000 and 750,000 tons per year.

India is the largest sugarcane producer in the world, producing in excess of 105 million tons per year on over 5.6 million acres of land and accounting for about one-third of the world's total acreage of sugarcane. It can be seen from that large acreage that the overall productivity of the ground is not high for the yield per acre. But it can be expected with the building of fertilizer factories and the coming of irrigation projects that the yield per acre must go up, and with India's ability to become a greater world factor in the sugar market.

The CHAIRMAN. And the consumption in India is quite small per capita, is it not?

Mr. RIDDELL. Yes; it is. And that might be said of almost every other thing, rice, wheat. The people are poor, they do not have the money to buy sugar. In every respect they are low consumers. But the object of the world, Mr. Chairman, is, I hope, to increase the overall well-being of the people of the world. And, certainly, it is to be hoped that India, which is only 18 years old as a nation is going to show progress with the help of the United States. And that is one of the reasons that I am here to pray that you will continue to permit us to sell sugar in this market to earn foreign exchange dollars and to buy more from the United States.

This acreage is divided between over 4½ million growers. These growers and their dependents number over 20 million people. When this number is added to those people who are directly employed by the sugar processing industry, which is the second largest industry in India, it means that over 21 million Indian people are directly dependent on sugar for their livelihood. This figure is larger than the total population, Mr. Chairman, of most of the countries who are here asking for a sugar quota.

For a nation numbering in excess of 480 million souls, this figure is not large, but every citizen of India has a direct interest in what this committee does with respect to India's privilege to sell sugar in the U.S. market.

India needs everything. She offers the largest market in the free world, but unless she is permitted to sell, she cannot buy. Every dollar that India is permitted to earn through the export of sugar to the United States will be returned to the manufacturers, merchants and farmers of this country in trade. When I last appeared before this committee, I made this promise and I can report to the members of this committee that it has been fulfilled. Every dollar that India has earned has been spent here.

India's balance of trade with the United States is most unfavorable, as the following figures demonstrate:

United States-India balance of trade[1]

[In millions]

Year	U.S. exports	India exports	Balance
1960	$641	$228	$413
1961	483	252	231
1962	670	255	415
1963	817	295	522
1964	955	305	650

[1] Source: Overseas business reports, International Trade Analysis Department of Commerce.

This committee, which is charged with the duty of protecting and promoting the interest of American agriculture, has every right to be interested in what agricultural commodities the nations of the world who wish to sell sugar in the market will buy from the farmers of the United States. Among the sugar-exporting nations of the world, India is the largest importer of U.S. agricultural commodities. The following figures indicate the extent to which U.S. agricultural products are finding a market in India.

These figures I have set forth in my statement indicate this. The balance will continue to move in this direction. India right now is confronted with a famine which is going to mean that she has to be knocking on the door of the United States and is now knocking on the door of the United States asking that over the next 3 or 4 years that over $1 billion worth of grain will be given to her. She has asked that it be given to her; otherwise, her people will starve. She does not have the money with which to purchase it. And unless she can sell the two things that she has to sell then her total opportunity for earning dollars is foreclosed.

(The table indicated is as follows:)

Imports of agricultural commodities into India

[In millions of dollars]

	1961–62	1962–63	1963–64
From all countries	412.44	513.95	457.53
From United States	227.16	270.50	311.93

Imports of certain agricultural commodities into India

[In millons of dollars]

	1961–62	1962–63	1963–64
Wheat imports	197.13	237.49	216.00
From United States	172.00	214.00	208.93
Rice imports	39.33	56.72	42.84
From United States	14.00	25.00	27.76
Cotton imports	131.59	119.53	102.88
From United States	54.79	38.22	46.68
Corn imports	6.49	4.03	6.43
From United States	6.49	4.03	6.43
Tobacco imports	2.39	2.88	1.65
From United States	2.39	2.88	1.65

Mr. RIDDELL. While it is true that the overwhelming bulk of these commodities are supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot buy unless given an opportunity to sell.

As I have said, the people of India need everything. They offer the largest and least developed market in the free world to the people of America, but in order to purchase the goods and services offered by the businessmen and farmers of the United States, they must be permitted to earn U.S. dollars with which to do business. Sugar is the commodity upon which India is largely dependent at the present time in earning dollar revenues. The United States needs sugar, India can supply a part of the U.S. demand. India needs the goods, services, and agricultural commodities of the United States. What is needed is dollars. These can only be obtained by the opportunity to sell.

The sugar industry of India has demonstrated its ability to perform within the terms and purposes of the Sugar Act. As a nation, India is perhaps more dependent upon an opportunity to sell sugar in the United States than any other nation. The dollars produced therefrom aid more people than in the case of any other nation in the world.

Mr. Chairman, it is our hope that this committee will, in the legislation presently under consideration, provide India with the continued privilege to sell sugar in the U.S. market and that a quota of no less than that provided under the terms of the bill under consideration will be authorized.

The CHAIRMAN. Thank you. You made a splendid statement on behalf of India. I am delighted to have you with us. Are there any questions?

Mr. POAGE. I will ask Mr. Riddell about these figures. These include Public Law 480 sales, do they not?

Mr. RIDDELL. They, certainly, do. And they account for the deficit.

Mr. POAGE. That seems to me to be somewhat misleading. I do not mean that you are misleading us, but I mean that that very Public Law 480 setup is apt to give the wrong impression to the American people. You say, for instance, on page 6 that we sold India $955 million worth of goods. Do you have any idea how many dollars we were paid for those goods?

Mr. RIDDELL. Mr. Poage, as I stated on page 8 of my statement, while it is true that the overwhelming bulk of these commodities were supplied to the people of India pursuant to the terms of Public Law 480, and it is true that Public Law 480 shipments and other U.S. aid accounts for India's deficit in trade with the United States, the fact remains that she cannot pay cash for anything unless she is given an opportunity to sell.

Mr. POAGE. That is true of any nation in the world.

Mr. RIDDELL. That is true. And India is prepared to pay in the only currency that she has, that is, in rupees. Those rupees are available to the United States for whatever purposes the United States desires to make of them.

Mr. POAGE. No, no. That is not correct—not by a long lot. Those rupees are available to the United States only under the terms of the Public Law 480 agreement.

Mr. RIDDELL. Yes.

Mr. POAGE. Which provides—well, I know that a new agreement is being entered into, but these you have been talking about provide for a grant to the Republic of India of a 42½-percent loan. So is it not a mistake to suggest that they are available for any purposes that the United States wants to use them? Unfortunately they are not.

Mr. RIDDELL. Within India.

Mr. POAGE. They are not available freely even there for our purposes. The purposes for which they may be used are strictly limited by the agreement. Those purposes are in terms of the development of India. That is the building of harbors and the building of some grain storage and the building of a great many things in India, but the United States has no right to take and use those rupees just for U.S. purposes, except to a very limited amount of them. 42½ percent of those rupees that you are talking about, those figures are listed here as a gift to the Indian Republic by the United States, and another 42½ percent have been loaned to India.

Mr. RIDDELL. That is a well-accepted fact. That is a well-accepted fact.

Mr. POAGE. So that it is not a fact that they are available to the United States for any use that we want to make of them. That is determined by the original agreement.

Mr. RIDDELL. That is true.

Mr. POAGE. There is another agreement that is coming up very shortly. We do not know what that will have in it.

The point I want to make, to keep the record straight, is that we cannot say that these people are doing so much and working very hard to help the United States. I understand their need, but I do not understand the great advantage to the United States that the United States gets out of dealing with India, because the United States does not get much money or goods from India. And surely we get very little help, moral or physical, from India in our efforts to stop aggression. And that is why I asked you if you can give us any idea as to how much of these agricultural commodities have been paid for in money. Wheat, for instance, that is the largest item in the list.

Mr. RIDDELL. I would have to make the statement——

Mr. POAGE. I beg your pardon?

Mr. RIDDELL. I would have to make this statement, to supply it for the record in more detailed form.

Mr. POAGE. I am not talking about the record. I am talking about at hand knowledge. It is very easy here for anybody who does not want another impression to be made to supply a statement for the record and to get into the record at a later date and then nobody knows what the answer is until it is too late. I am not asking for anything accurate. I am asking for a general idea as to what part of that figure was paid in dollars. They imported $197 million worth of wheat. That is right, is it not?

Mr. RIDDELL. If I made the statement, Mr. Poage, that 99 percent of what has been exported by the United States to India has been under the terms of Public Law 480 or other terms. I probably would not be too inaccurate.

Mr. POAGE. I think that would be about right. Now, let us see what other countries have done. What is India paying other countries.

They imported about $8 million worth of wheat from Canada; I believe it was.

Mr. RIDDELL. She has not had the foreign exchange to pay anybody. Her foreign exchange has been relatively stable for the last 5 years; that is to say, at a very low level.

Mr. POAGE. Let us understand where that foreign exchange is going, because we bought sugar from India, did we not?

Mr. RIDDELL. Yes.

Mr. POAGE. We paid dollars for it, did we not?

Mr. RIDDELL. Yes.

Mr. POAGE. Where did those dollars go?

Mr. RIDDELL. They were spent here in the United States.

Mr. POAGE. They were?

Mr. RIDDELL. Every one of them.

Mr. POAGE. That is what I am trying to find out. How do you know that they were spent in the United States?

Mr. RIDDELL. Well, sir, international bookeeping being what it is, and having a lack of authority with respect to it, I am relying upon the statement of my clients. I think that you have a very valid point. Would you prefer in my answer to your question that I produce a letter to be directed to each individual member of the committee so that we can find exactly where the dollars went?

Mr. POAGE. No; I am not trying to find exactly where every dollar went. I am just trying to get a broad idea on this. You just stated that 99 percent of our exports to India were paid for in rupees. That would probably be about correct. I think that——

Mr. RIDDELL. Right.

Mr. POAGE. It may be 95 percent, some such figure, but it is a very high percentage. Therefore, they did not spend many dollars.

Mr. RIDDELL. They spent all of their dollars that they had and they have had very few dollars.

Mr. POAGE. Now wait, they sent us 100,000 tons.

Mr. RIDDELL. India has earned about $15 million per year from the sale of sugar in the United States since 1961. Upon consultation with my clients I reminded them of a letter written to this committee in 1962. I said that at that time I was authorized to state that every dollar that she was permitted to earn through the sale of sugar she would spend in the United States. Has that promise been kept? I have been informed that it was. I regret that I am not now in a position to be specific in my statement as to precisely what it was spent for, but I believe that it has been spent here. I think that is a statement, incidentally, Mr. Poage, which no other nation that has appeared here can make.

Mr. POAGE. Would you make that same statement in this session?

Mr. RIDDELL. No; I did not. But I would be glad to make such a statement.

Mr. POAGE. I want to be sure that I understand you. You say that it is a statement that no other nation can make—a statement that they cannot make. You are talking about those that got as much help from the United States and, therefore, owe the United States so much—that is what you are saying?

Mr. RIDDELL. No, no. I am simply stating that the situation is that in the economy of the nations of the free world that they have opportunities to earn dollars from a great many sources and to earn foreign exchanges from a great many sources. For example, let us take Australia. Australia is one of the leading wheat exporters of the world or, rather, Canada is. It is possible for Australia to do business with Canada and for the foreign exchange thereby earned to be transmitted to the channels of the world by triangulation.

Mr. POAGE. What does Australia buy from Canada?

Mr. RIDDELL. I imagine she buys a great many things from Canada. I am no authority on the trade.

Mr. POAGE. You are suggesting that Australia sells to Canada. Australia produces about the same sort of things that Canada does.

Mr. RIDDELL. I am afraid that I chose a poor example.

Mr. POAGE. Obviously, this example is not just true. Australia does not buy any large amounts of goods from Canada. She cannot sell Canada any large amounts of goods, because her goods are not complementary but they are, basically, in competition with those of Canada. Canada is, as you said, one of the major wheat exporters of the world. Wheat is a major export from Australia. Obviously, they are not going to sell to each other.

Canada is a major meat producer of the world, and so is Australia. Obviously, they are not going to sell to each other.

Australia has become in recent years a major copper producer, and so, also, is Canada. Obviously, they are not going to sell to each other.

Mr. RIDDELL. Let me take another example. I changed horses in midstream and got into trouble. Australia is a major exporter of wheat in the world. She is in a position to sell to Red China. She does sell to Red China. She sells for whatever she can get. If she gets gold she can utilize the gold to purchase locomotives or whatever she wants from the United States. The examples could be multiplied all over the world.

The only thing I have said is that India is such a poor nation, relatively speaking, that she has so little that the rest of the nations of the world presently want that she has to have an opportunity to sell the few things that she has to sell in order to earn dollars, pounds sterling, or any other currency of the world. That is all I have said.

Mr. POAGE. Let us get two things straight. In the first place, does India sell sugar into the Commonwealth Market?

Mr. RIDDELL. Yes, sir; they do. If you will bear with me for a minute. I have the figures right here. For the first time this year, Mr. Poage, India is being given an opportunity to sell within the terms of the Commonwealth Agreement. For example, she will be given an opportunity to share that market to the extent of 25,000 tons. Australia, for example, this year will sell 335,000 tons in that protected market. British Honduras will sell 20,500 tons. Fiji will sell 140,000 tons. Mauritius will sell 380,000 tons. The British West Indies will sell 725,000 tons in that market. Swaziland will sell 85,000 tons, and Rhodesia will sell 25,000 tons.

Now when the Commonwealth Agreement was negotiated earlier this spring India was, for the first time, given an opportunity to sell in a protected market. The total allotment to her under the agreement was 25,000. She stated at the time that as a result of the Kennedy

Round of Talks and her commitments to give up her tariff preferences throughout the world as a result of these talks that she could join with that limitation and understanding at 25,000 tons out of a total market well in excess of 1,500,000 tons, most of which is supplied—all of which is supplied, rather, by other nations who are here seeking an opportunity to sell in this market.

Take a look at the figures, Mr. Poage; 335,000 tons, 380,000 tons, 725,000 tons, 85,000 tons, 140,000 tons.

The CHAIRMAN. These have a long history of selling to Great Britain.

Mr. RIDDELL. I assume that they have a long history of doing so. They are sugar-producing nations. I assume that they have been longstanding markets. But the point, if there is a point, is simply this, that 480 million people are here asking for an opportunity to sell, roughtly, 100,000 tons in this market.

Mr. POAGE. That does not answer my question. I do not mean to condemn anyone on anything. India is bound to have some hard money.

Mr. RIDDLE. I am sorry.

Mr. POAGE. She spends it in the United States you say. With whom did she spend it? She did not spend it for farm products. Did she spend dollars in other countries?

Mr. RIDDLE. I will have to do the best I can, Mr. Poage. I will have to supply you with the information. I know that she has spent every dollar that she has earned from sugar in the United States. I assume that she is spending every dollar that she is given an opportunity to earn in the United States, within the United States.

Mr. POAGE. That is not the question I am asking. I am asking where is she spending it.

The CHAIRMAN. He told you.

Mr. POAGE. He told me that he could not tell about the dollars spent in the United States. I am asking about those dollars. I know about that. That is exactly what I am asking. That is not what he is telling me. How is she paying for the goods she gets from Great Britain and from Australia—and those that she gets from Canada, how is she paying for the goods that she gets from Russia?

Mr. RIDDLE. Mr. Poage, I will have again to say that I do not know the answer to the question. I will be glad to give it to you.

Mr. POAGE. All right.

The CHAIRMAN. Thank you very much.

Mr. MATSUNAGA. From the different arguments we have heard here I would suggest humbly that the line of argument that we should favor India because we benefit more be abandoned and that the stronger argument that India is a reliable, steady supplier, be put forth instead.

Mr. RIDDELL. I did not mean to put forth that argument that India benefits the United States. I hope that I clearly said that she is very much in a position of a donee of the U.S. generosity.

The CHAIRMAN. Thank you very much.

Mr. RIDDELL. Thank you.

The CHAIRMAN. Our next witness is Mr. James M. Earnest, counsel for the Mauritius Chamber of Agriculture and the Mauritius Sugar

Syndicate, accompanied by A. Guy Sauzier, office of the London representative, Mauritius Chamber of Agriculture, London.

Mr. Earnest.

STATEMENT OF JAMES M. EARNEST, COUNSEL, MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE, ACCOMPANIED BY A. GUY SAUZIER, OFFICE OF THE LONDON REPRESENTATIVE, MAURITIUS CHAMBER OF AGRICULTURE, LONDON

Mr. EARNEST. Mr. Chairman, members of the committee, my name is James M. Earnest. I am a practicing attorney in the District of Columbia, having offices in the Woodward Building. I am appearing here on behalf of the Mauritius Chamber of Agriculture and the Mauritius Sugar Syndicate. The Syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius; and, together with the people of Mauritius and the people of the United States, it has a very vital interest in the United States sugar program. I have a prepared statement, but in order to economize on the committee's time, I will condense my oral statement to the more essential points, and request permission to file my prepared statement in the record.

I have with me to assist in answering any questions which might be posed Mr. A. Guy Sauzier, who is a London representative of the two organizations which I have mentioned. They are both private organizations. Mr. Sauzier does not represent the Government of Mauritius. He was, however, for quite some time before coming to London a member of the Legislative Council of Government and thereafter a Minister in the Government for some years. Now he is quite prepared because of his experience to help me answer questions.

Because of the carrying over the sessions until today, he had to remain in Washington over the weekend. He was quite prepared to be at the hearings this morning. This has given him an opportunity of two very thrilling experiences. The first came when he watched the television report of the countdown and the lift-off of Gemini precisely on schedule. The second came when he watched Gemini's pass over the U.S. tracking station on Mauritius exactly 52 minutes and 36 seconds after takeoff. And although I do not suggest that this is an indication of the time required for shipments by Mauritius of sugar to this country, we believe it no doubt evidences the close cooperation between Mauritius and the United States in this great accomplishment of which we are, indeed, proud.

I have placed here by way of identification of Mauritius and, also, in order to demonstrate its increasing strategic importance to the United States of America a large map, replicas of which have been enclosed in a number of the pamphlets which have been distributed to the committee members.

Mauritius is a small sugar island situated about 550 miles east of Madagascar and about 1,600 miles east of African mainland, down here in the southwest quarter of the Indian Ocean. It is approximately 38 miles long and 29 miles wide, and its total area is about 720 square miles. Its climate and soil are well suited to the cultivation

of sugarcane, and over 45 percent of its total area is planted with sugar.

Politically, Mauritius is a British Crown Colony which enjoys a large measure of internal self-government. It has been a British colony since 1814 when it was ceded by France to Britain by the Treaty of Paris.

It is the administrative center for a number of small island dependencies anywhere from 200 to 1,200 miles to the east and northeast. Some of these islands are coming into prominence as potential joint United States-United Kingdom military bases in the Indian Ocean. Mauritius itself has served as an important tracking station for manned satellites of the U.S. space program, and a joint United States-United Kingdom nuclear detection station is now being set up.

Mauritius is an island of democracy. It has a stable government which it has achieved by gradual evolution and it can be cited as a model of democratic and orderly development. It is a friendly government, oriented generally to the West.

Mauritius has been producing sugar for more than three centuries. It is a sugar island to a greater extent than any of the West Indies; in fact, no country in the whole world is so exclusively dependent upon sugar.

To correct the statement made by the representative of the Dominican Republic to the effect that that country was the country in the world most dependent upon sugar. There is such a country but it is Mauritius, sir, and not the Dominican Republic.

Sugar and its byproducts account for 98 percent of the value of its export trade, and Mauritius is one of the 10 largest sugar exporters in the world. Sugar production this year will be over 700,000 short tons, and by 1970 should exceed 850,000 tons annually. The Mauritius Chamber of Agriculture estimates that in 1966, Mauritius will have available for export 750,000 tons of raw, cane sugar.

And here, again, I would, also, challenge a statement, if I understood it correctly, by our distinguished friend, Charles Brown, to the effect that we are larger exporters of sugar, because we have 650,000 tons against his 300,000 tons. The facts speak for themselves, sir.

Mauritius has a very high population density, more than 1,000 per square mile. It has a population of 730,000. Since industrial development of the island is precluded by its geography and by its lack of natural resources, and since any really significant diversification of its agriculture is not very probable, Mauritius must continue to depend on its sugar trade. Only by increasing sugar production and sugar trade can Mauritius expect to maintain its present standard of living, let alone improve it, and to earn the foreign exchange necessary for its imports from this country and elsewhere.

Let us refer briefly to the record which preceded these hearings.

Mr. Chairman, I have briefly told you of Mauritius and of its inevitable and continuing dependence on the export of sugar. May I now make a statement, for the record, so as to eliminate any possible misunderstandings and so as to clarify to all interested parties the position of Mauritius.

Mauritius has been ready, willing, and able to supply sugar to the United States in 1962, 1963, 1964, and 1965; and we stand ready to participate in providing such supplies during the future to the extent

deemed appropriate by this committee and by the Congress of the United States.

Let us look at 1962. Mauritius made an application for allocation of an import quota under the U.S. sugar program. After exhaustive studies and deliberations, this committee recommended and the House approved the allocation to Mauritius of a basic quota of 10,000 tons, and reallocation of 100,000 tons from the Cuban reserves, thus making a total of 110,000. However, when the Sugar Act Amendments of 1962 became law, the quota provision for Mauritius was not included, for no apparent reason. Its gratification was short lived.

In spite of this, Mauritius took the first opportunity to supply sugar to the United States in an endeavor to show good will and its ability to meet the requirements of your market. This opportunity presented itself through the provision of the Sugar Act of a global quota to be allocated to foreign suppliers on a first-come, first-served basis. In the second half of 1962, Mauritius shipped 13,000 tons of global quota sugar to the United States.

Let us look at 1963. In the second half of 1963, when the price was, as has been demonstrated by many able witnesses, higher on the world market than on the U.S. market, Mauritius stripped itself of uncommitted reserves and shipped 67,000 tons of sugar to the United States. In fact, Mauritius was the largest supplier of global quota sugar to the United States in 1963 out of the countries which had no basic quotas. This it did on a purely voluntary basis, in an endeavor to show its good will and its ability to help the United States in times of need.

Let us look at 1964. Late in the preceding year, 1963, the U.S. Department of Agriculture had invited applications for global quota sugar during 1964 in an amount of 1 million tons out of an estimated requirement of 1½ million tons, and indicated that priority would be given to supplies able to reach the United States in the first 7 months of the year. By reason of its shipments in the latter half of 1963, Mauritius had then no uncommitted sugar left over from its 1963 crop and its next crop was due to be harvested in June and July 1964. It could not, therefore, apply for a set-aside, then, for the first 7 months of the year.

Nevertheless, Mauritius informed the U.S. Department of Agriculture by letter dated January 14, 1964, that it was its firm intention to supply about 60,000 tons of sugar in the second half of 1964, and would in fact be prepared to commit itself to do so, subject only to the 1964 crop not being adversely affected by disaster before the end of the cyclone season. For reasons stated by the U.S. Department of Agriculture in its reply, Mauritius' application was not entertained, and, as is well known, the 1-million-ton requirement was fully subscribed by January 27, 1964. In support of these statements, we file with the committee copies of the letter of the Mauritius Chamber of Agriculture dated January 14, 1964, to the U.S. Department of Agriculture and the reply to this letter dated January 17, 1964. As no further sugar was needed by the United States in the second half year, against the ½ million tons of the original estimated requirement, Mauritius was unable, through no fault of its own, to ship any sugar to the United States in 1964.

Although some might ascribe faulty judgment to Mauritius in its heavy shipments in 1963 and thus placing reliance wholly on its 1964

crop to supply, during the latter half of that year, the U.S. market, I must say that we stand on the record, to clearly establish that Mauritius was willing to supply sugar to the United States in both 1963 and 1964, when the world prices were higher than those paid in the United States.

Let us look to 1965. We here enter the period of formula which ascribes greater weight to shipments in 1964 than to those in 1963. We do not question the good intention of the authors of this formula—but to this committee, in its legislative capacity, we do ask the question, in view of the record, is the application of this formula to Mauritius equitable? Obviously we think it is inequitable. In support of our opinion we cite:

(*a*) This committee's allocation to Mauritius of a total of 110,000 tons of global sugar in 1962.

(*b*) Mauritius shipments in 1963 totaling 67,000 tons.

(*c*) Mauritius willingness in 1964 to ship 60,000 tons.

(*d*) The surprising result of the formula which would reduce the quota of Mauritius to below 15,000 tons in the administration bill.

We agree with the view, Mr. Chairman, of the spokesman for Brazil that there is no particular merit in giving double weighting for 1964 rather than 1963, and that for suppliers who, like Brazil and Mauritius' supply in the second half of the year it has worked manifest hardships against us. I might interpolate that we shipped in the second half of 1962 and the second half of 1963, and we were willing to ship in the second half of 1964, but this was denied us.

The CHAIRMAN. Excuse me for interrupting. Is that contained in any part of your statement or your attached records?

Mr. EARNEST. The letter in reply to our letter written by Mr. Thomas Murphy is attached, Mr. Chairman, to my condensed statement of the longer statement, both statements being contained in a bound brief holder. And I ask leave to file all of that as one composite exhibit for the record.

The CHAIRMAN. Very well. That may be done.

Mr. EARNEST. In respect to justification for Mauritius' quota, we would ask you to consider six points:

1. Mauritius is among the 10 largest exporters of sugar in the world.

2. Mauritius has a stable democratic government and is a reliable source.

3. Mauritius has demonstrated its ability and its willingness to supply the United States in times when its market was less attractive than the world market.

4. Mauritius imports from the United States have consistently, with the exception of 1963, exceeded its exports to the United States. Mauritius has for many years been importing considerable quantities of machinery, chemicals, tobaccos, and other products from the United States of America. In this regard, it may be of interest to note that during the period 1952–59 its imports from the United States of unmanufactured tobacco represented 58.7 percent of its total imports of this commodity from all sources. In 1959 it was 74 percent. It has remained at that level ever since. In 1964 its total U.S. imports aggregated over $2 million. With the availability of dollars from exportable sugar, the subject now under consideration, the sales of U.S. goods in Mauritius, will surely increase.

5. Mauritius is of increasing strategic interest to the West; and its orientation in that direction will be further assured by an equitable share of the U.S. global sugar allocation.

6. Mauritius has demonstrated, by action, that it is a friend of the United States.

And then very briefly, how about quota?

I believe it is reasonable to take into consideration the exhaustive deliberations of this committee in 1962 when Mauritius was allocated a basic quota of 10,000 tons and a reallocation from the Cuban reserves of 100,000 tons, or a total quota of 110,000 tons. Since that time, both the production and consumption of sugar has expanded, and a quota of 120,000 tons would be commensurate both with Mauritius' status as a world sugar exporter and with the proposed allocation made by this committee in 1962. To the extent that this committee deems it necessary to reduce the total tonnage to be imported from world sugar exporters, it is also reasonable that this amount be similarly adjusted. Such an allocation would enable Mauritius to maintain and develop its trade relations with the United States.

It would greatly assist, on a sound financial basis, a developing territory that is of increasing strategic importance to the United States. In addition, it would be the first opportunity for the United States to demonstrate its willingness to buy something from Mauritius and change this historically one-way street into a two-way thoroughfare of trade. The quota proposed by the administration bill now before the committee, on the basis of the U.S. assumed requirements of 9,700,000 tons, would grant to Mauritius a quota of 14,916 tons. This I submit, is quite inadequate and does not do justice to Mauritius having regard to its position as a world supplier of sugar, to its dependence upon sugar for its livelihood and to its demonstrated willingness to supply the U.S. market during 1963 and 1964, when the United States was in need of sugar from world sources.

Nevertheless, if the committee were disposed to accept as one criteria, the formula proposed by the administration as one of criteria for the allocation of quotas, I then submit that the offer made by Mauritius, to ship 60,000 tons in 1964, should certainly be taken into account and the allocation to Mauritius accordingly revised. We estimate that this, by itself, would increase the percentum of Mauritius, as noted on page 4 of H.R. 10496, from 0.28 to 1.15 percent. It seems, therefore, that in all fairness and equity, and taking all relevant circumstances into account, we ought to get something in between the high and the low. Mauritius should not receive less than a share of 1.5 percent.

Finally, Mr. Chairman, I should like to make it clear that Mauritius does not claim a quota from the United States as a matter of right—but as a matter of equity and justice. It does not set out of this distinguished committee of the Congress of the United States to dictate its sugar policy to the United States. It does not oppose the United States giving some priority to treatment either to its domestic or offshore producers, or to the Philippines, or to Latin American countries. But Mauritius does contend that if the United States goes outside of these territories for part of its sugar supplies, then Mauritius has at least as good a case as other foreign suppliers for a substantial quota; and, on analysis, indeed a better one than many of them.

May I conclude by relaying my principal's expression of gratitude to the committee for granting them the privilege of discussing with you this very important subject and of presenting their views on H.R. 10496.

I am sure that I am followed by the distinguished gentleman on my right in saying to this committee our thanks for granting us the privilege of discussing with you this very important subject and of presenting our views on H.R. 10496.

Now, Mr. Chairman, so that the record is clear I have, as I have indicated, prepared a somewhat lengthy statement, but rather than be repetitive we have prepared the condensed statement, which is in the bound volume, and I ask leave to file that as a part of the record.

The CHAIRMAN. Thank you very much, Mr. Earnest. That may be done.

(The statement referred to follows:)

STATEMENT OF JAMES M. EARNEST, COUNSEL FOR THE MAURITIUS CHAMBER OF AGRICULTURE AND THE MAURITIUS SUGAR SYNDICATE

Mr. Chairman and members of the committee, my name is James M. Earnest. I am a practicing attorney and my offices are in the Woodward Building in this city. I am appearing here on behalf of the Mauritius Chamber of Agriculture, and the Mauritius Sugar Syndicate. The syndicate is a statutory organization which controls the marketing of sugar on the island of Mauritius and which together with the people of Mauritius and the people of the United States has a very vital stake in the legislative revision of the U.S. sugar program.

I. IDENTIFICATION OF MAURITIUS

Geography

Mauritius is a pear-shaped island of volcanic origin in the Indian Ocean, lying about 550 miles east of Madagascar and about 1,600 miles east of the African mainland. The island has several low mountain ranges and numerous rivers and streams. The land rises gradually from the coast to form an inland plateau. The dimensions of the island are approximately 38 miles in length (roughly north-south) and 29 miles in width; its area is about 720 square miles, which is slightly more than 10 times the area of the District of Columbia and a little more than one-half the area of Rhode Island.

Lying far from any land mass, Mauritius has a moderate, maritime climate, tropical during the summer and subtropical during the winter. The mean annual temperature is 74° F. at sea level and 67° F. at 2,000 feet. The climate and soil of Mauritius are well suited to the cultivation of sugarcane and the island is a "sugar island" to an even greater extent than Barbados or any West Indian island. Over 45 percent of its total area is planted with sugar; and sugar represents 98 percent of the total value of its export trade.

More than 730,000 people, or somewhat more than 1,000 people per square mile, inhabit this island. Port Louis is the capital, and is the main town and port. Less than 20 miles inland, and on the plateau is Curepipe, the second largest town which is much used as a residential district owing to its cooler climate.

Mauritius is a vital link on the sea and air routes to the Far East and Australia. It has a good harbor which can easily accommodate 10 ships. Mauritius serves as an operational stop on the air route between Africa and Australia, and is the terminus of services operated by BOAC and Air France from Europe and Africa. Its airport now offers facilities for large jets.

Political

The Portuguese discovered Mauritius early in the 16th century. It was then uninhabited, though it was known to the Arabs and Malays, who had used the island for centuries for a shelter. The Dutch took possession of the island in 1598 and named it Mauritius after Prince Maurice of Nassau. The Dutch finally abandoned their attempt to settle the island in the early years of the 18th century. A more successful attempt at settlement was made by the French East Indian Company, which later surrendered its administration to the French Government. The French occupied the island, which they called Ile de France, for nearly a century and established the sugar industry there.

During the Napoleonic Wars, Mauritius was the base for damaging raids on British ships in the Indian Ocean, and in 1810 the British organized an expedition which resulted in the capture of the island. Mauritius and its dependencies were ceded to Britain under the terms of the Treaty of Paris, in 1814. The island was then renamed Mauritius by the British and has remained a British colony ever since.

Because of its geographical position and natural harbor, Mauritius, until the middle of the 19th century, was mainly regarded as an important military outpost. With the opening of the Suez Canal and the progressive elimination of sailing ships by steampower, the economy of the island became more dependent on its entrepot trade and its gradually developing sugar industry, which, by the end of the 19th century, was producing about 200,000 tons of sugar annually.

Politically, Mauritius is a Crown colony of the United Kingdom, which enjoys a large measure of internal self-government. It has undergone a gradual constitutional evolution since 1948. The ministerial system was adopted in 1957 and universal adult suffrage was introduced in 1959. Under the order-in-council of 1964, the Government of Mauritius is vested in a Governor with a Council of Ministers and a Legislative Assembly. The Legislative Assembly is made up of 40 elected members and certain ex officio and appointed members.

The Council of Ministers is made up of the Premier, the Chief Secretary, and not less than 10 or more than 13 Members of the Legislative Assembly appointed by the Governor after consultation with the Premier.

Local government is vested in a municipal council (established in 1850 for Port Louis), four town councils, and several district village councils.

A number of small islands, from 200 to 1,200 miles to the east and northeast, are dependencies of Mauritius. The most important of these, economically, is Rodriguez, lying 350 miles to the east with an area of 40 square miles and a population of some 18,000. Other Mauritius dependencies are coming into prominence as potential United States-United Kingdom military bases.

Although there is some movement toward independence and full autonomy there is very little likelihood that Mauritius will completely sever its political ties with the United Kingdom.

Economic importance

The Mauritius economy is exclusively agricultural. While there are some small industrial establishments catering primarily to local needs, there is no possibility of industrial development of Mauritius on any significant scale. More than one-half the island's food supply is imported from overseas, and this includes the staple food for most of the population, mainly rice. Though diversification of the economy is agreed to be desirable, sugar is likely to be the island's mainstay for many years to come.

The economy of Mauritius developed rather slowly during the first half of the 20th century, or until the end of World War II. After that time, and with the introduction of the negotiated-price quota for sugar exported to the United Kingdom, sugar production increased in 10 years from 300,000 tons annually to almost 600,000 tons, and it is expected that production in 1965 will be in excess of 700,000 tons. By 1970 Mauritius sugar production should exceed 850,000 tons annually.

Over 45 percent of the area of the island is now planted with sugar and a slow but steady expansion in sugar acreage has taken place in recent years. There are 23 large estates growing sugar, each with its own factory. There are also some 25,000 small growers with holdings ranging in size from over 100 acres to as little as one-quarter acre. The cane produced on the small holdings is sold to factories at prices fixed by the Central Control Board appointed by the Government. Payment is made on the basis of 68 percent of the value to the grower and 32 percent to the factory. Additional increases in the production of sugar can probably be made in the small holdings where the yield per acre is about two-thirds of the large estates.

Mauritius today is one of the 10 largest exporters of sugar and sugar industry byproducts. It is estimated by the Mauritius Chamber of Agriculture that in 1966 Mauritius will have available for export 750,000 tons of raw cane sugar. By 1969 the tonnage available for export should be approximately 820,000 short tons of raw cane sugar.

In its trade with the United States, Mauritius has traditionally procured more from the United States, in terms of shipped value, than it has sold to the United States. This pattern is not true for the year 1963 in which year Mauritius shipped a large quantity of sugar to the United States, but for most all other years

for which we have reliable figures, Mauritius imports from the United States have far outreached her exports to the United States. This balance of trade between the United States and Mauritius has generally been more favorable for the United States than for Mauritius. According to the latest census data contained in the FT–420 series reports published by the Bureau of Census, Mauritius has purchased chiefly machinery and transport equipment, chemicals, and tobaccos from the United States. These are commodities which are not generally sold at world prices and Mauritius has paid full value for them.

Political and strategic importance

Mauritius is an island of democracy in the southwest Indian Ocean. Only 550 miles east of Madagascar and 1,600 miles away from the African east coast, it stands as one of the more important beacons of political freedom achieved through orderly development. Should Mauritius achieve full and complete independence from the United Kingdom, the measured, orderly pace of its development is certain to result in a continuing, stable, democratic government.

Lying astride important trade routes in the Indian Ocean, it is reclaiming a strategic importance which, as above noted, with the advent of the steamship and the Suez Canal, waned in the middle of the 19th century. Mauritius can play an important role in the development of United States-United Kingdom bases in the Indian Ocean. With an airport large enough to accommodate large jet transports, and lying athwart principal air routes serving Europe, Africa, and the Australian Continent, it becomes a vital link in the aerial navigation of this quarter of the globe. Moreover, and quite recently, Mauritius has served as a base for tracking stations in the Indian Ocean for our manned satellites. Plans are also underway for setting up a joint United States-United Kingdom nuclear detecting station.

II. MAURITIUS SUGAR TRADE WITH THE UNITED STATES

Mauritius sugar trade generally

Sugar, with its products (mainly molasses), constitutes 98 percent of Mauritius exports in value. About 30,000 short tons of sugar are consumed locally, and the balance of Mauritius sugar production is available for its export trade.

In 1964 under the Commonwealth Sugar Agreement, Mauritius sold 368,500 long tons, raw value, of sugar to the United Kingdom at a negotiated sterling price which works out to roughly $114.66 per short ton, cost, insurance, and freight, United Kingdom; or the equivalent of $0.05733 per pound. The comparable U.S. price during the same period, according to the Wall Street Journal, was $0.0620. The difference between sugar sold by Mauritius to the United Kingdom under this agreement and the U.S. preferential price in 1964 was, thus, a shade less than a half a cent per pound. Deducting the U.S. duty of $0.00625, the United Kingdom price gave Mauritius a slightly higher return.

In 1965, according to an official of the Mauritius Chamber of Agriculture, Mauritius will sell 380,000 long tons, raw value, of sugar to the United Kingdom at a preferential price which is equivalent to $0.0582 per pound, free on board and stowed. The current U.S. price for raw sugar is $0.0670 per pound, but from this price there must be deducted duty of $0.00625; freight of $0.00595; and insurance, etc., of $0.00150. The net return on sugar sold to the United States under Mauritius' present allocation is therefore expected to be $0.0533 per pound, free on board and stowed, which means that the net return to Mauritius per pound of sugar will be something less than a half cent more per pound for sugar sold to the United Kingdom under the Commonwealth Sugar Agreement, than will be the case for sugar sold to the United States under the 1965 quota.

In addition to the 380,000 long tons (420,600 short tons) which Mauritius will sell to the United Kingdom at a special price in 1965, it may export another 100,000 short tons to preferential markets at world prices plus duty preferences ranging from $10 to $15 per ton, making a total of approximately 521,000 short tons. Under the 1965 sugar quota for foreign countries, as determined by the Secretary of Agriculture, Mauritius has been allowed a U.S. quota of 15,430 short tons, raw value.

This brings the total sugar which Mauritius will export to preferential markets in the year 1965 to approximately 536,430 short tons, raw value. Mauritius' production for 1965 is expected to be 730,000 short tons; deducting sugar which may be exported under preferential trade agreements (including the quota allocation to the United States) and sugar required for domestic consumption, in

1965 Mauritius will have an exportable surplus of approximately 164,000 short tons, raw value.

For the period 1966 through 1969 it is estimated that Mauritius' production of raw sugar will increase to approximately 850,000 tons per annum and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum. This increase in sugar production is vital to the economy of Mauritius, for only by increasing sugar production can Mauritius expect to maintain its present standard of living, let alone improve it. In the immediate prewar period (1936–40) the natural increase of Mauritius population was about one-half of 1 percent per annum. By 1948 it had come up to nearly 2 percent, and a decade later it had reached 3 percent, at which level it has remained ever since without showing the least tendency to drop. If this rate of increase continues unchanged, the population of Mauritius will increase from its present 730,000 to more than 1 million by 1980. While the Government has attempted various measures to diversify the economy of Mauritius and to establish new consumer industries, the country must still rely upon its agriculture and agricultural industries as the mainstay of its economy. Sugar is the one crop which over many years has proved its ability to meet the economic needs of its country. It is by no accident that sugar has come to occupy such a large place in the economy of Mauritius. Since the early days of French occupation many crops have been grown in an effort to diversify the economy of the island. None of them, however, has been able to compete with sugar in respect to (*a*) economic return; (*b*) resistance to cyclones and drought; and (*c*) adaptability to climate and soil. In fact, few of them have ever contributed more than marginally to the economy of the country, and sometimes for brief periods only.

It should not be assumed that this great dependence upon sugar is welcome in Mauritius. Despite the fact that little success has been made in the development of new agricultural crops, continuing efforts have been and are constantly being made to achieve some measure of crop diversification. Most successful has been the cultivation of tea with the result that in 1963 about 2 million pounds of tea were grown for export and plans have been made to develop three new processing plants during the period 1965–71 to handle increased production of tea.

The development of new industry, apart from small industries catering principally to local needs, is almost precluded by Mauritius' peculiar geography. With no mineral resources, the development of any manufacturing industry for export trade would be hampered by the fact that all of the raw materials for any such industry would have to be imported. Moreover, no significant industrial development could be contemplated unless there were some expectation of a remunerated export market. But Mauritius could hardly expect to compete with the great island manufacturing countries of Britain and Japan, and the cost of importing raw materials and processing them for reexport would be prohibitive.

It follows from the foregoing, therefore, that willy-nilly Mauritius must rely upon an expansion of its sugar production and sugar export trade to support its swelling population.

In 1962 for the first time, Mauritius exported sugar to the United States. The quantity exported in that year was 13,474 short tons, raw value, and the value of the sugar exported was approximately $1,932,000, or roughly $0.0563 per pound after deducting duty, freight, and insurance. In 1963 Mauritius shipped approximately 66,617 short tons of sugar to the United States for a total value of roughly $10,038,000, or roughly $0.0613 per pound after deducting duty, freight, and insurance. Mauritius shipped no sugar to the United States in 1964.

Outside the Commonwealth and the United States, Mauritius since 1959 has exported sugar to Lebanon, Japan, Korea, and the Seychelles.

Mauritius trade with the United States

Mauritius must import most of its requirements of manufacturing and consumer goods and a large portion of its food requirements, including rice (which is the staple diet of the bulk of the population), flour, meat, and many other items. Generally, foodstuffs have not figured importantly in the U.S. exports to Mauritius. In 1963 the value of the U.S. exports to Mauritius was approximately $2,026,667. Foodstuffs accounted for only $47,943, of which rice was the most important item. Mauritius imported in that year over $161,000 worth of tobacco and nearly $129,000 worth of chemical products. In the same year U.S. exports of machinery and transportation equipment to Mauritius were valued at $1,558,033.

In 1964 Mauritius imported from the United States foodstuffs valued at approximately $83,817, of which nearly one-half was rice. In the same year tobacco manufactures and unmanufactured tobacco accounted for $189,144, chemical products valued at $246,299, and machinery and transport equipment valued at $1,074,140 were imported from the United States. Miscellaneous manufactures accounted for $64,787. Total imports were $2,388,000.

In the years 1959–61 Mauritius imports from the United States have generally been approximately five times the value of Mauritius exports to the United States. In 1962 and 1963 this pattern was reversed by Mauritius exports of sugar to the United States but the statistics for 1964 reflect imports from the United States nearly double Mauritius exports to the United States. It will thus be seen that the relationship between Mauritius and the United States has resulted in a favorable balance of trade for the United States and an unfavorable balance of trade for Mauritius.

In its trade with the United States, Mauritius has enjoyed no particular trade advantages. While the sugar it sold to the United States in 1962 and 1963 was sold at U.S. preferential prices, in 1963 sales were effected when the world price for sugar was substantially higher than the U.S. preferential prices. Mauritius has not benefited from any world or discount prices in its purchases from the United States. Here it should be noted that although Mauritius must import a substantial part of its food requirements, its food procurements in the United States are relatively insignificant. It is in this area that most countries trading with the United States have been able to obtain an advantageous price for commodities purchased from the United States.

Though unusually dependent on one single crop to sustain its economy, Mauritius has always managed to pay its own way, even though it has from time to time been compelled to seek financial assistance from Great Britain and the International Bank for Reconstruction and Development. It, therefore, has not in the past sought any preferential treatment in its trade relation with the United States.

Mauritius and the 1962 Sugar Act

Public Law 87–535, now known as the Sugar Act Amendments of 1962, became effective July 13, 1962. This act made no provision for the allocation of any quota for Mauritius. Nevertheless the House Agriculture Committee had recommended, and the House of Representatives had approved, an allocation of 10,000 tons basic quota and 100,000 tons reallocation from the Cuban reserves. After extensive hearings in the Senate Finance Commitee on H.R. 12154, the recommendations of the House were modified with the result that the quotas proposed to be adopted under H.R. 12154 were reduced for all foreign suppliers, and in addition no quota allocation was made for Mauritius and Argentina.

Subsequently, provision was made to accommodate Argentina by means of an amendment to the Sugar Act which was made in the course of a debate on the "honey bee" bill (7 USCA 281) which gave the President authority to allocate up to 150,000 tons from the former Cuban reserves to any country within the Western Hemisphere (7 USCA 1112(c)(4)(B)). The result of this legislation left Mauritius as the only significant foreign supplier excluded from the provisions of the Sugar Act Amendments of 1962.

Notwithstanding that Mauritius was not allotted a quota under the revision of the Sugar Act, in an endeavor to demonstrate its good will and its ability to meet the requirements of the U.S. sugar market, Mauritius availed itself of a provision for a global quota to be allocated to foreign suppliers on a first come, first served basis (7 USCA 1114(a)). In the second half of 1962 pursuant to the provisions of the aforesaid section (Mauritius shipped 13,474 tons of global quota sugar to the United States and in the second half of 1963, 66,617 tons. At this time the world market price was considerably higher than the price then obtainable on the U.S. market.

Later in 1963 the Secretary of Agriculture invited applications for global quota sugar for 1964 in the amount of 1 million tons to meet an estimated requirement of 1½ million tons. In announcing this allocation the Secretary indicated that priority would be given to suppliers able to ship sugar to the United States during the first 7 months of the year. By reason of its shipment in the latter part of 1963, Mauritius at this time had no uncommitted sugar left over from its 1963 crop, and was unable to export any sugar to the United States for the first 7 months of 1964.

Under these circumstances in the latter part of 1963 Mauritius was unable to apply for a sugar quota set-aside. Nevertheless, by letter dated January 14, 1964, the Mauritius Chamber of Agriculture apprised the Department of Agriculture of the fact that Mauirtius would be able to supply about 60,000 short tons of sugar in the second half of 1964 and was willing to enter into a commitment to do so subject only to the condition that the 1964 crops were not damaged by a cyclone. The application was not entertained, and by January 27, 1964, the extra requirement was fully subscribed. Mauritius had no further opportunity to make a substantial shipment to the United States in that year.

Mauritius and 1965 sugar legislation

Congress once again has under consideration renewal and revision of the U.S. sugar program. This system, which is so vital to the stability and protection of domestic sugar prices, also operates to stabilize the sugar trade of a large portion of the free world. The effect of the quota allocations on the economies of the applicant countries is beyond any question a salutary one.

That the benefits conferred through the quota system are appreciated by them is readily apparent from the representations which are being made before this distinguished committee. There is no question that the distinguished gentlemen appearing before this committee are seeking economic aid for the countries which they represent. I do no less than they.

The relief most of us seek is an outlet for an exportable surplus of sugar which, if not sold to the United States at the prices established under the quota system, would either be left unsold or dumped on the so-called world market.

The world market is a deceptive term. In 1962 it was estimated that world sugar consumption amounted to about 57.5 million tons per year. Of this amount, about 40 million tons were said to be consumed in the areas where it is produced. And in most producing areas, because of the essentiality of the product, it is produced under some form of national control, bounty, or subsidy system as in the United States.

About 17.5 million tons of sugar were said to be consumed outside the areas where it is produced. Although sugar trade statistics reflect exports in excess of this amount, the trade statistics include substantial reexports from European refineries.

Of the 17.5 million tons which moved from the areas where it was produced to areas where it was consumed, about 8 million tons moved from French and Portuguese overseas areas to the mother countries, or were traded under the preferential terms of the Commonwealth Sugar Agreement and the U.S. sugar program. This left not quite 10 million tons for trading in the so-called world market. About half of that total, in 1962, was Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

The world free market, exclusive of Cuban sugar, was estimated in 1962 to be a 5-million-ton residual, representing chiefly sugar uncommitted to any program. In 1965, it is estimated that the Cuban sugar available for trade with bloc countries will be nearly 6 million tons, or 2 million tons more than was produced in the 1964 crop year. The residual, world free market will undoubtedly likewise be somewhat greater than it was in 1962, but its composition will be roughly the raw sugar produced in excess of the requirements of the major sugar programs.

The world free market is not a stable market. During the Suez and Hungarian crises of 1956 and 1957, the world market price nearly doubled in 60 days time, and over the whole period rose from a differential of $2.07 per 100 pounds below the U.S. price to a differential of $1.34 above the U.S. price. Similar fluctuations were noted in 1950 and 1951, and more recently, in 1963 and 1964, when it became apparent that world stocks were diminishing to an alarming degree. World buyers became excited; the world market began to advance spectacularly and because of the global features of the U.S. Sugar Act, the impact of the great advance in world market prices was felt in the U.S. market where prices also skyrocketed. In 1963 the U.S. average price for raw sugar was 8.19 cents per pound compared with an average price of 6.293 cents in 1961 and an average price of 6.452 cents per pound in 1962. In 1963, the world price of sugar advanced to nearly 3.5 cents per pound over U.S. prices, and for the year, averaged nearly 1.2 cents per pound in excess of U.S. prices. In the third quarter of that year both world and U.S. prices plunged precipitately, only to be followed by a resumption of the advance, and for the first half of 1964, world market prices again exceeded U.S. prices by more than 1 cent per pound. In the latter half of the year, world market prices again plunged

downward, and by the first part of 1965, were over 3½ cents per pound below U.S. prices.

If the U.S. foreign procurement, as determined and announced by the Secretary of Agriculture on February 15 last were added to the world free market, an additional 2.3 million tons would be subject to the fluctuations of this market. Currently, world market prices are substantially below the cost of producing and warehousing a pound of sugar in the areas of production. This is true because the world market represents the excess of production over programed requirements. Some people call it homeless sugar.

Without any significant realinement of markets, U.S. procurements in the world market would initially be at substantially lower levels than present U.S. prices. Realistically, however, economic experts would predict that there would be a realinement of markets with the result that the combination of the nonbloc world market with the U.S. import market might result in price levels higher than the present world market price, yet still be subject to the fluctuations above noted.

The basic purposes of the U.S. sugar programs are said to be: (1) Make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States 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 friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring an adequate and stable supply of sugar.

The application of Mauritius for a statutory sugar quota fits in with these basic objectives of the U.S. sugar program. Mauritius has been producing sugar for three centuries, has developed a highly efficient sugar-producing industry and today is one of the 10 largest world exporters of sugar. It is endowed with a friendly and stable government and has developed a supply of sugar which can reasonably be expected to be stable.

No country in the world depends upon sugar for its livelihood to the same degree as Mauritius. Sugar represents 98 percent of the total value of its export trade. With an ever-increasing population, in order to maintain its standard of living, Mauritius must find outlets for increasing quantities of its principal crop.

But in Mauritius, as in most countries, the cost of producing and warehousing a pound of sugar is currently far in excess of the so-called world market price for sugar. To suggest that this outlet could be had by dumping its excess sugar on the world market, is no solution for the problems of Mauritius.

The mere fact that Mauritius has a demographic problem which can be solved only by increasing its outlets for sugar, does not, of course, justify the allocation of a quota. But Mauritius is one of the developing territories of the world which occupies a strategic position of some importance in the Indian Ocean. Some its island dependencies will undoubtedly be joint United States-United Kingdom military bases. It is already one of the more important satellite tracking stations. It is one of the territories which, therefore, particularly deserves the assistance which the United States has pledged itself to give to developing territories. Taking the form of a sugar quota allotment, the assistance which the United States can render to Mauritius will not only benefit Mauritius, but being consistent with the basic objectives of the U.S. sugar program will be of assistance to the United States in stabilizing its sugar supplies and domestic sugar industry.

In further justification of an allotment to Mauritius, it should be pointed out that Mauritius has demonstrated its ability to ship sugar to the United States; that notwithstanding the fact that Mauritius was denied a quota in the 1962 sugar legislation (although it was at first proposed to make a quota available to Mauritius) Mauritius shipped considerable quantities of sugar to the United States in 1962 and 1963 at a time when world prices exceeded those it could and did obtain in the U.S. market. The single selling agency, the Mauritius Sugar Syndicate coordinates the sugar policy of the entire country so that sugar can be shipped as and when required. From the foregoing it is evident that Mauritius has the capacity to provide a continuing and stable supply of sugar for the United States.

The next question we get to is how much sugar should Mauritius be called upon to supply. When the Secretary of Agriculture made his administrative determination of the 1965 quota, he adopted a formula which gave single weight

to imports in 1963 and double weight to exports in 1964. Although Mauritius had shipped comparatively large quantities of sugar to the United States in 1963, as I have explained before, Mauritius was unable to make a commitment for the first 7 months of 1964. Since the Secretary of Agriculture could not accept a conditional commitment, Mauritius had no opportunity to ship sugar to the United States in 1964. Had Mauritius withheld its shipment of nearly 67,000 tons in the last half of 1963 until early in 1964, obviously it would have been accorded a larger quota for 1965. While I do not expect that this fact, in and of itself, will serve as a justification for allocating a larger quota to Mauritius, I do think it demonstrates that, in the case of Mauritius, predicating a quota exclusively on the basis of prior shipments would operate unfairly. If the quota allocation for Mauritius proposed in the original version of H.R. 12154 in 1962 had been sustained, the shipments which Mauritius would have been able to make in 1964 would clearly have resulted in the determination of a considerably more substantial quota allocation to Mauritius in 1965.

Although Mauritius shipped sugar to the United States for the first time only in 1962 it has nevertheless traded with the United States over a considerable period of time, procuring from the United States chemicals, tobacco, and machinery, and has a long history of friendly trade relations, notwithstanding that trade between the two countries has generally tended to favor the United States.

I submit that a quota allocation to Mauritius ought to be predicated upon the factors of the country's political stability, the stability of its supply and the capacity of Mauritius to produce. Mauritius is not a country about to be overrun by Communists and its political traditions are not of the same degree of volatility as are those of the countries of the Western Hemisphere. While Mauritius experiences a need to earn dollars to sustain and increase if possible its standard of living, the staid and orderly development of its political democracy augurs well for its long-term ability to satisfy in part U.S. requirements.

How much quota? It is estimated that Mauritius will have over and above sugar to be sold under its preferential arrangements, including its allocation under the Secretary of Agriculture's determination, and domestic consumption, an exportable surplus of approximately 164,000 short tons, raw value, this year. For the period 1966 to 1969 it is estimated that Mauritius production of raw sugar will increase to 850,000 tons and that the tonnage available for export will increase from 700,000 to 820,000 tons per annum which will give Mauritius an annual exportable surplus of some 280,000 short tons. There is virtually no likelihood that Mauritius' quota under the Commonwealth sugar agreement will be increased, as the United Kingdom market is already fully committed. Mauritius will therefore have in addition to Commonwealth sugar commitments and in addition to its domestic consumption requirements an annual exportable surplus ranging from approximately 164,000 short tons in 1965 to approximately 280,000 short tons by 1969. Some of this, of course, will be diverted to the so-called world market, where it is expected that between 5 and 8 million tons of "homeless sugar" will be found.

An annual U.S. quota of approximately 120,000 tons would be fair and reasonable. While there is no trade precedent for a quota of this magniture, I think it fair to point out that in the proposed legislation for 1962 Mauritius was accorded a basic quota of 10,000 tons and a reallocation from the Cuban quota of 100,000 tons, or all together a quota of 110,000 tons. Since that time both production and consumption of sugar have been expanded and the suggested quota of 120,000 tons annually is commensurate both with Mauritius' status as a world sugar exporter and a proposed allocation made by the House of Representatives in 1962. Such an allocation would result in an annual income to Mauritius at present prices of approximately $12,800,000 per year, which would be a tremendous boost for the economy of Mauritius. It would enable Mauritius to maintain and develop its trade relations with the United States and would facilitate the purchase of substantial quantities of wheat from the United States. One of the reasons Mauritius has not purchased significant quantities of U.S. wheat is the high freight cost. But if Mauritius exports sugar to the United States in the quantities proposed, it will be able to obtain substantial economies in the shipping rates for wheat on the return voyages. The allocation of a sugar quota of this size to Mauritius would not only further the basic objectives of the U.S. sugar program but would also offer the United States an additional outlet for its wheat production.

MAURITIUS CHAMBER OF AGRICULTURE,
OFFICE OF THE LONDON REPRESENTATIVE,
London, January 14, 1964.

TOM O. MURPHY, Esq.,
Director, Sugar Policy Staff, U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. MURPHY: It may have come to your attention that Mauritius has not yet applied for a set-aside of global quota sugar for 1964 although we have already declared our intention so to do. As you no doubt remember, we supplied about 60,000 tons of global quota sugar to the United States in 1963, although we were about the only sugar-producing country in the world, save Cuba, not to have been granted any share of the basic quota. It is still our intention to supply about the same quantity of sugar to the United States in 1964, and I thought I would drop you a line to let you know why we have so far made no move about it.

As you know, our next sugar crop starts in July, and we are hoping to produce another big crop; we are, unfortunately, still not through what is known in Mauritius as the cyclone season, which extends up to about April, and during which we can be visited by hurricanes, with the possibility that our crop estimate might be reduced—which God forbid. We felt it safer, therefore, not to commit ourselves for sugar which we might not be absolutely sure to supply, as we are left with virtually no uncommitted carryover from last year.

We would, of course, be prepared to apply now for a set-aside for up to about 60,000 tons for delivery from mid-September onward, conditional only upon no visitations by major hurricanes or other calamities. This condition would be waived immediately the cyclone season is over, at latest by the 1st of May next. I do not know whether the USDA regulations would allow such a condition to be included in the set-aside application; if they did, we would be happy to go forward now with our applications.

I thought I would explain these circumstances to you, and reiterate our desire to supply sugar to your market this year, either against global quota or, even better, against an allocation of basic quota which, as you know, we are still very anxious to obtain: this would remove an anomaly which hurts us and which, I know, was not deliberately engineered by the U.S. authorities.

With kind regards,
Yours sincerely,

A. GUY SAUZIER.

JANUARY 17, 1964.

A. GUY SAUZIER, Esq.,
Mauritius Chamber of Agriculture,
London, England.

DEAR MR. SAUZIER: It was very pleasant to hear from you again. I also appreciate the information in your letter of January 14.

I wish I had a worthwhile suggestion to offer to you for coping with your dilemma. I recognize, however, that Mauritius is a small island and it either is not in the path of a cyclone or if in the path the sugarcane crop suffers substantial damage. This is the one most difficult situation facing an area or rather those people in an area such as yours who must estimate production and arrange for marketings. The only thought that does cross my mind, for what it may be worth, is the possibility that you might offer a smaller quantity—say half of the 60,000 tons—if you are sure of some export availability from the late crop and are not committed for other marketings.

In any event, I thank you for your courtesy in keeping me informed as to your situation.

With kind regards,
Sincerely yours,

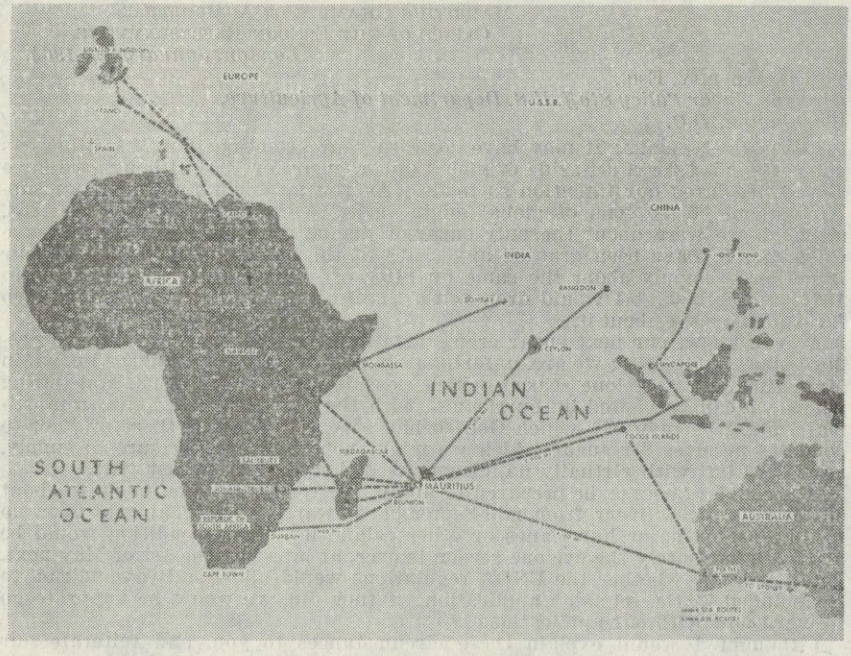
_____,
Director, Sugar Policy Staff.

The CHAIRMAN. I have just one question. What would that 1.5 amount to in tonnage?

Mr. EARNEST. About 80,000 tons, sir.

The CHAIRMAN. Thank you very much.

Mr. EARNEST. I am very liberal. I am willing to give up part for the accommodation of others.



Mr. HAGEN of California. As I gather from your statement you have about 23 estates owning a high percentage of the sugar-producing acres.

Mr. EARNEST. We have 23 estates. And in adidtion to that large acreage, about 50 percent of the acreage is owned by individuals, ranging in size from a quarter of an acre on up to rather substantial acreage.

Mr. HAGEN of California. Fifty percent is owned by 23 large estates?

Mr. EARNEST. That is correct, sir.

Mr. HAGEN of California. Where is the ownership of the estates, where does it lie, in Great Britain or where?

Mr. EARNEST. It is 100 percent in Mauritius—no outside interests at all, sir.

Mr. HAGEN of California. Of what national origin is the management? Are they natives or what?

Mr. EARNEST. They are all Mauritians.

Mr. HAGEN of California. Are they British or French, or something like that?

Mr. EARNEST. The island itself was discovered and was held and occupied by the French. Around in the 1600's they introduced sugar into the island, but it has been a British colony since the Treaty of Paris of 1814. Basically, the inhabitants are extractions of Indians, some Europeans, and a few small segments of Chinese.

Mr. HAGEN of California. You have a rather large guaranteed market in the Commonwealth at a price that you say is better than what you get—almost as good as you get in the United States?

Mr. EARNEST. It takes care, sir, of about 60 percent of our total exports, leaving 40 percent which must be disposed of elsewhere. In other words, roughly 380,000 tons under this agreement out of the total production, leaving about 300,000 tons that have to be disposed of elsewhere. This year, after making provisions for sales to some countries and some on the world market, we have 164,000 tons which we can sell to the United States of America. And this during the life of this bill it is estimated by the Chamber of Agriculture could go up to 280,000 tons.

Mr. HAGEN of California.. I would like to ask you this question, then: What limitations are there on your disposing of this elsewhere? Someone made the statement that 90 or 95 percent of sugar around the world was disposed of to various agreements. I do not know who the author of that statement was, but it was in the record here that 90 or 95 percent of the sugar was disposed of around the world by virtue of arrangements or agreements. That is the reason I ask that question.

Mr. EARNEST. The only agreement we have at all, sir, is the agreement with the Commonwealth which I have indicated gives us an outlet of approximately 60 percent of our production. All sales of sugar is handled solely—the marketing of the sugar is handled from one agency, the Mauritius Sugar Exchange, with no restraints other than the agreements that I speak of.

Mr. HAGEN of California. In other words, if you had a surplus you could sell it somewhere in the world provided you could meet the competitive price?

Mr. EARNEST. Precisely.

Mr. HAGEN of California. Why do you keep increasing your production in the face of this uncertainty in the surplus? Apparently all of these countries are doing that; increasing their production.

Mr. EARNEST. We have, as I indicated here, produced sugar. It is the only stable product which we are able to successfully produce, although some attention has been made to diversify the agricultural production, but the short answer to your question is that, unfortunately, the population increase means that unless we increase production the people cannot live. This is the short answer to your question. We have to increase production in order to cope with our ever-increasing increase in population. I suppose that is a furry statement to make, that with a density of 1,000 people per square mile, the highest density in the world with the exception perhaps of Communist China.

Mr. HAGEN of California. Apparently, all you are succeeding in doing is driving down the world price of sugar, along with other countries. And to rationalize the production in terms of the specific demand might be in order.

Mr. EARNEST. I missed the latter part of your statement.

Mr. HAGEN of California. Generally, all of these countries are doing about that. And they all have similar problems. They are all increasing their production, an increase which will cause a continuing low price.

Mr. EARNEST. To some extent this is probably true, but it constitutes 98 percent of our exports. We are a little different than many of the spokesmen who have appeared before you, in that we have been producing sugar for 300 years. Our whole economy is geared to it.

You have a lot of newcomers into this field, and a lot of people that seek to come into this market, but this has been our main source of livelihood and exports for over 300 years.

Mr. HAGEN of California. Thank you.

The CHAIRMAN. Thank you very much.

Mr. EARNEST. Thank you, Mr. Chairman.

The CHAIRMAN. We will now call on Mr. John G. Laylin, representing the Associated Sugar Producers of Colombia.

Will you introduce your associates?

STATEMENT OF JOHN G. LAYLIN, COVINGTON & BURLING, WASHINGTON, D.C.; ACCOMPANIED BY ERNEST SCHEIN, CHICAGO; AND DR. RAFAEL DELGADO BERRENECHE, ON BEHALF OF THE ASSOCIATION OF SUGAR PRODUCERS & DISTRIBUTORS, REPUBLIC OF COLOMBIA

Mr. SCHEIN. I will introduce both Mr. Laylin and Dr. Berreneche. For the record, I am Ernest Schein, of Washington and the bar of Illinois. For a long time I have represented the private Association of Sugar Producers of Colombia as a lawyer and in that behalf I made a statement at the last sugar hearings in 1962. At this time, however, my statement in behalf of the sugar producers will be made by my colleague, Mr. John G. Laylin, of the law firm of Covington & Burling, who for many years have been local counsel for the Colombia Government. He is well versed, thoroughly familiar with Colombian affairs, not only economic but social and political, and speaks with great authority.

We also have here a distinguished Colombian citizen who at this time is the executive of the Associated Producers, Dr. Rafael Delgado Berreneche. I would like to present Dr. Rafael Berreneche and Mr. John Laylin.

The CHAIRMAN. I thank you very much. We are glad to have you here. You may proceed.

Mr. LAYLIN. Mr. Chairman and members of the committee, I am speaking a little out of turn, because I should have been up with the group that is only preference, markets. We as Colombia are a member of the Association of American States, and it has no other market that it can turn to where there is a preference, so that I would like to associate myself with the remarks of Mr. Chapman and the others who spoke to this point.

The formula of the U.S. Department of Agriculture fits Colombia with particular severity. Our production has doubled since 1962, and yet the quota is cut in half. I can assure you that it was a great measure of relief when my Colombia friends heard that this committee intended to write its own criteria and that it is going to take into account every consideration that is pertinent.

Now Colombia, besides being a member of the Organization of American States, has, beginning with an unfortunate experience at the turn of the century, turned into one of the best friends that the United States has in this hemisphere. I have only worked for 30 years, but in those 30 years they have resumed the payment of their public debt that was defaulted during the depression. They have fought hard to

establish and maintain a high credit and with the great success. They have welcomed foreign capital into Colombia and have treated it fairly. Colombia is not in the list of nations that have appropriated any American property or even threatened to appropriate it.

It is well known to you gentlemen that Colombia is before most to work out a long development program that was approved by the Committee of Nine of the Organization of American States, as it is by the World Bank.

So forward looking has been their development that there is a group of nations calling themselves "The Colombia Club," that is helping them in this endeavor.

Colombia has been the recipient of very generous foreign aid both in money and in other ways.

One of the words of advice that comes from my American friends is to diversify our economy. As you know, the Colombian economy leans almost exclusively on coffee. This is bad enough in any case, but when the price of coffee fell it was disastrous.

Now they most naturally turned to the production of sugar. It can be harvested 12 months of the year in Colombia.

Coffee is grown on the hill slopes and in the floor of the valleys the sugar is grown.

Now Colombia has taken great steps to do what it calls the "democratization" of its coffee industry. It has had great success in that—such success that it has attracted the attention of the Communists, and the sugar industry is the target of the Communists in trying to disrupt the Colombian economy. It was because of this that in 1964 the Government reserved 30,000 tons of sugar against a threatened strike rather than export it to the United States, and that it was the agricultural formula hits us so badly. I can tell you that not 1 pound of sugar was shipped to any other country.

I will read the rest of my submission, because it has figures and also it will be faster. I shall begin at page 5.

The Department of Agriculture has been kind enough to give me the figures of the quotas for five countries which appear to be most comparable to Colombia. They are Brazil, the Dominican Republic, Ecuador, Mexico, and Peru. These are all fine countries and I would not wish to be understood to wish that the quota of any of them be reduced. I ask only that Colombia be treated in a manner comparable to the treatment proposed for them. The combined quota for these five countries is 1,168,593 metric tons. Their total exports in 1964 were 1,895,954 metric tons. Under the formula proposed by the Department of Agriculture their combined quotas would represent about 62 percent of their total 1964 exports. The percentage of the most favored would be over 87 percent and of the least favored 51 percent.

The year 1964, it will be recalled, was a year when there were strong temptations on the part of some producers to sell their export sugar outside of the United States. The Department of Agriculture has, in working out this formula, taken into account the sense of responsibility shown by many suppliers in continuing to supply with their available exports the U.S. market. I do not criticize this. Such a show of responsibility should, I think, be recognized. I am happy to say that in this period Colombia did not export 1 pound of sugar to any country except the United States.

Colombia's exports in 1964, however, fell well below the 45,000 tons average exported to the United States over the period 1961–62. The reason for this, as recognized by the Secretary of Agriculture, was the disturbances in Colombia which were, as you gentlemen will recall, in no small part stimulated by infiltrators from Mr. Castro's Cuba. I have already mentioned that the sugar industry has been their prime target. The Government took 35,000 tons off the market. But for that Colombia would have shipped 60,000 tons to the United States. The Secretary of Agriculture recognized that Colombia's failure to send us more was not owing to exports to the more lucrative European markets. Yet when it came to applying the formula for the act now under consideration, these considerations, perhaps unintentionally, were overlooked.

It is my thesis that it is not enough to make this correction—as indicated as it is. We are talking about quotas for the next 5 years. We are talking about the American legislation to fit into the Alliance for Progress. The emphasis is on progress, and not on looking backward.

I have mentioned that in carrying out the diversification advised by all sides, Colombia has grown sugarcane such that its exportable surplus will be 108,000 metric tons this year and 150,000 metric tons next year. Let's take an average over the next 5 years of 150,000 exportable tons and let us compare this with the countries most comparable to Colombia, and see how Colombia comes out. I do not have their 1965 figures, but the 1964 ones have been published.

It will be remembered that their combined quotas represent roughly 62 percent of their total 1964 exports, and the quota of one is over 87 percent of that, and the lowest is 51 percent. Under the formula the Colombian quota is less than 24 percent of this year's exportable production. Twenty-four percent for Colombia as against 87 percent for a neighboring country and an average of 62 percent for the five most comparable countries. This is less than one-half of the average. Surely this would not have been intended. Looking forward to the next 5 years, the quota would be less than 17 percent of the exportable tonnage.

Let me tell you what would happen to Colombia if it were limited to such a quota. It would mean bankruptcy for the sugargrowers. Their return from sales in the world market cannot even cover the costs of production. Many of the growers are small farmers. The attempts to democratize the sugar industry by allowing its farmers to have sugar marketed for them individually would be paralyzed. There would be unemployment in the mills and in the fields. The political and social unrest in the sugargrowing areas largely dissolved by the growing of the sugar industry, would revive. Inevitably Castro and the Communists would follow. It would mean, then, the destruction of everything that the Alliance for Progress has wrought in Colombia. It would mean the fall of the country which is the acknowledged leader in fulfilling the objectives of the Alliance.

I am not a pessimist and I cannot believe that this committee will approve quotas that will give 87 percent to one country and only 17 percent to its neighbor. Colombians did not fight in Korea in order to have a high sugar quota, but this committee is not going to do this to a country whose soldiers fought side by side with ours.

By the way, it was the only Latin American country whose soldiers did fight with us in Korea.

For the reasons I have mentioned I am sure that the committee will wish to treat Colombia as well as its neighbors. Colombia's quota certainly should not be less than the average of those countries; that is, 60 percent of its exportable production. On this basis, the quota for the next 5 years should average 90,000 metric tons.

At the very least, however, Colombia's percentage of the total foreign non-Philippine supply of sugar to the United States should not be reduced below that in the 1962 act. It was, in 1962, 1.06 percent; it has been cut in the administration bill to 0.52 percent. We do not want more than anyone else but we want as much.

Thank you.

The CHAIRMAN. I think that is a very fine statement. I assure you that the committee will give careful consideration to your suggestions. I think that, as I said in the beginning, this formula which was arbitrarily picked by the Department, certainly will result in some people being punished and others being rewarded. I am sure that the committee will have to make some adjustments in the suggested formula.

Thank you again very much.

Mr. LAYLIN. Thank you.

The CHAIRMAN. We have one more witness. But before calling that witness I want to ask unanimous consent to put into the record at this point a breakdown of the recommendation of the Department of Agriculture. We now have this in tons. If any member wants a copy, Mrs. Gallagher will make it available.

(The document referred to follows:)

Sugar quotas [1] of foreign countries under H.R. 10496 at sugar requirements from 9,700,000 to 10,400,000 tons

[Short tons, raw value]

Country	9,700,000	9,800,000	9,900,000	10,000,000	10,100,000	10,200,000	10,300,000	10,400,000
Mexico	390,135	405,580	422,756	440,203	457,652	475,115	492,576	510,038
Dominican Republic	385,854	401,130	418,117	435,372	452,631	469,901	487,171	504,440
Peru	240,824	250,359	260,960	271,730	282,502	293,281	304,059	314,838
Brazil	221,558	230,329	240,084	249,991	259,901	269,818	279,734	289,651
British West Indies	122,017	126,849	132,220	137,676	143,135	148,595	154,057	159,518
Argentina	63,685	66,205	69,009	71,858	74,706	77,556	80,407	83,258
Ecuador	49,770	51,740	53,932	56,158	58,383	60,611	62,839	65,067
Nicaragua	40,672	42,282	44,073	45,892	47,712	49,532	51,352	53,173
Guatemala	35,321	36,719	38,275	39,853	41,434	43,014	44,595	46,176
Costa Rica	34,786	36,163	37,695	39,250	40,806	42,363	43,920	45,477
Colombia	27,829	28,930	30,155	31,400	32,645	33,890	35,136	36,381
Haiti	18,731	19,472	20,297	21,134	21,972	22,811	23,649	24,488
El Salvador	17,125	17,804	18,558	19,324	20,089	20,856	21,622	22,388
Panama	14,449	15,021	15,658	16,303	16,950	17,597	18,244	18,890
British Honduras	4,281	4,450	4,639	4,831	5,022	5,214	5,405	5,597
Venezuela	2,676	2,782	2,899	3,019	3,139	3,259	3,378	3,499
Australia	186,772	194,167	197,049	199,039	201,029	203,019	205,009	206,999
India	96,865	100,700	104,964	109,295	113,629	117,964	122,299	126,635
South Africa	96,865	100,700	102,188	103,228	104,268	105,308	106,348	107,388
China, Republic of	67,431	70,100	73,069	76,085	79,101	82,119	85,137	88,154
France, French West Indies, Reunion	50,841	52,521	52,521	52,521	52,521	52,521	52,521	52,521
Fiji Islands	45,489	47,290	49,292	51,327	53,361	55,397	57,433	59,469
Mauritius	14,985	15,578	16,238	16,908	17,577	18,249	18,919	19,590
Southern Rhodesia	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Swaziland	9,098	9,458	9,858	10,265	10,673	11,079	11,487	11,894
Malagasy Republic	7,492	7,789	8,118	8,454	8,789	9,124	9,460	9,794
Ireland	2,141	2,226	2,320	2,415	2,511	2,607	2,703	2,798
Belgium	1,605	1,669	1,739	1,812	1,866	1,866	1,866	1,866
Turkey	1,605	1,669	1,739	1,812	1,883	1,955	2,027	2,099
Total foreign, except the Philippines	2,260,000	2,349,140	2,438,280	2,527,420	2,616,560	2,705,700	2,794,840	2,883,980
Republic of the Philippines	1,050,000	1,060,860	1,071,720	1,082,580	1,093,440	1,104,300	1,115,160	1,126,020
Total	3,310,000	3,410,000	3,510,000	3,610,000	3,710,000	3,810,000	3,910,000	4,010,000

[1] The quota shown for the Republic of the Philippines is its own. For other countries, 42.23 percent of the amount shown represents its own quota and 57.77 percent represents its participation in the Cuban reserve.

NOTE.—Subject to (1) reduction for any increases in offshore domestic area quotas pursuant to sec. 202(a)(2)(B) of the act, and (2) increases (in the form of quota revision or allocations) resulting from the reallocation of deficits.

The CHAIRMAN. Now I will call Mr. Seymour S. Guthman, representing the Sugar Producers of the Malagasy Republic.

We will be glad to hear from you now.

STATEMENT OF SEYMOUR S. GUTHMAN, ON BEHALF OF THE SUGAR PRODUCERS OF THE MALAGASY REPUBLIC; ACCOMPANIED BY A. M. PROSTERMAN

Mr. GUTHMAN. Mr. Chairman and members of the committee, my name is Seymour S. Guthman. I am a lawyer with offices here in Washington. At my right is Mr. Albert M. Prosterman. I have requested the privilege of appearing at this hearing on behalf of my client, the Sugar Producers of the Malagasy Republic, often called Madagascar, with a request that the Congress of the United States consider granting a substantially higher quota to the Republic of Malagasy than was recommended by the U.S. Department of Agriculture. My client believes that the actual record justifies a higher figure. In support of this request a detailed statement has been prepared and submitted to the committee and it will be appreciated if the same could be included in the record as part of our presentation.

The CHAIRMAN. Yes, sir; without objection, that will be included in the record at the conclusion of your statement.

Mr. GUTHMAN. With your approval, I should like to take a few minutes of your time this afternoon to emphasize the highlights of this presentation.

On November 5, 1963, when there was a world shortage of sugar and U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter stated that the response would be given consideration in recommending new quotas under future sugar legislation.

Without hesitation, 11,500 tons of sugar was offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done—I wish to emphasize this point—even though world sugar prices were higher than U.S. prices. Thus, this action meant a potentially serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help the United States to the maximum of its ability at a time of our Government's need.

In 1955, when the situation had changed, making it advantageous to ship sugar to the United States, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. A similar quantity was recommended by the administration on August 15, 1965, for the following year. This figure was based on the 11,550 tons actually accepted and shipped in 1964.

It was far less than the quantities the Malagasy Republic held for the United States in 1964. If the U.S. administration had based its quota computations on the 17,000 tons held for the United States in

1964, the quota would have come to 11,500 tons, or a full cargo, which represents important savings in shipping.

I would now at this point like to say just a few words about this country. The Malagasy Republic achieved independence in 1960. It has a stable, democratic government with universal direct suffrage. In international affairs it has identified and alined itself with the principles and goals of the free, democratic world. Its 6 million people occupy the world's fourth largest island comprising 228,000 square miles. It is off the east coast of Africa and is considered to be a part of Africa.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar.

The Malagasy Republic is the only newly independent country of Africa that is now participating in the sugar trade of the United States. It is our understanding that many observers believe that our Government's response to this modest request for a sugar quota for the Malagasy Republic will be considered as an indication of the way in which the United States intends to deal with the serious economic problems of Africa.

For the reasons stated in this brief presentation and more elaborately set forth in our detailed statement, it is respectfully urged that consideration be given to granting quotas in accordance with the sacrifice and goodwill evidenced in 1963 and 1964, rather than by use of a mathematical system alone which, no matter how carefully considered, cannot reflect the true state of affairs.

We respectfully submit that a quota of 11,500 tons based on the actual offering of 17,000 tons in response to the United States request in 1963 would be the minimum based on the actual mathematical formula used by the administration. In fact, the extent and relative magnitude of the Malagasy Republic's sacrifice in this regard would justify a much higher quota.

I greatly appreciate and thank the committee for granting me the time to make this presentation.

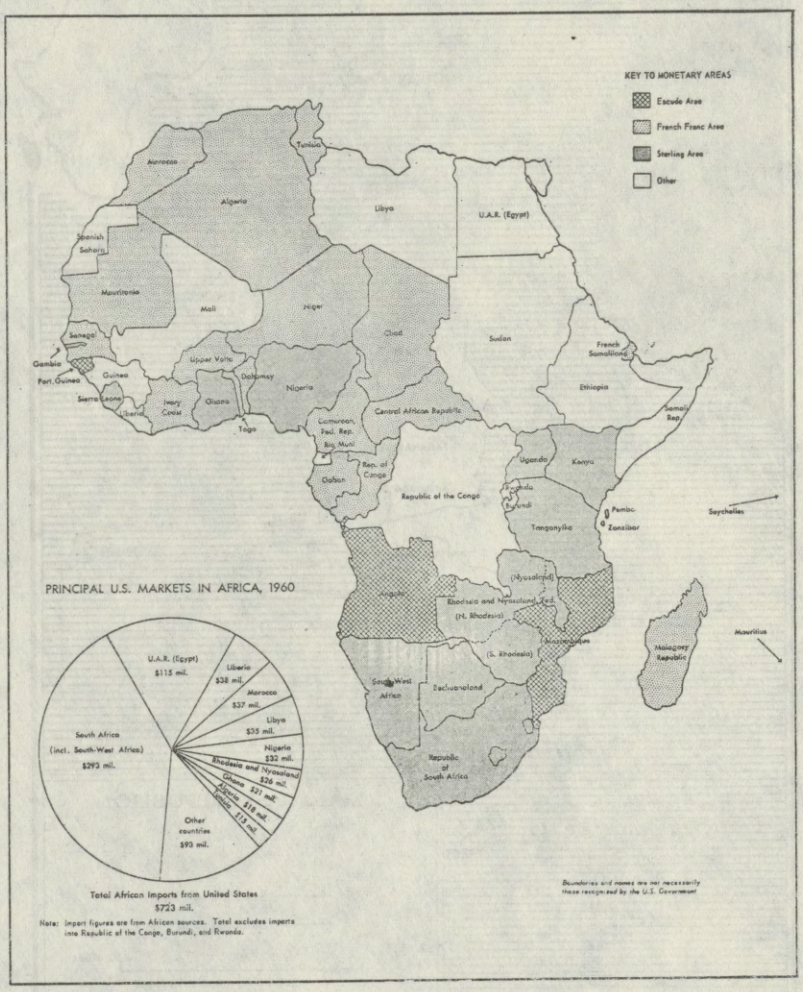
Thank you.

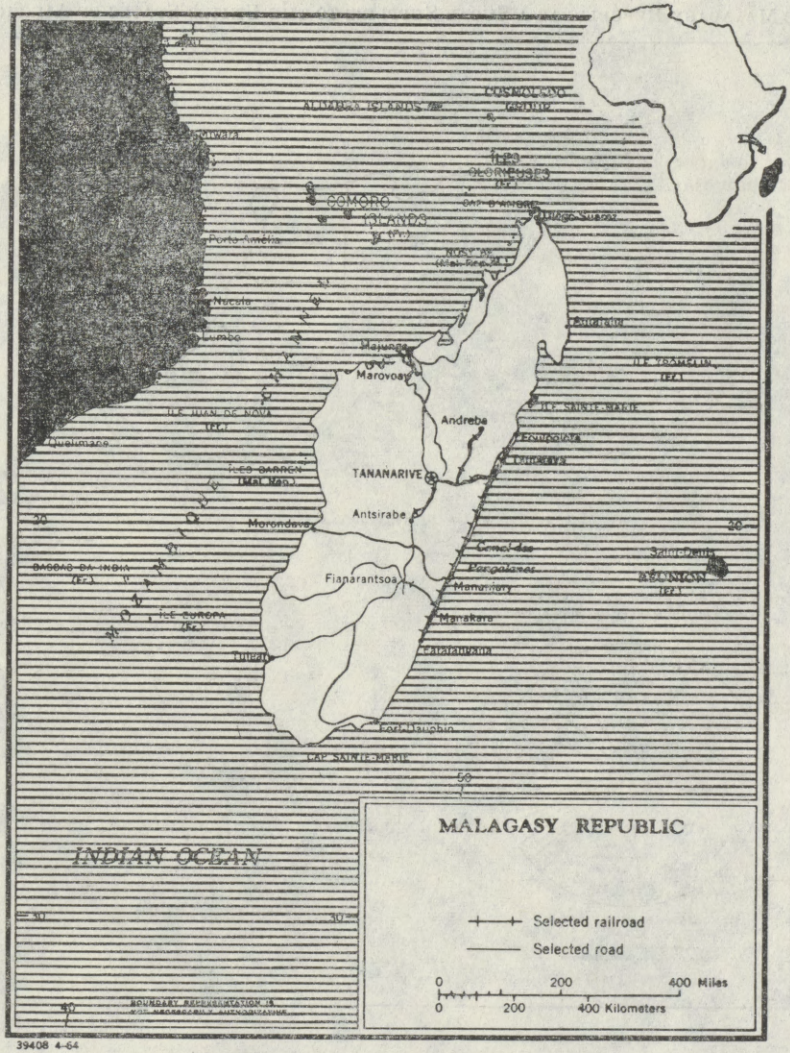
The CHAIRMAN. We thank you very much for your fine statement. It will certainly be considered by the members as we go into executive session.

Mr. GUTHMAN. Thank you. We are very glad to have had you here.

(The document entitled "The Malagasy Republic as a sugar supplier to the United States of America" follows:)

THE MALAGASY REPUBLIC AS A SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA





SUMMARY

The U.S. sugar needs

On November 5, 1963, when there was a world shortage of sugar and the U.S. sugar supply from foreign sources was in doubt, the U.S. Department of State sent a letter to the Foreign Minister of the Malagasy Republic asking the Malagasy Republic to ship sugar to the United States during 1964. The letter indicated that the response would be given consideration in establishing new quotas under future sugar legislation.

The Malagasy Republic responded quickly and generously

Without hesitation, 11,500 tons of sugar were offered to the U.S. market in November of 1963 and shipped in 1964. Subsequently, in April of 1964, an additional 5,500 tons were offered, for a total of 17,000 tons—more than one-quarter of this country's export supply.

This was done even though world sugar prices were higher than U.S. prices. Thus, this action meant a serious financial loss to the Malagasy Republic.

In the sugar field, the Malagasy Republic, unlike many other countries, did not have a "historic obligation" to the United States, yet out of friendship it chose to help.

In 1965, in recognition of the Malagasy Republic's response to U.S. needs in the prior year, the U.S. administration assigned the Malagasy Republic an entitlement to export 7,586 tons of sugar to the United States. This entitlement was far less than the quantities the Malagasy Republic held for the United States and shipped in 1964. It, in fact, was only a partial cargo, involving additional shipping costs.

Malagasy Republic is a new independent African nation

This country achieved independence in 1960. It has a stable, democratic government with universal direct suffrage. In international affairs the Malagasy Republic has identified and alined itself with the principles and goals of the free, democratic world.

Its economy, which is based essentially on agriculture, depends quite heavily on expanding its exports of sugar, coffee, vanilla, and spices. The United States is the Malagasy Republic's second largest trading partner. Between 1960 and 1964 U.S. exports to the Malagasy Republic almost doubled.

Position of Malagasy Republic

The Malagasy Republic is the only newly independent country of Africa that has participated in the sugar trade of the United States. It believes that the U.S. response to its modest requests will be interpreted by other African countries as an indication of the way in which the United States intends to deal with the serious economic problems of Africa. For this reason it is urged that serious consideration be given to granting quotas in accordance with the good will evidenced, rather than by use of a mathematical system alone which, no matter how carefully weighted, cannot reflect the true state of affairs.

Accordingly, it is requested that the Government of the United States consider granting a minimum yearly quota of three cargoes of sugar, totaling 30,000 short tons, raw value.

MALAGASY REPUBLIC, SUGAR SUPPLIER TO THE UNITED STATES OF AMERICA

GENERAL

The Malagasy Republic, often called Madagascar, is the world's fourth largest island. It has an area of 228,000 square miles and is approximately the size of France, Belgium, and Holland combined. It is less than 200 miles from the coast of East Africa and is considered, for all practical purposes, as part of Africa. The Malagasy Republic in 1964 had a population of 6 milion. Its economy is based primarily on production of agricultural commodities and related processing industries such as sugar factories, meat and fruit canneries, soap factories, and so forth. Other types of industries are beginning to emerge such as assembly plants in the electrical and automotive fields, textile clothing, and plastics.

POLITICAL AND ECONOMIC

This country achieved full independence on June 26, 1960—it had been for a number of years a colony of France. It retains many of its old commercial ties, but has been steadily expanding its political and commercial relationships with other countries in the free world. Its main products are coffee, vanilla, sugar, pepper, cloves, and rice. It is one of the largest African and world producers of coffee. It is also a significant producer of sugar, with approximately 125,000 tons of sugar per year. It has additional land suitable for production of sugarcane and has been seeking to expand its market in this area to provide sustenance for its growing population.

The Malagasy Republic has a stable democratic government. It has universal direct suffrage. Since its independence in 1960 its emergence into the status of political independence has been characterized by stability and responsibility. There have been no revolutions, no uprisings, and the transition to independence has been achieved in an orderly manner.

RELATIONSHIPS WITH THE UNITED STATES

There have always been close and warm political and trade relations between the Malagasy Republic and the United States. The Malagasy Republic, especially since achieving independence, has endeavored to identify itself with the hopes and aspirations of the entire free, democratic world.

Its activities in the United Nations and its regular and unceasing concern with such matters as the Atomic Test Ban Treaty, the recognition of various countries of the world have been of a nature so as to win for itself within the United States a reputation of being "most coperative."

The Malagasy Republic has been one of the major offshore elements in the satellite tracking station complex that the United States has established throughout the world and this participation has continued despite a great deal of misunderstanding as to the purpose of such stations.

EDUCATION

The Malagasy Republic's educational system is moving toward complete literacy. The new University of Madagascar is at the head of a public system of 150 technical schools, 38 secondary schools, and 2,500 primary schools with a total enrollment of just under 500,000. There are a number of private schools and many of the Republic's more than 2 million Christians are also trained in church primary, technical, and agricultural schools.

The literacy rate in the Malagasy Republic is one of the highest among the African nations—an overall rate of 35 to 40 percent, and as high as 60 percent in Tananarive.

FOREIGN TRADE

Madagascar's foreign trade, imports and exports, is in good part with France. However, the second largest country trading partner of Madagascar is the United States. Since independence in 1960, U.S. exports to Madagascar have expanded dramatically. In 1960 U.S. exports to Madagascar were valued at $2,491,391—in 1964 U.S. exports almost doubled, to slightly over $3,950,000. This expansion of trade to Madagascar has occurred both in the industrial area and for U.S. surplus agricultural commodities. This major expansion in export trade took place while U.S. imports from Madagascar were expanding also, but at a lesser rate of increase.

SUGAR ECONOMY OF THE MALAGASY REPUBLIC

Madagascar sugar production has expanded significantly since 1954. The country now has not only become self-sufficient, but has started exporting significant quantities of sugar. Sugarcane is grown throughout the island, but its industrial production is limited to several growing regions in the west (Namakia, near Majunga), the northwest (Ambanja, the island of Nossi-be, and Ambilobe), and on the east coast (Brickaville and Tamatave). The cane is processed in factories at Namakia, Nossi-be, Ambilobe, and near Brickaville. Significant quantities started to be exported in 1957. Of its current 125,000 short tons of production 77,000 to 80,000 short tons of raw sugar is now normally exported to European countries, France, and other areas, including Africa and recently the United States (in 1964).

Malagasy Republic sugar production exports consumption, 1955–64

[Thousands of short tons, raw value]

Year	Production	Exports	Consumption
1955	37	3	22
1956	51	1	24
1957	65	12	25
1958	77	45	26
1959	72	36	29
1960	96	48	31
1961	97	51	39
1962	96	66	43
1963	125	77	42
1964	84	77	48

Source: International Sugar Council Statistics and Publications.

MADAGASCAR SUGAR AND THE U.S. MARKET

Before 1964, however, the Malagasy Republic was not permitted to export sugar to the United States, though it was most anxious to do so. This interest of course was heightened by the fact that the U.S. price between 1957 and 1963 averaged 2½ U.S. cents a pound higher than the world price.

In early 1963 the price situation reversed itself. The world price started to climb and then exceeded the U.S. price. It became disadvantageous pricewise to sell to the United States. In November this disadvantage was at its greatest. As the chart shows, the U.S. price in November 1963 was 3.23 cents a pound lower than the world price. It was then that Madagascar was first permitted to export to the United States.

U.S. SUGAR SUPPLY SITUATION 1963 AND 1964

The U.S. supply of sugar was in some difficulty as a result, since the United States normally depends on foreign countries for up to 45 percent of its supply and most foreign sources were tempted by the higher world market prices.

However, since most of the foreign countries which normally supplied the United States had had the advantage of the many previous years when the U.S. price was higher than the world, it could have been expected that they would continue to sell to the United States even in a period of price disadvantage. In early November 1963, the U.S. Department of State sent letters to most of the sugar-producing countries of the world, including one sent on the 5th of November 1963 to the Foreign Minister to the Malagasy Republic, asking whether they could ship sugar to the United States during 1964. The letter stated that the United States would give consideration in establishing its new quotas in the new sugar legislation to the amounts that were offered and shipped to the United States as a result of this letter.

MALAGASY REPUBLIC RESPONSE TO U.S. REQUEST

The Malagasy Republic's response to this letter was quick and, in view of the circumstances, generous. At the time that this request was made the U.S. price for sugar was $9.34 per hundred pounds and the world price was $11.63 per hundred pounds. If we reduce the U.S. price by duty and by shipping costs to the United States since Madagascar could have sold sugar at the world price to markets in the nearby area, the differential between what the United States would pay and what Madagascar could get elsewhere would have been up to $4 per hundred pounds.

At that time it was by no means clear that a differential in favor of U.S. prices would ever be reestablished. Yet without hesitation, in December 1963, 11,550 tons of sugar were promised to the U.S. market. In late April, when a differential in favor of the world market still existed, Madagascar offered an additional 5,500 tons of sugar to the United States for a total commitment of 17,000 tons, more than one-quarter of its export supply. In the context of today's sugar market, these commitments perhaps may not seem important; however, in late 1963 and early 1964, it seemed to observers, based on actual trading in the futures market, that the U.S. price for sugar would continue to be lower than the world market price for some time to come, possibly for many years. For a country with such limited financial resources to devote more than 25 percent of its exportable sugar to the U.S. market at such a time was a remarkable decision, especially when it meant a sacrifice of almost 50 percent of the net revenue that it might overwise have expected.

While Madagascar's decision was made with some expectation that it would thereby be enabled to expand its trade with the United States, the most important impetus was a feeling of friendship and a desire to establish closer economic and political ties with the Western Hemisphere.

RESPONSE OF OTHER COUNTRIES

As stated, it is understood that similar requests were made by the United States to every sugar-producing country in the world with the exception of those behind the Iron Curtain, and Cuba. The Malagasy Republic is not, of course, in a position to know what the responses were, but the record of what actually happened in 1964 speaks for itself. A few highlights from the actual record should be noted:

In all, in 1963, 31 countries had exported sugar to the United States. As exporters of sugar to the U.S. market, all of these countries had benefited in the

past by the favorable price situation in the United States as compared with the world market. For most of these countries such price benefits had existed since 1960 and for some of the countries for many, many more years.

Of the 31 countries which supplied sugar to the United States in 1963 and prior years, only 8 increased their exports in 1964 to the United States, presumably in response to this urgent appeal.

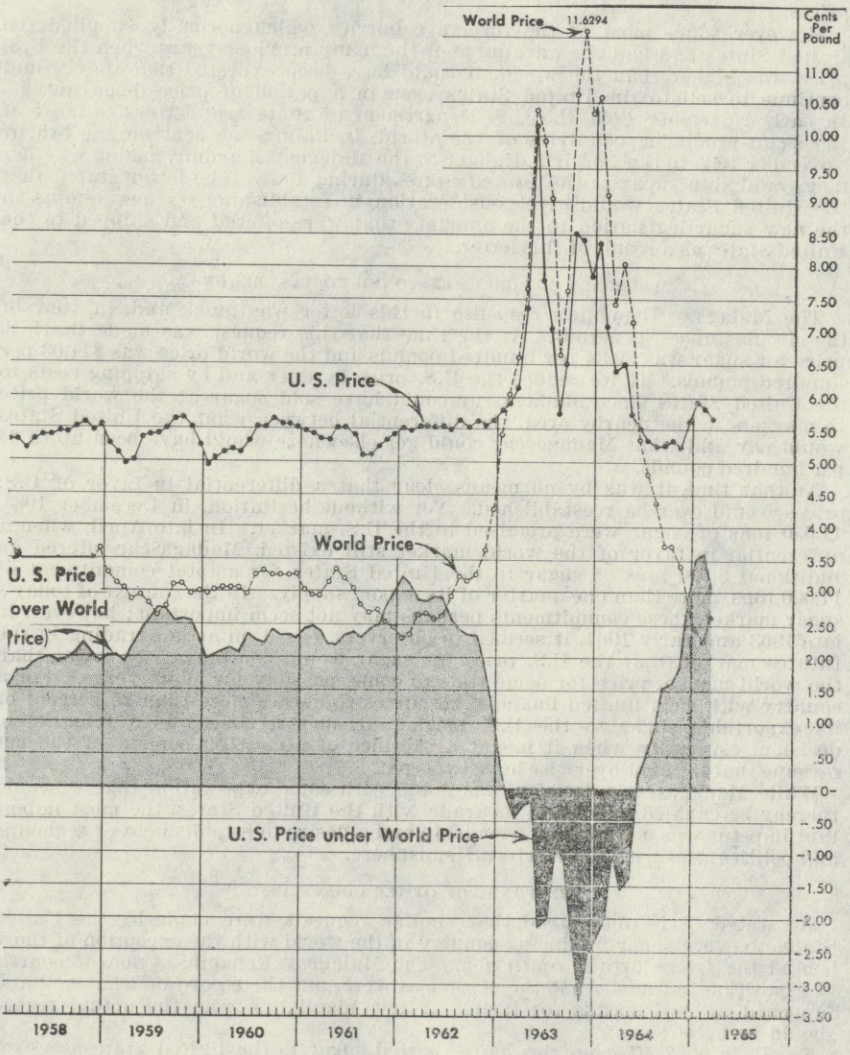
Of the eight countries which increased exports to the United States only two supplied more than fractional increases in 1964 over 1963.

Several countries which had supplied sugar in 1963 supplied nothing in 1964.

One country, Mexico, increased its exports in 1964 compared to 1963 by a substantial quantity from approximately 379,000 to 491,000 tons.

One country, the Malagasy Republic, had never supplied sugar in prior years, had no history of advantageous sales to the United States in the past, yet volunteered to export sugar to the United States in 1964.

It is possible, of course, that many of the countries who in effect failed to respond to the U.S. plea, failed to do so because of hurricanes and natural



disasters or crop failures, and were not in a position to expand exports. However, it is worth noting that a number of such historic suppliers to the U.S. market not only chose 1964 as a year in which to decrease their exports to the United States but also as a year in which to expand their exports to other markets.

POSITION OF MALAGASY REPUBLIC

The Malagasy Republic, has no quarrel with any other country as a supplier of sugar. It wishes only to point out that in the sugar field, the Malagasy Republic did not have an obligation to the United States, yet out of friendship chose to help.

Madagascar is the only newly independent country of Africa that participates in the sugar trade of the United States. While Africa as a whole is not yet as important a sugar-producing area as others, it has plans for expansion of agriculture in the direction. There are a number of sections of Africa that are well suited to the production of this important commodity and Africa as a whole is developing its agriculture rather later than most of the countries of Latin America and the Far East. While in no way wishing to challenge the position of those countries that have had long and remunerative trade relationships with the United States, it is felt that the ability of Africa to participate in such an important market as the U.S. sugar market should not be hampered by the lack of a history of having exported such a commodity in the past, when in fact this important area has not been in a position to develop its ability to produce such commodities until very recently

The Malagasy Republic feels that it is representative of Africa and that the U.S. response to its very modest requests will be interpreted by the other African countries which are producers of raw materials and agricultural materials, as an indication of the way in which the United States intends to deal with the serious economic problems of this area. For this reason it is urged that serious consideration be given to granting quotas in accordance with intent and rare good will evidenced by the Malagasy Republic rather than by using a rare mathematical system which, no matter how carefully weighted, cannot reflect the true state of affairs.

THE MALAGASY REPUBLIC REQUEST

Accordingly, the Malagasy Republic requests that the administration and the Government of the United States considered granting a minimum quota to the Malagasy Republic of three cargoes of sugar, totaling 30,000 short tons, raw value.

A further consideration is the possibility of imposition of a fee by the U.S. Government to recapture the difference between the world price and the U.S. price. While this may have a certain merit, from the point of view of the suppliers of sugar to the United States who are very close in time and distance to the United States, the imposition of such a fee presents serious difficulty for the Malagasy Republic.

U.S. sugar receipts from foreign countries

[Short tons, raw value]

	1963	1964		1963	1964
Argentina	228,573	19,828	India	118,969	110,562
Australia	223,593	216,705	Ireland	9,982	
Belgium	7,364	5,192	Madagascar		11,569
Brazil	469,833	183,708	Mauritius	66,617	
British Honduras	1,712	6,006	Mexico	379,371	490,843
British West Indies	141,359	142,212	Nicaragua	38,402	50,351
China, Republic of	71,272	81,166	Panama	10,225	19,276
Colombia	45,028	28,304	Paraguay	4,689	
Costa Rica	40,649	40,537	Peru	413,431	235,000
Dominican Republic	590,005	411,501	Philippines	1,194,847	1,216,247
Ecuador	56,491	57,931	Reunion	20,870	
El Salvador	18,967	20,582	South Africa	132,282	119,957
Fiji Islands	48,573	54,491	Southern Rhodesia	10,598	10,271
France	38,583	5,343	Turkey	13,619	
French West Indies	94,312	37,194	Venezuela	11,916	4,289
Guatemala	51,059	37,747			
Haiti	40,433	15,028	Total	4,593,624	3,631,840

Source: Sugar Report No. 153, February 1965.

U.S. dollar exports to Malagasy Republic, 1960–64

Item	1960	1961	1962	1963	1964	Percent change 1964 over 1959
Food and live animals including milk and cream, cereal preparations and fruit preparations	$833	$62,348	$187,530	$206,929	$322,318	38,859
Tobacco and beverages	52,832	39,306	46,943	89,539	131,685	+149
Crude materials, inedible mostly textile fabric waste	828,579	209,285	192,966	120,073	18,302	−97
Mineral fuels, lubricants and related products (mostly petroleum)	100,652	401,150	358,703	113,693	220,885	+119
Chemicals including paints and drugs	23,502	20,809	43,366	77,554	52,693	+124
Manufactured goods including hand tools, rubber products, madeup textiles, and iron and steel products	58,015	85,567	45,072	78,682	174,377	+200
Machinery and transport equipment including agricultural machinery, machinery for special equipment, road motor vehicles, aircraft and electrical machinery	1,371,640	1,344,238	1,675,012	2,485,664	2,468,844	+80
Manufactured articles including furniture, instruments, and printed matter	22,179	45,366	44,113	48,150	49,237	+122
Special shipments	33,159	48,136	164,027	197,801	512,095	1,328
Total, U.S. exports to Malagasy	2,491,391	1,895,205	2,757,732	3,418,085	3,950,436	+58

The CHAIRMAN. I would like to insert into the record without objection, on behalf of the Swaziland Sugar Association a statement submitted by them and I want also to insert into the record, without objection, a letter with attached statements for Carlos Sanz de Santamaria, chairman of the Inter-American Committee on the Alliance for Progress.

(The documents referred to follow:)

STATEMENT OF THE SWAZILAND SUGAR ASSOCIATION

Swaziland is a small developing country, 6,705 square miles in area, lying between the Transvaal Province of South Africa and Mozambique (or Portuguese East Africa). The population is approximately 288,000, of which 277,000 are Africans coming almost entirely from one tribe—the Swazi; 8,000 are of European descent; and just under 3,000 are of mixed race. The country is unmarked by racial strife and promises to be a symbol of rational and progressive development among the emerging independent nations of Africa.

Swaziland is now a British protectorate and is making rapid progress toward independence. There is already an elected Legislative Council, the majority of whose members are African. The ruling party whose supporters won all the seats in the election last year is conservative in outlook and anxious to see further development of the economy so that viable independence will be achieved. Independence is expected within a year and certainly will be achieved during the currency of this new U.S. sugar legislation.

The sugar industry which started in 1958 is now the largest and most important industry in Swaziland. Its members employ some 10,000 persons, or more than any other single industry. Sugar exports from Swaziland represent in value approximately 40 percent of total exports. Employment of agricultural and industrial workers by the sugar industry provides an excellent means of enabling Swazi to become skilled workers. Swazi are already operating caterpillar earth-moving machinery used extensively in the industry, driving heavy trucking equipment, and operating the complicated machinery in the sugar mills. In addition, Swazi are employed for clerical and other administrative duties. It

is readily apparent that the sugar industry is a most vital factor in the economy of Swaziland.

In 1965 Swaziland was allocated a quota of 9,300 tons in the U.S. market. Prior to 1965 and since 1958, Swaziland's sugar production was integrated with that of South Africa under an intergovernmental agreement whereby South Africa undertook to provide markets for all Swaziland's production be restricted to a maximum tonnage. Beginning in 1964 the production limitation was changed to an 8½-percent share of the combined local and export markets of South Africa and Swaziland. Under the agreement, all export sugar was marketed by the South African Sugar Association in its own name. Thus, Swazi did not appear as a separate entity in international sugar trade. As a consequence, Swaziland was not specifically referred to in the Sugar Act Amendments of 1962. Its participation was reflected, however, in the quota allocated to South Africa in those amendments.

In response to the emergency requirements of the United States in 1963 and 1964, South Africa shipped additional tonnages of sugar which were, in part, available because of the contribution from Swaziland's production to South Africa's general export availability.

By mutual agreement these arrangements, whereby South Africa was responsible for marketing Swaziland sugar, were terminated on December 31, 1964. Now South Africa is no longer in any way responsible for providing markets for Swaziland sugar; Swaziland is now on its own, an entity in the world sugar market. Since Swazi's own local consumption is only some 8,000 tons, the Swaziland sugar industry is now entirely dependent upon exports. It is only in the context of the Commonwealth Sugar Agreement that Swaziland has any other assured outlet for a proportion of her export availability.

Swaziland's independent position was recognized by the U.S. Department of Agriculture when the quotas for 1965 were determined and Swaziland was allocated 9,300 tons. This represented an 8½-percent share of the combined total of 109,408 tons allocated to Swaziland and South Africa. This action, coming as it did from the first foreign country to establish a consulate in Swaziland, was particularly welcome as evidence of U.S. interest and confidence in the future of the country.

Swaziland now urges the Congress to reaffirm this interest by the allocation of a quota to Swaziland of at least 9,300 tons. In fact, Swaziland respectfully urges that its quota be moderately increased, if possible, to 15,000 or 20,000 tons.

The current 1965–66 crop is expected to produce about 150,000 tons. The estimated production from existing developed caneland in 1966–67 will be on the order of 180,000 tons. A quota in the U.S. market provides a stable outlet at a satisfactory price which is necessary for stability in the industry—particularly in a producing country which, like Swaziland, consumes such a small proportion of its own production.

From a purely commercial viewpoint, a modest increase in the present quota would facilitate shipping arrangements since a quota of 9,300 tons represents only a partial normal cargo load and is less economical to ship. An increased quota, as is urged, would be help in the form of trade to help Swaziland help itself. It would encourage this emerging African nation—soon to become independent—which has already shown every sign of developing in a sensible, responsible, and democratic fashion in the heart of Africa.

Respectfully submitted.

ROBERT D. LARSEN,
Washington, D.C.

(Robert D. Larsen is a registered agent under the Foreign Agents Registration Act of 1938, as amended, for the Swaziland Sugar Association, Post Office Box 445, Mbabane, Swaziland, South Africa. A copy of the foregoing is being filed with the Registration Section and said filing is not to be regarded as an indication that the U.S. Government has approved the foregoing.)

ORGANIZATION OF AMERICAN STATES,
PAN AMERICAN UNION,
Washington, D.C., August 18, 1965.

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

MR. CHAIRMAN: In accordance with our recent conversation concerning the sugar problem and its implications for the Latin American members of the Alliance for Progress, I have the honor of submitting for your consideration and that of the Committee on Agriculture which you chair, the enclosed statement of my views on the matter. The document has been prepared in response to discussions and recommendations made at the second meeting of the sugar authorities of the member countries of the Organization of American States, held in Washington, D.C., last April, but represents views for which I alone assume responsibility.

It would have been a great pleasure for me to appear personally before your committee, in order to make known to you and your members the interest of the Latin American countries on this subject. However, because of the postponement of the public hearings from the original date set, unfortunately I am unable to attend personally during the new dates because of previous commitments abroad. Therefore, may I request, if possible, that my statement be included in the official record of the Hearings.

Sincerely yours,

CARLOS SANZ DE SANTAMARIA,
Chairman, Inter-American Committee on the Alliance for Progress.

STATEMENT BY CARLOS SANZ DE SANTAMARIA, CHAIRMAN OF THE INTER-AMERICAN COMMITTEE ON THE ALLIANCE FOR PROGRESS

INTRODUCTION

I have the honor of submitting this document for consideration by the Congress of the United States of America. It sets forth the principal elements underlying the position of the Latin American sugar-producing countries regarding proposed new U.S. sugar legislation.

The discussion commencing now on legislation to regulate U.S. sugar production and trade gives this Congress an extraordinary opportunity to affirm once again the desire of this country's legislative and executive authorities to support and encourage the Alliance for Progress.

The Congress is now facing the responsibility of legislating in an area involving simultaneous consideration of the reasonable interests of the domestic producer, the legitimate rights of the American consumer, and this country's commitments in its decision to aid fellow members of the inter-American system.

Thus, whether this country's new sugar legislation initiates a new era in hemisphere relations will depend upon the good judgment with which the problem of reconciling these factors is met.

The Charter of Punta del Este sets forth two points which, because of their great importance, merit special mention: the need to stimulate the Latin American countries' economic development in order for them to achieve better living conditions for their people, and the importance of foreign trade as a dynamic factor in sustaining this development.

The fact that the Charter of Punta del Este recognizes the importance of foreign trade in the Latin American development process evidences the concern of hemisphere governments with an aspect of the problem-ridden Latin American economy, which for several years has been acquiring evermore alarming features. Indeed, despite the need to meet the requirements of higher living standards for rapidly growing populations, one of the decisive factors for strengthening the economic base upon which improvements must be founded—i.e., export revenues—is growing very slowly. In fact, between 1953 and 1963, the value of Latin American exports increased by 2.8 percent per annum, while the rate for the other developing countries was 5 percent, that of the developed countries was 6.8 percent, and the world rate was 6.2 percent.

The seriousness of these divergent growth rates is dramatized by the fact that, as a result, Latin America has been unable to share in the marked expansion of world trade that has taken place over the same period. On the contrary, the region's participation in total world trade fell from 9.4 percent of the total

in 1953 to 6.8 percent in 1963. Participation by the developed countries, on the other hand, climbed from 72.5 to 77.1 percent.

This state of affairs has been brought about by both internal and external causes. The former include certain structural deficiencies in the economies, which, in the short run, Latin America is unable to correct for lack of resources. Only a substantial increase in export revenues would permit the adoption of necessary remedial measures.

Among the external causes, particular significance attaches to the consequences of policies persued by certain developed countries in regard to the production and marketing of agricultural commodities. In this respect, not only the subsidization of uneconomical agricultural production, but also the granting of discriminatory preferences to certain countries or groups of countries, have tended to restrict the possibilities for Latin American exports.

The matter that concerns us here, which is the Latin American sugar trade, is no exception to the overall picture sketched above. As with many other basic commodities, Latin America is an efficient sugar producer, with particularly suitable soil and climate, a long tradition in this branch of agricultural production, large investments in equipment and facilities, and a longstanding command of mill operation techniques.

In spite of this favorable position, the region is unable to take firm advantage of it, because of the existence of various restricted markets organized to protect the domestic production of certain developed countries or that of exporting countries associated with them.

Under these circumstances, the U.S. market has special significance for Latin America. Such will be the case until the establishment, on a worldwide scale, of an arrangement allowing for equitable participation by all exporting countries in marketing their sugar. It also explains the concern with which Latin American governments view the gradual reduction in their share of the U.S. sugar market.

The chief elements underlying Latin America's position on sugar are the principles of the Charter of Punta del Este regarding the role of international trade as a dynamic factor in the economic development of Latin American countries; the sugar industry's economic and social implications in Latin America; the region's longstanding tradition of supplying sugar to the United States and the importance to the latter of having a secure and efficient regional supplier; the adverse consequences of imposing import fees on sugar, which lower net revenues from exports of this commodity; the great significance of Latin America as a customer of the United States; and finally, Latin America's just aspirations in regard to its participation in supplying sugar to the U.S. market.

I. THE ALLIANCE FOR PROGRESS AND EXTERNAL TRADE

Just as inter-American political solidarity has a long tradition unequaled in in the rest of the world, so, too, in the economic and social sphere, the governments' desire for better living conditions for their people through the cooperative efforts of the hemisphere's countries has been unanimous and is clearly defined.

This definition is contained in the Charter of Punta del Este which, upon the initiative of President Kennedy, established the Alliance for Progress. The objectives of the Alliance, reaffirmed by President Johnson, are clear and concise; basically, they involve acceleration of the economic and social development of the participating countries of Latin America so that they may achieve maximum levels of well-being, with equal opportunities for all, in democratic societies adapted to their own needs and desires.

It might be alleged that from a purely legalistic point of view the Charter of Punta del Este is not a formal international treaty that can be invoked to compel action by its signatories. In reality, the Charter of Punta del Este represents much more than that: It is the highest expression of the desire of peoples and governments to strive together to achieve the minimum goals of well-being for the population of an entire continent. Hence, one can speak of the "mystique of the Alliance," and at no time has there been any doubt of the validity of commitments made in signing the charter.

The Charter of Punta del Este not only stipulates clearly the Alliance's objectives, but it also establishes incontrovertibly the importance of foreign trade as a dynamic factor in development. In title IV, in fact, member countries of the Alliance "recognize that the economic development of Latin America requires expansion of its trade, a simultaneous and corresponding increase in foreign

exchange incomes received from exports, a lessening of cyclical or seasonal fluctuations in the incomes of those countries that still depend heavily on the export of raw materials * * *." Moreover, to permit expansion of the Latin American countries' trade so as to achieve the stated goals, the charter specifically mentions, among others, the following commitments by importing member countries:

(*a*) Reduction and, if possible, elimination within the shortest possible period, of restrictions on the consumption and importation of primary products, including those with the highest possible degree of processing in the country of origin;

(*b*) Elimination, also as soon as possible, of undue protection of the production of basic products;

(*c*) Reduction and elimination of taxes discouraging the consumption of imported basic products;

(*d*) In general, abstention from following policies that cause adverse fluctuations in the volume and prices of exports of basic products.

The Charter of Punta del Este has defined the responsibilities of the member governments in the cooperative effort to hasten the region's economic development and social well-being. The Latin American governments are facing the indispensable reforms and have taken on the scheduling of future development. In every case, however, economic and financial difficulties are hindering reforms and programs.

The Government of the United States, founding and driving force of the Alliance for Progress, has been, is now, and will continue to be the decisive element of success in the pursuit of the Alliance's goals. This country's cooperation under the Alliance in the area of financing and technical assistance is of extraordinary importance. In regard to foreign trade, however, U.S. cooperation with Latin America has not met with expectations.

The Latin American countries are aware of their responsibilities under the Alliance. They appreciate and value the cooperation rendered by the United States. But they have also had the bitter experience of observing that external financial assistance programs are inadequate to sustain the effort demanded by the development goals of the Alliance itself.

The importance of financial assistance is not discounted; but for purposes of the Alliance for Progress, which requires the implementation of the highest order of domestic effort and structural and institutional reforms, an increase in income from exports is the principal factor in fostering development, whereas other types of aid are but immediate auxiliary measures that will tend to disappear as Latin American countries expand and consolidate their economic base.

It has been shown that only an increase in export revenues can break the stranglehold in which Latin American "economic opportunity" now finds itself.

II. IMPORTANCE OF THE SUGAR INDUSTRY TO LATIN AMERICA

Sugar is one of Latin America's most important products from the economic as well as the social standpoint. As a provider of foreign exchange, sugar held fifth place (excluding petroleum) in 1963 and eighth in 1964, as can be seen in chart 1.

In 1963, revenues from sugar sales abroad represented, for 14 exporting countries, almost 7 percent of total export income. For example, this commodity accounts for more than 50 percent of the Dominican Republic's total export (see table 1). Furthermore, the impact of sugar upon the principal exporting countries' economies is appreciably greater than that of other products enjoying a relatively higher volume of exports. This is because, in addition to sugar's being an agricultural product requiring numerous workers for its cultivation, its refining is an economic activity with a great bearing on the general economic situation of the country producing it. It is well known that the goods and services the sugar industry demands generate collateral activities whose importance, though not precisely measurable, is of considerable significance. Moreover, in many parts of Latin America, activities associated with sugar growing last throughout all or most of the year and are an important employment stabilizing factor.

If the social implications of the sugar industry are borne in mind, it will be easy to understand the serious concern with which Latin American governments look upon the problems facing them in marketing sugar abroad. Unofficial estimates, though rather conservative, allow one to say that this activity provides employment for about 1 million workers. With their dependents included, this

means that a total of more than 4 million persons rely upon the sugar industry for their livelihood.

By way of illustration, a few examples can be cited to point up the sociological importance of sugar production and refining. Mexico, the area's second largest producer and leading exporter of sugar to the United States, shows the following distribution of income from this commodity: 43 percent goes to some 83,000 farmers owning the canefields with an average area of about 9 acres, 19 percent does to sugar mill workers, 24 percent covers the mills' production costs and profits, and 14 percent is for distribution and sales costs.

In Colombia, between 60 and 65 percent of the cost of sugar stored in mills is for wages and social benefits.

In Peru, small farmers and cooperatives own more than 30 percent of production. In Central America, this proportion reaches 55 percent. In Brazil, 50 percent of production belongs to about 50,000 small and medium farmers.

In all producing countries, moreover, the sugar industry supports extensive social welfare services (medical and educational) for its employees.

The idea that has existed, and that persists in many ill-informed circles, that Latin American sugar production benefits only a small nucleus of privileged persons, lacks any basis. In some cases it merely reflects the situation of a remote and different past.

TABLE 1.—*Latin America: Value of sugar exports and percentage of total exports, 1963*

[Millions of dollars]

	Sugar exports [1]	Total exports	Percentage
Dominican Republic	89.3	174	51.3
Peru	64.9	540	12.0
Haiti	4.8	41	11.7
Mexico	59.6	985	6.1
Nicaragua	6.0	100	6.0
Costa Rica	5.1	95	5.4
Brazil	72.9	1,406	5.2
Argentina	63.9	1,365	4.7
Guatemala	6.2	154	4.0
Ecuador	5.6	149	3.8
Panama	1.6	60	2.7
Paraguay	.7	40	1.8
El Salvador	2.4	154	1.6
Colombia	5.5	446	1.2
Subtotal	388.5	5,709	6.8
Venezuela	13.8	2,629	.5
Total Latin America	402.3	8,338	4.8

[1] In addition to sugar, includes in some cases certain sugar byproducts; their value within the total exported is negligible.

Sources: United Nations, "Yearbook of International Trade Statistics 1963" (New York, 1964); SIECA, "4th Central American Statistical Compendium" (March 1965).

For Latin America, the sugar industry means the development of an activity for which it enjoys exceptional ecological conditions. Further it represents a clear and undisputed example of what can be accomplished with a properly organized, sustained effort. This industry, so long a part of Latin America, has been developed and consolidated over a period of time thanks to the persistence of local entrepreneurs. In many regions the sugar plantation was the first to receive the benefits of improved agricultural techniques later extended to others. The sugar mill itself was the first vocational school.

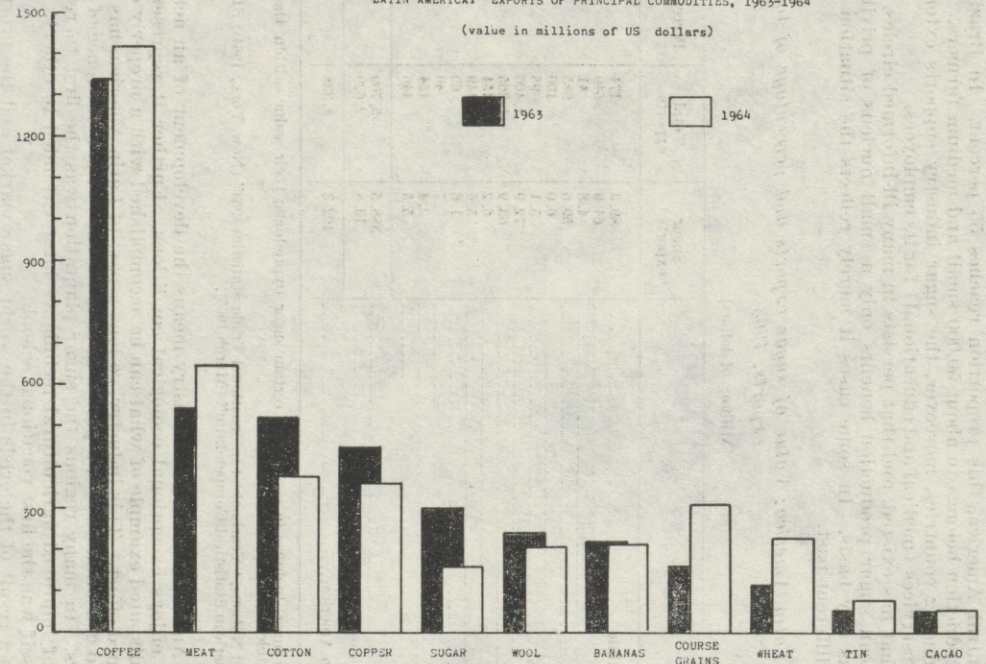
All this, as a result of the crisis in the world sugar market and the prospects for further reductions in exports to the United States, is in danger of being lost.

III. LATIN AMERICA AS SUGAR SUPPLIER TO THE U.S. MARKET

Latin America has traditionally been the chief supplier of foreign sugar to the U.S. market. Until 1959, its share in supplying the U.S. market accounted for more than 90 percent of the total imports from foreign sources other than the Republic of the Philippines. Until that year, Latin American participation was

LATIN AMERICA: EXPORTS OF PRINCIPAL COMMODITIES, 1963-1964

(value in millions of US dollars)



Note: 1964 figures are preliminary.

Source: América Latina: Problemas y perspectivas del desarrollo económico, 1964, Parte I, (OEA/Ser.H/x.6, CIES/627, 28 nov. 1964), UNION PANAMERICANA.
International Monetary Fund, (official data)

limited almost exclusively to Cuba, a country which, owing to historical and economic circumstances, had long been a prominent supplier of sugar to the United States. The other countries in the region that exported to this market were Peru, the Dominican Republic, Mexico, Nicaragua, Haiti, and El Salvador. A few countries outside this hemisphere also participated, but their exports were insignificant.

Since Cuba has been eliminated from the U.S. market, Latin America has been making a genuine effort to supply more sugar to that market. At the same time, however, the sales opportunities of other extracontinental producers, whose exports to the United States had previously often been sporadic and, in any case, limited, have sharply increased at the expense of Latin American participation. Supplies from domestic production and the Philippines have also increased substantially.

Tables 2 and 3 and chart 2 provide clear evidence of the constant decline in the sugar between Latin America and its principal traditional customer.

There are, therefore, factors to support Latin America's aspiration to preserve its position as a supplier of the U.S. sugar market. But events since 1961 demonstrate that its position has rapidly deteriorated.

In 1959 and 1960, Latin American participation in meeting this country's sugar requirements constituted about 37 percent of the total. A few years later, that is to say, in 1964, this participation dropped to less than half, or 17.4 percent of the total offered for consumption. Meanwhile, domestic producers increased their deliveries by 8 percent, the Philippines, by 3 percent, and the other extracontinental foreign countries increased their deliveries more than 80 times, as shown in table 2 and chart 3.

From the viewpoint of Latin America, this situation is even more discouraging. This is because its chief extracontinental competitors, such as the territories and countries of the British Commonwealth of Nations and Metropolitan France, the French overseas departments and territories enjoy the preferential sugar markets of their former metropolis or of the more developed countries in those groups, to whose markets Latin American sugar exports do not have access under the same conditions.

TABLE 2.—*United States: Final adjusted sugar quotas for domestic producers and foreign countries, 1959–64*

	1959	1960	1961	1962	1963	1964
	In thousands of short tons, raw value					
Domestic production:						
Continental production	2,965	3,289	3,324	3,295	4,037	3,610
Insular production	1,960	1,843	2,027	1,981	1,923	1,918
Total domestic production	4,926	5,132	5,352	5,276	5,960	5,528
Latin America:						
Cuba	3,215	2,420				
Rest of Latin America	270	1,338	2,207	2,598	2,394	1,584
Total Latin America	3,486	3,757	2,207	2,598	2,394	1,584
Other foreign countries:						
Philippines	980	1,156	1,471	1,267	1,195	1,220
Rest of the world	9	119	791	855	966	787
Total, other foreign countries	989	1,275	2,262	2,122	2,161	2,007
Unassigned		236	180	4		
Total	9,400	10,400	10,000	10,000	10,515	9,119
	Percentages of total consumption					
Domestic production	52.4	49.3	53.5	52.8	56.7	60.6
Latin America	37.1	36.1	22.1	26.0	22.7	17.4
Philippines	10.4	11.1	14.7	12.7	11.4	13.4
Rest of the world	.1	1.2	7.9	8.6	9.2	8.6
Unassigned		2.3	1.8			
Total consumption	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1959–62, U.S. Department of Agriculture, "Sugar Reports" No. 138 (October 1963), p. 30; 1963, ibid., No. 145 (June 1964), p. 16; 1964, ibid., No. 152 (January 1965), p. 13.

TABLE 3.—*Final adjusted sugar quotas for foreign countries, 1959–64*

Country or region	1959	1960	1961	1962	1963	1964
	In thousands of short tons, raw value					
Latin America:						
Cuba	3,215	2,420				
Rest of Latin America	270	1,338	2,207	2,598	2,394	1,584
Total Latin America	3,485	3,758	2,207	2,598	2,394	1,584
Other foreign countries:						
Philippines	980	1,156	1,471	1,267	1,195	1,220
British Commonwealth	1	97	534	616	754	659
Rest of the world	8	21	157	139	212	128
Total, other foreign countries	989	1,275	2,262	2,122	2,161	2,007
Unassigned		256	180	4		
Total	4,474	5,269	4,649	4,724	4,555	3,591
	Percentages of total imports					
Total Latin America	77.9	71.3	47.5	55.0	52.6	44.1
Total other foreign countries	22.1	24.1	48.6	44.9	47.4	55.8
Philippines	(21.9)	(21.9)	(31.6)	(26.8)	(26.2)	(34.0)
British Commonwealth	(—)	(1.8)	(11.5)	(13.0)	(16.6)	(18.4)
Rest of the world	(.2)	(.4)	(5.5)	(4.5)	(4.6)	(3.5)
Unassigned		4.8	3.9	.1		
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1959–62, U.S. Department of Agriculture, "Sugar Reports" (October 1963), p. 30; 1963, ibid., No. 145 (June 1964), p. 16; 1964, ibid., No. 152 (January 1965), p. 13.

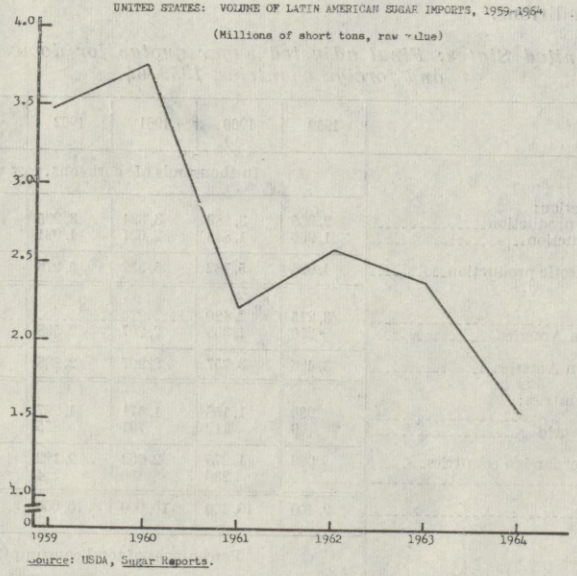


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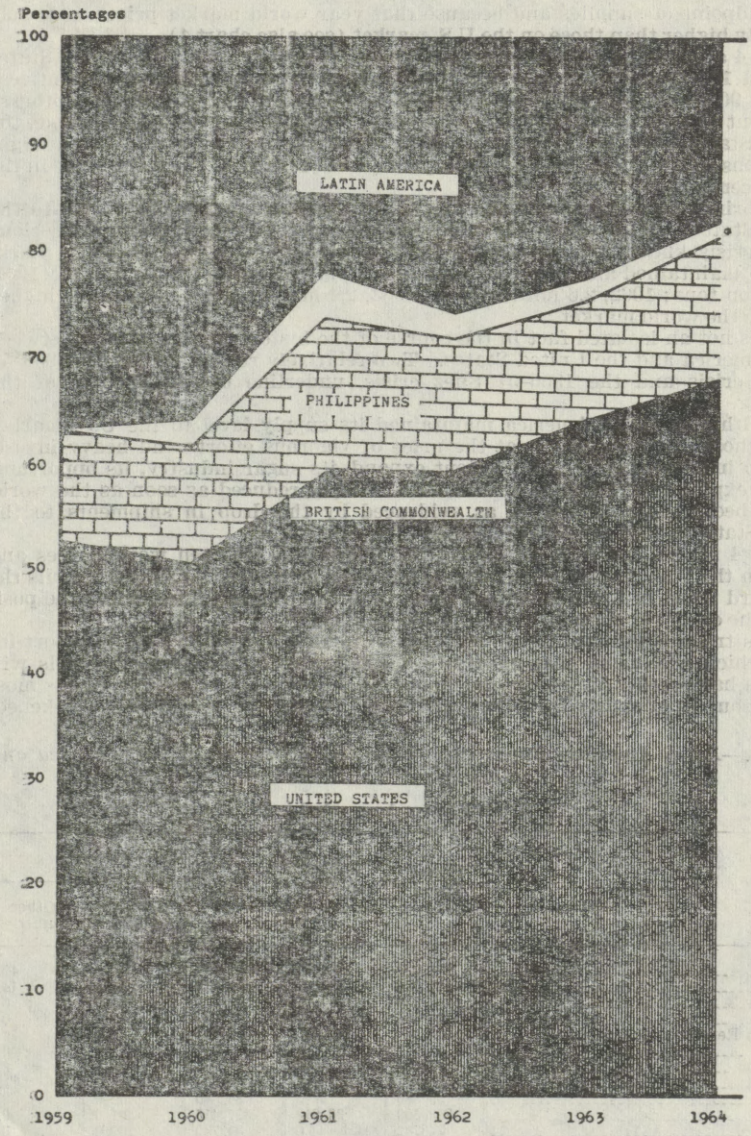
Chart 3

UNITED STATES: Percentage Distribution of all Sugar for Domestic Consumption, of National and Foreign Origin, 1959-1964



*METROPOLITAN FRANCE, FRENCH OVERSEAS DEPARTMENTS AND TERRITORIES

SOURCE: United States Department of Agriculture, SUGAR REPORT, various issues.

This situation points up once more the importance of regulating the international sugar market. Latin America is aware of this need and so stated formally at the meeting of the sugar authorities of the member states of the OAS held recently in Washington. However, until such time as a world agreement is concluded, Latin America will continue to depend basically on the U.S. market. This is shown in table 4, which lists the 1963 Latin American sugar exports by destination.

The year 1963 has been selected chiefly because it was a critical year from the standpoint of supplies and because that year world market prices were substantially higher than those on the U.S. market (see also chart 4).

Table 4 also brings out the following highly important fact: The United States absorbed 100 percent of the sugar exports of seven Latin American countries; between 90 and 99 percent of three; between 80 and 89 percent of three others; 58 percent of one; and 24 percent of another. Taking the region as a whole, the United States absorbed 81 percent of the region's sugar exports. With slight alterations up or down, the overall proportion has remained much the same in the other recent years.

This brings us to another fact of particular importance, but this time to the United States. When the world sugar market recently went through the serious supply crisis known to everyone, with high prices and a real shortage, Latin America maintained and even increased its shipments to the United States (1961, 2.2 million tons; 1962, 2.6 million tons; 1963, 2.4 million tons) despite the higher prices on the world market.

This is not an isolated fact in the course of the history of sugar trade between Latin America and the United States. Two relatively recent events, the 1950–51 Korean crisis and the 1956–57 Suez crisis, underline the importance of the foregoing.

But although Latin America maintained its supply level to the U.S. market during those critical periods, at the price of vigorous efforts and heavy investments to improve, and to some extent expand, its sugar industry, its opportunities for export to the United States were sharply reduced as soon as the world market became normal again, as evidenced by the drop in shipments to the United States in 1964 to 1.6 million tons.

Chart 4 shows just how significant the differences between world prices and prices on the U.S. market were during the crises mentioned. Chart 3 reveals the downward trend in Latin American exports to the United States, while the position of the other suppliers has improved substantially.

If this trend continues, Latin America will suffer a further loss in export income, which will mean that efforts to surpass present development levels will again be hampered. Moreover, the American consumer will find one of his most reliable sources of supply from the standpoint of both volume and price weakened.

TABLE 4.—*Latin America: Sugar exports to the United States of America and other countries, 1963*

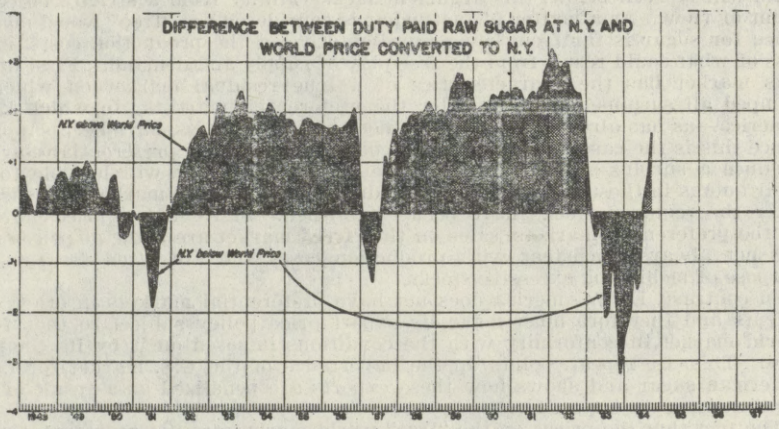
[Metric tons and raw value]

Countries	United States	Other countries	Total	Percentages	
				United States	Other countries
Argentina	195,907	143,773	439,680	57.7	42.3
Brazil	417,683	68,987	486,670	85.8	14.2
Colombia	40,337	0	40,337	100.0	0
Costa Rica	34,099	0	34,099	100.0	0
Dominican Republic	526,581	107,092	633,673	83.1	16.9
Ecuador	51,248	0	51,248	100.0	0
El Salvador	17,207	497	17,704	97.2	2.8
Guatemala [1]	34,841	654	35,494	98.2	1.8
Haiti	36,680	0	36,680	100.0	0
Mexico	343,596	33,819	377,415	91.0	9.0
Nicaragua	34,732	0	34,732	100.0	0
Panama	10,399	26	10,425	99.8	.2
Peru	374,447	106,108	480,555	77.9	22.1
Paraguay	2,000	0	2,000	100.0	0
Venezuela	11,907	37,658	49,565	24.0	76.0
Total exported	2,131,664	498,614	2,630,278	81.0	19.0

[1] These figures are for 1962.

Source: International Sugar Council, Yearbook 1963.

Chart 4



Source: USDA Sugar Report No. 149.

IV. APPLICATION OF THE IMPORT FEE TO SUGAR IMPORTS

This statement's preceding sections have shown the weaknesses of U.S. sugar trade policy in relation to the principles of the Charter of Punta del Este and have stressed the urgent need to alter this situation. They have also stressed the growing difficulties Latin American sugar trade has encountered in its exports to the United States, especially from the quantitative standpoint.

However, this is not the only difficulty Latin America has encountered in this market. Application of the import fee on sugar in the United States has meant an appreciable drop in Latin American export income, and the possibility that it may be reestablished in the new sugar law is cause for concern to the Latin American governments.

It is a source of great encouragement to us that the President of the United States, on the occasion of the fourth anniversary of the Alliance for Progress yesterday has announced that he will propose to the U.S. Congress the elimination of the fee.

As we understand it, the import fee was created as an economic sanction against a political situation that was incompatible with the democratic principles of government upheld by the nations of the hemisphere. When that situation came to an end, the Government of the United States not only stopped charging the import fee, but refunded to the penalized exporting country that part of the total sugar price that it had not received.

In 1962, the U.S. Congress amended the 1948 Sugar Act so that all sugar imports replacing quotas that were unused owing to a break in diplomatic relations would be subject to an additional fee that would absorb the difference between this country's market price and the sugar price on the "free" world market. Thus, when the top rate of this import fee was applied, the U.S. Treasury would receive revenue approximately equal to the "premium" that foreign countries would receive from sugar sales to the United States with respect to what they would receive from their sales to the "free" world market. This fee was not applied to sugar imports from the Republic of the Philippines.

This fee was later converted itno a general economic measure (except for the Philippines) and remained in force in that form from July 16, 1962, until January 23, 1963, and from August 13, 1964, until December 31, 1964, and prevented the Latin American countries from receiving the difference between the U.S. market prices and the world price that they were receiving formerly.

(a) Injury to the economy of the Latin American sugar industry

One of the arguments used by those advocating the reestablishment of the import fee on sugar is that it is necessary to give sugar exporters to the United States a profitable price, but one that does not encourage marginal production.

To that end, it is argued, it is necessary to absorb to some extent the difference between the prevailing prices on the U.S. market—which is considered high for foreign producers—and those on the "free" world market.

As will be seen below, this argument lacks validity from a strictly objective point of view. As a matter of fact, what is considered the "free" world market price for sugar is far from being representative of the production costs, much less of what could result from the free play of supply and demand. First of all, this market has the characteristics of a true residual market on which is dumped all surplus remaining after the preferential markets,[1] to which Latin America—as has already been stated—does not have access, have been supplied. Since this is the case, those producing countries that have preferential markets produce a surplus so that they may be certain that they will be able to fill their quotas in those markets, and they dump on the "free" market any surplus after the required stocks have been established. Since higher prices prevail on the preferential markets, sales on the "free" market are made at prices that are not always consistent with production costs and are often for the sole purpose of mobilizing excessive stocks.

In contrast, Latin America does not have preferential markets in other continents and therefore must make its export price policy subject to the "free" world market in conformity with the conditions imposed on it by its competitors. This, we repeat, points up the importance of the U.S. market for Latin American sugar and shows how these exports are penalized as a result of the application of the import fee.

The fact that the prices on the "free" world market are not representative of production costs is demonstrated by the following example:

While prices on the free world market have been fluctuating around 1.85 cents a pound (raw value), the production and marketing approximate costs of the principal Latin American supplier of the United States (and also one of the most efficient producers) range between 4.85 and 5 cents at the sugar mill and between 5.10 and 5.25 cents a pound f.o.b. port of embarkation. If freight, insurance, loading, and handling charges, and the cost of placing that sugar on the American market are computed, only about one-half cent a pound remains to be applied to profits and to cover other expenses.

Therefore, any additional consideration that could be given to the consequences of the application of the import fee and to its adverse effects on the Latin American economy is unnecessary. In other words, the prevailing prices for foreign sugars on the U.S. market, after the usual import duties and current charges have been figured, cover the average production costs of the sugar obtained from Latin American sugar suppliers.

(*b*) *The import fee on sugar and the General Agreement on Tariffs and Trade (GATT)*

At the meeting of the sugar authorities of the member states of the OAS, which includes the United States, held a few months ago in Washington, this point was discussed at length and the following conclusion was reached:

"The aim of increasing the domestic sugar quotas in the U.S. market is contrary to article XI of the General Agreement on Tariffs and Trade (GATT), according to which quantitative restrictions of importation are permitted only in certain given cases and always with the understanding that the restrictions that are imposed by virtue of that article should not 'be such as will reduce the total imports relative to the total of domestic production as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions;'

"An import charge in addition to the existing duties and charges on the importation of sugar such as the so-called import fee would constitute a violation not only of article II, paragraph 1.a of the General Agreement on Tariffs and Trade, because it would constitute an increase in those duties and charges above those that were agreed upon in the lists of reciprocal concessions of the contracting parties, but also of article I:4a of the said general agreement because it would constitute a prohibited increase in the 'preferential margin' between the tariff applicable to the Republic of the Philippines and that applicable to the contracting parties that enjoy most-favored-nation treatment;

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[1] Approximately 70 percent of net world sugar imports are covered by special agreements, such as: the one between the United Kingdom and its suppliers in the Commonwealth and the Republic of South Africa; the one between the Soviet bloc and Cuba; the one between the United States and the Philippines; and the one between Japan and the Republic of South Africa.

"An additional charge on importation of sugar in the United States would be in contradiction to the obligations assumed by the contracting parties in article XXXVII.b and XXXVII.c of the General Agreement on Tariffs and Trade to abstain from introducing or increasing the incidence of tariffs or nontariff barriers on products that may be presently or potentially of particular interest to the less-developed contracting parties."

V. THE IMPORTANCE OF LATIN AMERICA AS A CUSTOMER OF THE UNITED STATES

One of the conditions established by prevailing U.S. sugar legislation on the distribution of import quotas to foreign countries is that they must be importers of agricultural products from the United States. There is no need to dwell on Latin America's importance to the United States as a purchaser of these products.

It is important, however, to stress Latin America's position as a buyer of goods in the United States—agricultural as well as consumer and capital goods—in relation to the position of the other sugar suppliers of the U.S. market. Chart 5 is highly illuminating on this point. As a matter of fact, in 1964, the Latin American countries purchased agricultural and industrial products from the United States having a total value of $3,713 million, or 17.9 percent of all U.S. exports. In contrast, the purchases by the developing countries in the British Commonwealth totaled $1,180 million or 5.7 percent of the total; Australia and the Republic of South Africa, $626 million, or 3 percent, and $392 million, or 1.9 percent, respectively; and the Philippines, $356,500,000, that is to say, 1.7 percent. The other countries of some significance in supplying sugar to the United States bought much smaller amounts.

The present world trade situation being what it is, Latin America's principal source of foreign exchange is its sales of raw materials to the United States, and among these products sugar holds a place of special importance.

As has already been stated, the Latin American economic development process requires a substantial increase in imports of goods and services. In the studies conducted by the CIAP, whose conclusions were submitted to the third annual meeting of the IA–Ecosoc (Lima 1964), it was concluded that Latin American requirements for imported goods in 1966 will be 25 percent greater than the annual average between 1960 and 1963 if the anticipated growth rate proves to be correct.

TABLE 5.—*Latin American imports of goods*

[In millions of U.S. dollars]

Year:		Year:	
1960	$7,466	1964 [1]	$8,165
1961	7,730	1965 [2]	9,026
1962	7,766	1966 [2]	9,616
1963	7,596		

[1] Estimated.
[2] Projected.

Source: Document IA–Ecosoc/621, p. 82.

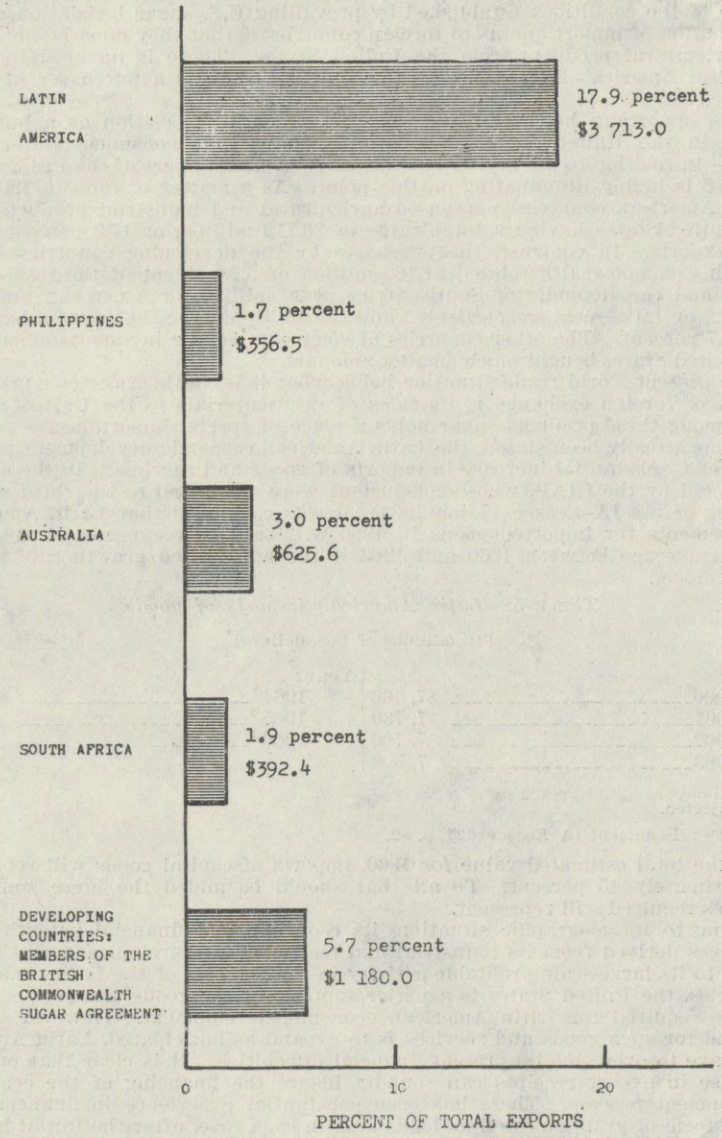
Of the total estimated value for 1966, imports of capital goods will represent approximately 45 percent. To all that should be added the large sums the services required will represent.

Owing to its geographic situation, its economic and financial potential, the resources derived from its industrial and technological development, and lastly, owing to its large-scale profitable activity in the markets of the Latin American countries, the United States is a major supplier of the goods and services that will be required for Latin American economic development. However, if the demand for such goods and services is to expand as anticipated, Latin America will have to overcome its present financial difficulties. It is clear that only an increase in export receipts can soundly insure the financing of the economic development process. There has been substantial experience in financial aid, in the form of grants as well as loans and, in each case, after the initial impact has passed, the same phenomena of stagnation that existed before the aid was received reappear. This explains clearly the importance of foreign trade to the growth of the less developed countries and the inability of the various types of foreign aid thus far employed to achieve this purpose.

Chart 5

UNITED STATES EXPORTS TO SUGAR QUOTA COUNTRIES, 1964

(In millions of dollars and percent of total exports)



Source: U.S. Department of Commerce.

U.S. participation in Latin America's total imports has been maintained in recent years at more than 40 percent. However, it is foreseeable that such participation may increase substantially with the strengthening of the Latin American economy as a result of the efforts being made to accelerate the rate of development in line with the goals established in the Charter of Punta del Este. This means that, in both relative and absolute terms, there is an immediate possibility that U.S. exports to Latin America will increase rapidly. There is a potential customer with an enormous unsatisfied demand for goods and services, to which should be added the future results of implementing the development plans given the impetus by the Alliance.

VI. CONCLUSIONS

In debate on the legislation that is to govern the future of sugar production and marketing in the United States, the Congress is confronting a situation of great importance to inter-American relations.

Now that the International Coffee Agreement has been put into operation—an agreement of such great importance to most Latin American countries—the sugar law that is now going to be enacted is a great opportunity for the United States to take action consistent with the trade policy commitments it has assumed under the Alliance of Progress. Further, it can be affirmed that such action constitutes a challenge of the U.S. Congress and the administration to follow the guidelines established on this matter by the Charter of Punta del Este, which include both the policy governing direct trade relations with the countries of the region and matters concerned with the world market for basic commodities of special interest to Latin America.

It should be pointed out that in this instance the United States could act in accordance with the spirit of the Alliance without making additional sacrifices. In fact, this could practically be achieved merely by accepting in the new law the traditional situation with respect to total volumes and prices of sugar imports in the United States, without affecting the normal production levels and the position of the U.S. international balance-of-payments situation. It is rather a matter of preventing perpetuation in the new law of measures and situations that grew out of abnormal, sporadic circumstances. This is true of the recent production expansion following the lifting in 1960 of the traditional restrictions on the amount of land planted to sugarcane and sugarbeets, a measure that had been adopted to check the acute, but temporary sugar shortage in the world market. This is also the case of the introduction of the import fees.

In addition, it should be pointed out that such a course of action, far from implying an additional cost to the U.S. economy, could result in a lower total cost since within the principles on which the Alliance for Progress is based, a narrowing or widening of the Latin American trade gap will tend to be accompanied by a change in the same directions in the financial assistance provided by the United States to the region. There is no doubt that the most unsatisfactory solution for both Latin America and the U.S. taxpayer is that of replacing trade with financial assistance.

With the exception of two or three, all the countries of the area have as a special obstacle to their economic development, a lack of international buying power for industrialization and for their current imports. Thus, no factor exercises greater influence on Latin American development and on the accomplishment of the goals of the Charter of Punta del Este than an increase in exports, and sugar is one of the important international trade commodities of many Latin American countries.

A list of the various elements that give the sugar problem this extraordinary significance and make it a true test case would include the following:

1. First of all, as has been shown in the preceding sections, sugar is highly important to Latin America as an existing and potential source of employment, as a factor in the people's welfare, and as a source of exchange receipts. This is a product for which Latin America has exceptionally favorable natural conditions which would enable it to expand production substantially if it had greater access to foreign markets.

2. The crisis through which the world sugar market is passing is the most serious since the thirties, and the so-called free world market is suffering from marked disorganization. This has led to sharp drops in sugar prices. If there is a basic commodity of interest to Latin America that is in a need of a rescue operation at this time, it is sugar. Few possibilities can

be foreseen in the immediate future for an efficient organization of the world market, which is a residual market, so long as Cuba, the countries of the EEC, the Soviet bloc, Australia, the United States, and others follow policies of production expansion.

3. Moreover, the sugar situation has become a source of political and social unrest in several countries in the area.

4. This once more reveals the undeniable fact that the U.S. market is the best alternative, in the foreseeable future, for the continuation and expansion of the total value of Latin American sugar exports, which has, in recent years, directed its sales more and more toward that market.

5. Nevertheless, the policy being proposed in the pending bills is essentially aimed at increasing domestic production and reducing the volume and prices of imports. Thus every ton of sugar produced in the United States and subtracted from the volume of Latin American exports adds to unemployment and reduces Latin America's capacity to import goods and services from the United States. Moreover, a policy to discourage more costly types of production and expand the volume of hemisphere trade would benefit both the American and the Latin American consumer.

6. The United States has its sugar market organized in such way that the administration has in its possession all the essential elements for raising the level of imports, maintaining prices, and giving special treatment to Latin America. It can do all this without affecting the traditional levels of its domestic production and without failing to comply with other international commitments, thereby benefiting the domestic consumer by assuring him of permanent supplies in adequate amounts and at suitable prices, and establishing bases for cooperation with Latin America dependent more on expansion of its reciprocal trade and less on an increase in financial assistance.

7. The proposed reduction in the price of imports in the United States would have very little effect on improving the balance of payments, which moreover, has already markedly improved in 1965, and it could be a critical margin for the Latin American producers owing to the area's existing sugar production costs, and estimated production volumes.

8. It is obvious that if the United States were to assume an attitude revealing the intention to strengthen economic, and especially, trade cooperation within the Alliance, this could have a salutary effect.

With the principles of the Charter of Punta del Este in mind, and fully aware of the fact that the Congress and executive branch of the U.S. Government are earnestly endeavoring to find a satisfactory solution to the sugar problem within the framework of legislation that will conform to the spirit of the Alliance for Progress, the Latin American countries that participated in the meeting of sugar authorities of the member countries of the OAS (Washington, April 1965), unanimously agreed on the following principles of sugar policy with respect to access to the U.S. market:

"a. That it is necessary to assure a stable sugar market in the United States of America, compatible with the long-term planning of the Latin American sugar industry as a factor to stimulate the economic growth of the Latin American producing countries, until such time as an arrangement is established on the world level that will assure those countries the opportunity to place their output under conditions favorable to their development;

"b. That it is necessary to increase the present total imports of sugar on the part of the United States of America in the same proportion as its consumption increases, in order to avoid the depressing effects on the international market that would be caused by sugar displaced from the U.S. market;

"c. That in the distribution of the sugar import quotas by the United States of America special treatment be given to the Latin American countries that are members of the OAS, which as is well known, do not participate in other preferential markets, within a policy that would allow Latin America as a whole to recover a supply participation equivalent to at least 90 percent of the imports of the United States of America coming from foreign countries other than the Republic of the Philippines;

"d. That import fees not be introduced."

The aspirations of the Latin American countries in connection with the problem with which we are now concerned are reasonable and are in comformity with the principles of inter-American solidarity. They are motivated by the aim of making maximum possible use of available resources and the domestic effort needed to carry out the great project constituted by the economic and social

development of their peoples, to which they pledged themselves when they signed the Charter of Punta del Este.

(The following statements and letters were also submitted to the committee:)

STATEMENT BY EDWARD A. MCCABE ON H.R. 10496 ON BEHALF OF THE COMISION NACIONAL PARA EL ESTUDIO DE LA CAÑA Y EL AZUCAR, THE ASSOCIATION OF SUGAR PRODUCERS IN BOLIVIA

My name is Edward A. McCabe, and I am a partner in the law firm of Hamel, Morgan, Park & Saunders, 888 17th Street NW., Washington, D.C. We appear on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar, the association of sugar producers in Bolivia. We have filed the required registration statements on behalf of our clients with the Congress and with the Department of Justice.

Bolivia requests a quota assignment of 10,000 tons of sugar under the provisions of H.R. 10496. This would be a new quota, since Bolivia, a newcomer to the export field, is not now included in the act.

In the current year Bolivia will have an exportable sugar surplus of approximately 25,000 tons. She has the capacity to produce and ship immediately. Not only will she be able to fill the modest quota asked for here, but she also pledges to the United States any additional sugar she may have in the future for which the United States may have a need.

Until 5 or 6 years ago, there was no sizable quantity of sugar produced in Bolivia. Since that time, however, the industry has grown to a point where sugar is Bolivia's most significant agricultural crop and the third largest Bolivian industry. Total annual production is currently running about 93,000 tons.

The sugar industry in Bolivia is at least 75 percent privately owned and operated. While about 25 percent is presently under Government operation, it is the stated policy of the Bolivian Government to move actively toward private ownership and operation at the earliest possible time.

Sugar producing in Bolivia is centered in the Santa Cruz area. The economy of this region is heavily related to sugar, and upward of 50,000 people there are dependent on this industry. It should also be pointed out that in the Santa Cruz area in the past few years the United States (through AID programs) has invested nearly $100 million in a variety of improvements, including road construction. A major target of our AID program in Bolivia has been the encouragement of Bolivia's sugar industry.

The Santa Cruz region is a vast area which offers great promise for rich agricultural development. With a thriving sugar industry the nucleus of further development, the economy of the country as a whole will prosper as the sugar industry grows and prospers in Santa Cruz.

It is also important in assessing this industry's significance to Bolivia to note that the great bulk of sugarcane production is in the hands of small growers. These number approximately 20,000. They are individual entrepreneurs, each producing sugarcane on his own land. Most of them are family operations, much in the fashion of what the United States has long known as the small family farm. These small growers are presently responsible for about 75 percent of Bolivia's cane production. It is the policy of the Bolivian Government that, as additional small growers produce cane, they will receive the remaining share of the country's sugarcane market. The end result of this policy will see all Bolivian cane production in the hands of these individual growers, with no large monopoly type holdings possible. Hence, it would seem clear that in Bolivia's sugar industry the small farmer can advance and prosper by his own initiative and enterprise.

Bolivia is today a sizable importer of a great variety of U.S. commodities. Bolivia requires that all State industries (oil, mining, etc.) import their basic commodity requirements from the United States. The United States is thus the source of approximately 80 percent of all Bolivia's imports. In agricultural commodities, Bolivia's current importation from the United States runs to about $15 million annually. A major part of these imports is in cotton, wheat, and flour. And we want to emphasize here that while Bolivia is one of the less populated nations in Latin America, her agricultural imports from the United States exceed those of more than half the other nations. Furthermore, she imports more U.S. agricultural commodities than do many of her sister Latin American nations who already have been granted sugar quotas.

As the capacity of Bolivia's sugar industry grows, she also faces the pressing necessity of finding markets. To this end—in addition to this request for a modest 10,000-ton quota from the United States—there is now actively underway an intensive promotion campaign to encourage greater us of sugar in Bolivia itself. Characteristically, many in Bolivia have never included sugar in their diets at all. It is expected that aggressive promotion and advertising campaigns will remedy much of this in time. But admittedly the process will be a slow one. Accordingly, in the foreseeable future this industry, upon which so much of Bolivia's economy depends, must look to foreign markets.

As a stanch friend of the United States, Bolivia looks hopefully to us for a small share in our market. Considering her present exportable sugar surplus, she requests a quota allotment of only 10,000 tons. As pointed out above, there exists in Bolivia the capacity to ship this sugar immediately.

We feel that favorable consideration of this request will benefit the U.S. consumer by introducing into the U.S. market a friendly and dependable source of supply. Further, it would seem to be in the interest of the United States to grant this quota because, since so much of Bolivia depends upon sugar, favorable consideration by the United States must certainly foster a closer relationship between the United States and the people of Bolivia.

In recent international difficulties, Bolivia has stood stanchly with the United States in support of our efforts to secure peace and order in the world. This has been particularly notable in the United Nations Security Council and in the Organization of American States. It was especially marked during the Dominican crisis earlier this year. On problems involving Cuba she stands firmly with the United States.

In citing these actions by Bolivia, we do not suggest that of themselves they warrant for her any preferential treatment under the Sugar Act. These actions were taken by Bolivia in her sovereign capacity in the firm belief that they were proper actions in the circumstances; that they were in the best interests of Bolivia, of Western Hemisphere unity, and in the interest of a peaceful world. They were not taken, and they are not now cited, in the nature of a plea for special treatment in the form of a sugar quota. Bolivia will continue to take her stand with the United States because she knows that the causes we jointly espouse are in the best interests not alone of our own nations but of all mankind. We believe, however, that a course of national conduct is an important item for congressional assessment in considering legislation of such international significance as the measure now before your committee.

We are convinced that favorable consideration of Bolivia's request will benefit the American sugar consumer. We know that it will benefit the Bolivian sugar industry. In emphasizing the close and sympathetic ties which exist between our two Governments, we feel that it will also contribute to better mutual understanding and a more effective working relationship between the peoples of both countries.

We are grateful for the opportunity to present this request to your committee on behalf of the Comision Nacional Para el Estudio de la Caña y el Azucar of Bolivia. We trust that it will be favorably considered, and that your committee and the Congress will approve Bolivia's request for a 10,000-ton quota assignment.

STATEMENT OF JOHN F. P. CLARK, CHAIRMAN OF HAYTIAN AMERICAN SUGAR CO., S.A.

My name is John F. P. Clark. I am chairman of the Haytian American Sugar Co., S.A., and I speak not only for HASCO, which operates the largest sugar enterprise in the country, but also for the sugar industry of Haiti as a whole. My purpose here is to bring to your attention the thinking of the sugar industry of Haiti regarding the proposed legislation.

It is our opinion that, as in the past, the United States should look to the sugar-producing nations of the Western Hemisphere for its import requirements, and that in determining quotas to be allocated to the various countries, adequate weight should be given to the economic needs of these countries.

Haiti is by far the poorest nation in the hemisphere with a per capita annual income of approximately $70. To support a population of about 4.5 million there are practically no natural resources of consequence apart from agriculture. In order to continue to buy manufactured products, machinery,

automobiles, oil, medicines, etc., from the United States, it is apparent that she must earn dollars to pay for them. In addition to the above, Haiti purchases annually about 70,000 tons of U.S. wheat which, for its size, compares favorably with other countries in the Western Hemisphere.

As an illustration of Haiti's balance-of-payments problems, imports from the United States during the fiscal year ended September 30, 1964, the last year for which statistics are available, amounted to $24,515,622, while during the same period exports to the United States totaled only $15,157,795, resulting in a deficit of $9,357,827.

However, under the terms of the Sugar Act, as amended in 1962 (based on 9,200,000 tons consumption), Haiti's quota under the formula was 0.71 percent of the total import requirements, or 20,216 short tons. However, under the provisions of House bill 10496 Haiti's quota is only 0.35 percent, which would amount to 18,731 tons based on a predicted annual requirement of 9,700,000 tons consumption. While the expected consumption is up over 5 percent, Haiti's quota instead of being increased as it ought to be is to be reduced by about 10 percent. Thus the formula under the proposed legislation severly penalyzes Haiti. This penalty which is sustained not only by Haiti but other hemispheric producers apparently is to the advantage of non-hemispheric producers as far distant as Swaziland and the Fiji Islands.

THE FRANCISCO SUGAR CO.,
New York, N.Y., August 24, 1965.

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

DEAR CHAIRMAN COOLEY: The Francisco Sugar Co. has a vital interest in the sugar quota that may be assigned to Cuba in the amendments to the Sugar Act at present under consideration by your committee.

This corporation was organized under the laws of the State of New Jersey and for a period of over 60 years operated two sugar mills, "Francisco" and "Elia," and other properties in Cuba until their confiscation by the Castro regime in August 1960, giving employment to some 10,148 people including seasonal labor.

At the proper time, the company protested the illegal seizure of the properties, and a claim was filed with the State Department in the amount of $56.840,557.15, which in the judgment of the company was the fair value of the properties at the time of the confiscation. This claim has been transferred by the State Department to the U.S. Foreign Claims Commission.

At the time of confiscation, there were about 761 registered stockholders of the company, of which there were 749 resident in the United States.

This company, Mr. Chairman, wishes to express to you and your committee that to maintain a sugar quota for Cuba—as large as is compatible with U.S. national interest and the market's realities, resulting from the changes in the world sugar pattern as a consequence of Cuba falling under Russia's domination—is vital to the reconstruction of Cuba when it becomes once again a free and democratic country.

To rebuild a new Cuba politically free, economically self-sufficient, socially stable and progressive, is a gigantic task. Competent economists consider that in the course of time as much as $4 billion may be needed to accomplish the undertaking. One of the essential elements for the reconstruction of a new Cuba would be sugar exports. Aid or loans, without trade, could not achieve the task.

This company believes that a country so friendly and as loyal to the United States in the past, and when liberated so important to our country in the future, deserves all the necessary assistance from the United States once it is free. We are confident that the executive branch of Government and the Congress of the United States are prepared to give such assistance.

From the standpoint of the interests of this company, it is difficult to see any other way to be indemnified, at least in part, for the damage inflicted by Castro's confiscation, than the restoration of its properties by a free Cuban Government. he magnitude of the losses suffered by American and other investors in Cuba, is such that it would be impossible for any Cuban democratic government to pay the company adequate, effective, and prompt compensation, the restoration of the properties is the only practical and feasible means of redress to the owners.

But restoration of its properties to the company would be meaningless unless an adequate sugar quota is assigned to Cuba in the legislation under consideration in order that mills may be able to operate efficiently to the benefit of Cuban labor and the country with reasonable earnings to the owners.

We understand that similar views as the ones contained in this letter are to be presented by other companies.

Mr. Chairman, we plead that you and your committee, give favorable consideration to this letter.

Respectfully yours,

JACOB S. LEVENE, *Vice President.*

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA,
Miami Beach, Fla., August 23, 1965.

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

DEAR CHAIRMAN COOLEY: We understand that the Committee on Agriculture is considering allotting sugar quotas to various countries in connection with the enactment of the new sugar law and that these quotas may extend through 1971.

Our company, Vertientes-Camaguey Sugar Co. of Cuba, was deprived of assets amounting to more than $93 million, and its claim for such confiscation has been filed with the State Department of the United States. During the company's existence in Cuba it operated 3 large sugar mills and employed over 10,000 workers. Although it was formally organized under the laws of the Republic of Cuba, more than 5,000 of its stockholders are American nationals. These constitute over 90 percent of the total number of all of its stockholders and over 90 percent of the total corporate stock. Thus, for all purposes our company was regarded by the Castro government as an American corporation. It is presently registered to do business in the State of Florida.

Before the advent of Castro, Cuba had always been friendly and loyal to the United States, and we feel that a free Cuba deserves assistance from the United States. We are sure that you recognize that sugar has always been one of the bulwarks of the Cuban economy, and that assistance in this field will be necessary toward making Cuba ultimately self-sufficient.

We hopefully are looking forward to the day when Cuba will be free from the tyranny of communism. This may occur within the next few years, or even may occur very shortly.

Therefore, we respectfully suggest that a sufficiently large sugar quota compatible with its reconstruction and growth be reserved for Cuba to assist her on the road to recovery in the event of its restoration to a democratic government.

We would appreciate it if you and your committee would give careful consideration to this letter.

Respectfully yours,

PHILIP ROSENBERG, *President.*

MANATÍ SUGAR CO.,
New York, N.Y., August 24, 1965.

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

DEAR CHAIRMAN COOLEY: The Manatí Sugar Co. has a vital interest in the sugar quota that may be assigned to Cuba in the amendments to the Sugar Act at present under consideration by your committee.

This corporation was organized under the laws of New York State, and for a period of over 48 years, operated the Manatí sugar mill and other properties in Cuba until their confiscation by the Castro regime in August 1960, giving employment to some 8,800 people including seasonal labor.

At the proper time, the company protested the illegal seizure of the properties, and a claim was filed with the State Department in the amount of $51,711,717.06, which in the judgment of the company was the fair value of the properties at

the time of the confiscation. This claim has been transferred by the State Department to the U.S. Foreign Claims Commission.

At the time of confiscation, there were about 1,200 registered stockholders of the company, of which there were 1,169 resident in the United States.

This company, Mr. Chairman, wishes to express to you and your committee that to maintain a sugar quota for Cuba—as large as it is compatible with the U.S. national interest and the market's realities, resulting from the changes in the world sugar pattern as a consequence of Cuba falling under Russia's domination—is vital to the reconstruction of Cuba when it becomes once more a free and democratic country.

To rebuild a new Cuba politically free, economically self-sufficient, socially stable and progressive, is a gigantic task. Competent economists consider that in the coure of time, as much as $4 billion may be needed to accomplish the undertaking. Sugar exports is one of the essential elements for the reconstruction of a new Cuba. Aid or loans, without trade, could not achieve the task.

This company believes that a country so friendly and as loyal to the United States in the past, and when liberated so important to our country in the future, deserves all the necessary assistance from the United States once it is free. We are confident that the executive branch of the Government and the Congress of the United States are prepared to give such assistance.

From the standpoint of the interests of this company, it is difficult to see any other way to be indemnified, at least in part, for the damage inflicted by Castro's confiscation, than the restoration of its properties by a free Cuban government. The magnitude of the losses suffered by American and other investors in Cuba, is such that it would be impossible for any Cuban democratic government to pay the company adequate, effective, and prompt compensation. The restoration of the properties is the only practical and feasible means of redress to the owners.

But restoration of its properties to the company would be meaningless, unless an adequate sugar quota is assigned to Cuba in the legislation under consideration in order that mills may be able to operate efficiently to the benefit of Cuban labor and the country with reasonable earnings to the owners.

We understand that similar views as the ones contained in this letter are to be presented by other companies.

Mr. Chairman, we plead that you and your committee, give favorable consideration to this letter.

Respectfully yours,

THE FRANCISCO SUGAR CO.,
JACOB S. LEVENE, *Vice President.*

Mrs. MAY. I ask unanimous consent that I may submit for the record a statement following the testimony presented last Friday by Mr. Oscar Chapman, representing the Mexican sugar industry.

The CHAIRMAN. Without objection, it may be inserted into the record at that point.

This is the last witness who has indicated a desire to be heard. If someone is present and wants to be heard, we should like to have them speak up. We want everybody to have an opportunity to be heard, to express their views fully to this committee.

If there are no other persons who want to appear, the committee will stand adjourned subject to the call of the Chair.

Thank you.

(Whereupon, at 1:05 p.m., the committee was in recess, to reconvene subject to the call of the Chair.)

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