

ANALYSIS AND COMPARISON OF
THE EXPERIENCES SURROUNDING
UNITED STATES SUGAR LEGISLATION,
1965 AND 1971

Thesis for the Degree of M. S.
MICHIGAN STATE UNIVERSITY
PAUL JEREMY MILLER
1972

Q-72-165

F-21

ABSTRACT

ANALYSIS AND COMPARISON OF THE EXPERIENCES SURROUNDING UNITED STATES SUGAR LEGISLATION, 1965 AND 1971

By

Paul Jeremy Miller

In 1971, Congress amended and extended the Sugar Act of 1948 for three years. It was a quiet episode in the legislative history of sugar. The experience surrounding the previous extension, passed in 1965, was just the opposite--chaotic and acrimonious.

The purpose of the study is to describe, compare, and analyze the experiences surrounding the last two sugar bills in the United States. If the two experiences--including the major issues, political processes, and outcomes--differed, or in fact were the same, what were the reasons?

Sugar is a highly political commodity, and thus emphasis is placed on the political processes affecting the 1965 and 1971 Sugar Acts. In so doing three questions are asked: 1) Which political and economic forces were operative? 2) Where were the conflicts, and why? and 3) Which political forces were dominant?

In addition to a review of the literature--primarily Congressional hearings and other government publications--the author had access to certain internal memoranda of the Executive Branch. The author interviewed government and industry representatives involved in the economics of sugar and in sugar's legislative process in either 1965 or 1971, or both.

Although the experiences surrounding the 1965 and 1971 Extensions were different, the two Extensions were very similar in the direction which they led United States sugar policy. That direction was toward a more effective cartel. In general, the 1971 Extension represents a refinement of the 1965 Act, and not a departure from it.

The 1965 and 1971 sugar legislation experiences, including the major issues, differed because of four factors: 1) The economic conditions of sugar and the United States sugar industry; 2) The political processes involved; 3) Foreign policy considerations; and 4) The domestic political environment.

The study suggests certain implications for public policy and future research. They include: 1) Significant reform in United States sugar policy is not likely in the foreseeable future; 2) Institutional changes, such as a strong consumer movement which would deal with relatively minor legislation, such as sugar, and certain structural reforms in Congress, are probably necessary to affect

substantive change in United States sugar policy; 3) By itself, public criticism aimed at the Sugar Act and its political process will not lead to reform; 4) A two-pronged research approach is necessary. The first should be what America's sugar policy ought to be, based on a comprehensive policy evaluation approach which would look at the whole program in a broad means-ends framework. Secondly, what changes in the political process will be necessary to affect such a policy, and how can those changes be brought about? This second problem is clearly the more difficult of the two.

ANALYSIS AND COMPARISON OF THE EXPERIENCES
SURROUNDING UNITED STATES SUGAR
LEGISLATION, 1965 AND 1971

By

Paul Jeremy Miller

A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

MASTER OF SCIENCE

Department of Agricultural Economics

1972

ACKNOWLEDGMENTS

The author wishes to express deep and sincere thanks to Professor James Bonnen for 1) the enjoyable sessions in his office over the past two years; and 2) the inspiration, advice, and encouragement he provided in the study, in spite of the fact that he abandoned the author for six weeks, by isolating himself in Italy.

The author also wishes to express his appreciation to the Department of Agricultural Economics for providing a stimulating academic and intellectual atmosphere over the past two years.

Special appreciation and thanks are afforded Ray Voelkel, who arranged the lion's share of the interviews in Washington.

Special thanks to the Allens, for helping the author maintain some degree of sanity over the last two years, and for being such good people.

Finally, much thanks to Debbie--not for her love and spirit, the acknowledgment of which is, of course, out of place in a scholarly work--but for her typing, which enabled the author to finish the study and hence leave Lansing sooner than would have been otherwise possible.

TABLE OF CONTENTS

	Page
LIST OF TABLES	v
LIST OF FIGURES	vi
Chapter	
I. INTRODUCTION	1
Methodology	2
Outline	3
II. THE ECONOMICS OF SUGAR IN THE UNITED STATES AND THE UNITED STATES SUGAR INDUSTRY	4
History	4
Market Framework	7
The World Market	9
The United States Sugar Industry	12
Barriers to Entry	20
III. THE UNITED STATES SUGAR ACT	22
Purposes of the United States Sugar Program .	23
Salient Features of the United States Sugar Program	26
IV. SUGAR'S POLITICAL STRUCTURE	33
The Domestic Industry	34
The Administration	37
The Congress	39
Foreign Lobbying	41
V. THE 1965 EXPERIENCE	46
The Economic Setting	47
Political Process (1): 1963-64	50
Issues (1):	53

	Page
Political Process (2): Pre-Hearings	57
Political Process (3): The House	62
Issues (2):	66
Political Process (4): The Senate	67
Political Process (5): House-Senate Conference	70
Issues (3): A Summary	71
VI. THE 1971 EXPERIENCE	74
The Economic Setting	74
Issues (1):	76
Political Process (1): Pre-Hearings	81
Political Process (2): The House	88
Issues (2):	93
Political Process (3): The Senate	95
Political Process (4): House-Senate Conference	98
Issues (3): A Summary	98
VII. 1965 AND 1971: A SUMMARY AND COMPARISON	101
Economic Conditions	101
Political Processes	102
Issues	105
Legislative Outcome	107
VIII. 1965 AND 1971: AN ANALYSIS	112
Economic Conditions	112
Political Processes	115
Foreign Policy	121
Political Environment in the United States	122
IX. POLICY AND RESEARCH IMPLICATIONS	124
SELECTED BIBLIOGRAPHY	128
APPENDIX	134

LIST OF TABLES

Table	Page
1. Raw cane sugar prices--New York spot prices and world prices adjusted to New York delivery basis, monthly. 1957-1971.	10
2. 1971 domestic sugar production, by sectors . .	13
3. Foreign sugar quotas for 1972	30
4. Sugar lobbyists fees, 1965 and 1971	43
5. Administration, house, senate, and conference committee allocations of foreign sugar quotas, 1965	54
6. House, senate, and conference committee allocation of foreign sugar quotas, 1971	91
7. Sugar quotas for domestic areas: 1965, 1966, 1971, 1972	108
8. Foreign sugar quotas, deficits, and prorations: 1965, 1966, 1971, and 1972	109

LIST OF FIGURES

Figure	Page
1. Relationship implicit in the determination of the consumption estimate by the Secretary of Agriculture	27

CHAPTER I

INTRODUCTION

In 1971, Congress amended and again extended the Sugar Act of 1948, this time for three years. It was a quiet episode in the legislative history of sugar. The experience surrounding the previous extension, passed in 1965, was just the opposite--chaotic and acrimonious.

The purpose of this study is to describe, compare, and analyze, the experiences surrounding the last two sugar bills in the United States. If the two experiences--including the major issues, political processes, and outcomes--differed, or in fact were the same, what were the reasons?

Sugar has long been called "the most political of all U.S. agricultural commodities."¹ Its unique political process attempts to mold divergent interests into a quiet, effective cartel. For these reasons, emphasis will be placed on the political processes affecting the 1965 and 1971 Sugar Act Extensions. In so doing, the following questions will be asked about each experience:

¹Interviews with James T. Bonnen, Donald Horton, and others.

1. What political and economic forces were operative?
2. Where were the conflicts and why?
3. Which political and economic forces were dominant in the outcome?

Methodology

An extensive review of the literature was first conducted. This included Congressional hearings and reports as well as other government and general literature. The author had access to certain internal memoranda and papers of the Executive Branch from the 1963-65 period. In addition, the author interviewed a number of those involved in either or both the 1965 and 1971 sugar legislation experiences, including: industry representatives; various Executive Branch staff; U.S. Department of Agriculture personnel; and a staff member of the House Committee on Agriculture.² The interviewees were assured confidentiality by the author in order to obtain information on the more politically sensitive and personal parts of the process. Whenever possible a specific source will be cited by name. However, there are many instances in the study where confidentiality cannot be breached; in these cases, the sources can only be cited in general terms, such as "Interviews",

²See Appendix for a list of those interviewed.

or "Interviews with Industry Representatives". For the same reasons, the majority of the memoranda can only be cited in a general manner.

Outline

Chapter II focuses on the economics of sugar in the United States, and includes a description of the United States sugar industry. Chapter III offers a brief history of the United States Sugar Act, plus a description of the Act's salient features. Chapter IV explores sugar's unique political structure.

Chapters V and VI are parallel case studies of the 1965 and 1971 sugar legislation experiences, respectively. They include discussions of:

1. the economic developments
2. the political process
3. the major issues
4. the key events
5. the legislative outcome in each experience.

Chapter VII summarizes the two preceding chapters and presents a comparison of the 1965 and 1971 experiences, focusing on the five points discussed in chapters V and VI. Chapter VIII analyzes why the 1965 and 1971 experiences were different. Chapter IX suggests the study's implications for public policy and further research.

CHAPTER II

THE ECONOMICS OF SUGAR IN THE UNITED STATES AND THE UNITED STATES SUGAR INDUSTRY

The purpose of this study is not an economic analysis of the United States sugar industry. But a brief general description of the economics of that industry is offered, as necessary background to understanding the Sugar Act and the 1965 and 1971 experiences surrounding sugar legislation.

History

Sugar has always been a deficit commodity in the United States. Import duties on sugar date back to colonial days when they were used by the British to raise revenues for the French and Indian Wars.¹ Thirteen years after the start of the Revolutionary War, the United States imposed a tariff on the importation of sugar as a revenue-raising device. With the Louisiana Purchase, the tariff became a protective device for the Louisiana sugar industry. Protection has been afforded the domestic industry ever since.

¹U.S. Department of Agriculture, Economic Research Service, A History of Sugar Marketing, by Roy A. Ballinger, Agricultural Economic Report 197 (Washington, D.C.: Government Printing Office, 1971), p. 5.

The Spanish-American War, in transferring Cuba, the Philippines, and Puerto Rico to United States control, reshaped the pattern of United States sugar production and trade--a pattern whose effects are still present today.

The United States encouraged sugar production in all three of these areas. As part of this encouragement, Puerto Rican sugar was exempted from the tariff; Philippine sugar was given tariff preference, and exempted from the tariff in 1902. In addition, the Philippines was guaranteed a minimum quota for its sugar in its 1934 Treaty of Independence from the United States, and subsequent treaties. Cuba was given a 20 per cent duty preference.

By 1915, imports from these areas had increased 265 per cent over the five-year period before the Spanish American War. Sugar imports from Cuba increased 307 per cent; Puerto Rico, 348 per cent; and the Philippines 81 per cent², although part of this was due to an 81 per cent increase in per capita consumption, and an 80 per cent increase in population in the United States.³

Until mid-1960 when, as an economic sanction, the United States stopped importing Cuban sugar, Cuba was the most important component in United States sugar supply and trade. They supplied more sugar than any domestic sector

²Ibid., p. 16.

³Ibid., p. 17.

or other foreign country. There were three reasons for this: 1) Cuba's geographical proximity enabled delivery to New Orleans in two days; 2) Cuba's ability to produce large quantities of sugar for export, most of which went to the United States; and 3) Cuba's willingness to maintain large inventories of sugar for United States export, causing that country to become in fact the United States' "sugar warehouse".

This last factor was the key to Cuba's importance to the United States sugar economy since it absolved the domestic industry--producers and processors--from assuming the responsibility of maintaining more than minimal inventories.

Incentives for Cuba were provided in the forms of 1) the tariff preference noted above; and 2) after 1934, the United States paid a guaranteed price--usually a premium--for all of the sugar it imported. In 1958, Cuba exported 3,437,582 short tons of raw sugar to the United States, representing 37 per cent of United States consumption--73 per cent of imports other than from the Philippines.⁴

⁴U.S., Congress, Senate, Committee on Finance, Data Relating to Sugar Act Amendments of 1965, 89th Cong., 1st sess., 1965, p. 10.

Market Framework

The demand for sugar in the United States is both highly price and income inelastic. Estimates range from -0.16 to -0.21 and 0.15 to 0.2, respectively.⁵ World supply is also highly inelastic.⁶ In addition, the sugar crop is highly susceptible to weather. These factors would theoretically suggest the presence of wide price gyrations; and when sugar has been left to the free market, price instability has been a primary characteristic of that market. Since 1934, United States policy has attempted to overcome this price instability for its domestic industry by regulating the amount of sugar marketed in the United States. Given the high price inelasticity, if this government regulation can be used to raise price as well as stabilize it, total returns to producers will be increased. Most other net importers of sugar also employ devices to protect their industries from massive price instability.

Per capita sugar consumption in the United States has been relatively stable for the past decade. In 1970, per capita consumption was 103.58 pounds, refined value.⁷

⁵Thomas H. Bates and Andrew Schmitz. A Spatial Equilibrium Analysis of the World Sugar Economy, Giannini Foundation Monograph No. 23. (Berkeley, California: University of California Agricultural Sciences, 1969), p. 16.

⁶Clayton Ogg, "Income Distribution Consequences of United States Sugar Policy" (unpublished article, University of Minnesota, Department of Agricultural and Applied Economics), p. 4.

⁷Hawaiian Sugar Planters' Association, Sugar Manual 1971 (Honolulu, Hawaii: Hawaiian Sugar Planters' Association, 1971), p. 27.

Given the high income inelasticity of demand for sugar, total market growth is primarily a function of population growth. The major change in sugar consumption since World War II has been the form in which sugar is consumed. In 1971, only about 25 per cent of the sugar marketed in the United States was sold directly to consumers.⁸ The remainder was sold to industrial users, and consumed in manufactured food and beverage products.⁹ Thus, today three quarters of the sugar consumed in the United States is purchased by the final consumer in a form other than sugar. This further discounts the already low perceived importance of sugar in consumers' budgets, and tends to diminish consumer interest in sugar legislation.

Sugar is of significant economic importance in the United States economy, particularly the economy of certain regions; but its overall importance to the national economy is not great enough to elicit strong general public interest. Thus, a combination of strong vested interests--sugar producers, processors, and industrial users--and general

⁸U.S., Congress, House, Committee on Agriculture, Extension of the Sugar Act, Hearings, 92d Cong., 1st sess., 1971, p. 56.

⁹In 1949, sugar purchased by industrial users represented approximately 60 per cent of total United States consumption. U.S., Congress, House, Committee on Agriculture, The United States Sugar Program, 91st Cong. 2d sess., 1971, p. 3.

public disinterest is created, which is a "major factor in the political power of sugar in the United States".¹⁰

The World Market

Approximately 75 per cent of world sugar production is consumed in the countries where it is produced.¹¹ Some 13 per cent is covered by international agreement or restricted trade, often at a price above that of the world market.¹² The world's free market in sugar is formed by the remaining 12 per cent.¹³

Because it is a residual market--producers clearly prefer the premium offered in protected markets--many persons, particularly those who support the United States sugar program, claim that the world market is a dumping market; that its price is irrelevant.¹⁴ Economists have argued, however, that the 48 per cent of world trade represented by the world sugar market is significant; that it is not a

¹⁰Interview with Roy Ballinger.

¹¹The United States Sugar Program, p. 21.

¹²See Table 1.

¹³The United States Sugar Program, p. 21.

¹⁴U.S., Congress, Senate, Senator Long speaking in favor of the Sugar Act, Senate Bill 2567, 89th Cong., 1st sess., October 19, 1965. Congressional Record, Vol. III, Part 20, p. 27398.

Table 1. Raw cane sugar prices--New York spot prices and world prices adjusted to New York delivery basis, monthly.

Year	1957-1971											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	SPOT NEW YORK [Cents per pound]											
1957	6.35	6.10	6.18	6.14	6.37	6.53	6.45	6.13	6.17	6.21	6.12	6.15
1958	6.15	6.15	6.03	6.21	6.29	6.29	6.28	6.28	6.37	6.47	6.35	6.44
1959	6.15	5.99	5.84	5.92	6.30	6.37	6.29	6.37	6.51	6.55	6.44	7.17
1960	5.89	6.00	6.11	6.17	6.09	6.25	6.48	6.47	6.59	6.52	6.53	6.46
1961	6.39	6.32	6.25	6.25	6.46	6.48	6.39	6.06	6.06	6.19	6.29	6.40
1962	6.45	6.37	6.43	6.43	6.43	6.45	6.39	6.54	6.43	6.52	6.44	6.54
1963	6.70	6.80	7.04	8.26	11.08	8.70	7.95	6.65	7.45	9.42	9.34	8.78
1964	9.29	8.02	7.33	7.43	6.65	6.45	6.25	6.18	6.20	6.27	6.17	6.55
1965	6.85	6.79	6.61	6.59	6.73	6.72	6.73	6.77	6.82	6.82	6.80	6.75
1966	6.88	6.92	6.84	6.89	6.90	6.92	7.00	7.05	7.11	7.15	7.12	7.14
1967	7.13	7.21	7.18	7.22	7.25	7.32	7.30	7.33	7.34	7.37	7.38	7.30
1968	7.41	7.38	7.35	7.42	7.38	7.53	7.59	7.59	7.62	7.66	7.58	7.62
1969	7.67	7.69	7.76	7.80	7.82	7.74	7.50	7.75	7.83	7.89	7.79	7.73
1970	8.11	7.96	7.90	7.90	8.16	8.22	8.16	8.19	8.16	8.14	7.96	8.02
1971	8.35	8.44	8.37	8.29	8.46	8.54	8.58	8.66	8.57	8.52	-	-

1969	7.67	7.69	7.76	7.80	7.82	7.74	7.50	7.75	7.83	7.89	7.79	7.73
1970	8.11	7.96	7.90	7.90	8.16	8.22	8.16	8.19	8.16	8.14	7.96	8.02
"WORLD" SUGAR FOR SHIPMENT TO OTHER FOREIGN COUNTRIES, ADJUSTED TO NEW YORK DELIVERY BASIS												
1957	6.87	6.83	7.20	7.48	6.98	7.06	6.20	5.02	5.42	4.88	4.48	4.72
1958	4.58	4.39	4.27	4.31	4.35	4.30	4.35	4.32	4.33	4.29	4.31	4.53
1959	4.15	3.97	3.92	3.79	3.86	3.77	3.54	3.64	3.95	3.97	3.87	3.94
1960	3.91	3.96	4.02	4.01	4.00	3.91	4.20	4.25	4.19	4.19	4.18	4.19
1961	3.95	3.87	3.85	4.05	4.28	4.15	4.01	3.77	3.65	3.69	3.49	3.42
1962	3.22	3.27	3.54	3.57	3.48	3.51	3.80	4.12	4.06	4.17	4.54	5.18
1963	6.30	6.95	7.51	8.54	11.27	10.82	9.95	7.53	8.54	11.60	12.57	11.30
1964	11.57	10.04	8.36	8.97	8.04	6.25	5.72	5.29	4.63	4.62	4.32	3.68
1965	3.33	3.18	3.57	3.34	3.31	2.92	2.90	2.75	2.81	2.99	2.77	2.92
1966	3.43	3.21	3.13	3.05	3.05	2.68	2.74	2.65	2.51	2.55	2.43	2.37
1967	2.31	2.67	2.57	3.06	3.55	3.48	2.86	2.64	2.76	3.11	3.28	3.13
1968	3.18	3.15	2.91	2.82	2.96	2.76	2.69	2.64	2.43	2.88	3.37	3.75
1969	3.95	4.23	4.70	4.76	4.78	4.95	4.72	4.18	4.10	4.12	4.08	3.86
1970	4.20	4.35	4.56	4.74	4.90	4.97	5.01	5.04	5.08	5.14	5.33	5.31
1971	5.93	6.03	5.91	5.77	5.51	5.30	5.32	5.49	5.05	5.24	-	-

Source: The U.S. Sugar Program, House Committee on Agriculture, December 31, 1970; and
Sugar Reports, USDA-ASCS, No. 236, January 1972, and No. 224, January 1971.

dumping market; and that its price is not totally invalid for comparison with sugar prices in protected markets.¹⁵

The United States Sugar Industry

About 28,000 domestic farms produce sugar in the United States, utilizing around \$1.25 billion of investment.¹⁶ Approximately 150,000 farm workers, primarily on a seasonal basis, are required to cultivate and harvest the sugar crops.¹⁷

Sugar production in the United States was 5,929,462 short tons, raw value in 1971, (See table 2). Of this, 5,370,903 short tons, raw value (47.5 per cent of consumption) was imported from thirty-one countries.¹⁸ 1971 consumption was 11,300,365 tons.¹⁹

Sugar is produced from two plants: sugar cane and sugar beets. Beet sugar is refined in a single process,

¹⁵Interviews with Donald Horton and Roy Ballinger. Also, see U.S., Congress, Senate, Senator Douglas speaking against the Sugar Act, Senate Bill 2567, 89 Cong., 1st sess., October 19, 1965. Congressional Record, Vol. III, Part 20, p. 27401.

¹⁶Book Value. The United States Sugar Program, p. 3.

¹⁷Ibid.

¹⁸U.S. Department of Agriculture, Agricultural Stabilization and Conservation Service, Sugar Reports 236, (Washington D.C.: Government Printing Office, January, 1972), p. 19.

¹⁹Ibid.

Table 2. 1971 domestic sugar production by sectors

	Short Tons, Raw Value	% of U.S. Consumption
Beet Sugar	3,443,000	30.47
Mainland Cane	1,256,000	11.11
Hawaii	1,087,000	9.62
Puerto Rico	142,680	1.26
Total	5,929,462	52.47

Source: Sugar Reports, No. 236. ISDA-ASCS, January, 1972.
p. 19.

whereas cane refining involves two stages. The first process in manufacturing sugar from cane is the extraction, boiling, and processing of the cane juice. Raw sugar (about 98 per cent pure) and various by-products are obtained from this process. The raw sugar is then refined, yielding refined sugar, refiners' sirups and refiners' blackstrap molasses.

Refined sugar from beets is processed in a single operation, the principal by-products being beet molasses and beet pulp. Much of the beet molasses is then put through the Steffen's process for the extraction of additional sugar.²⁰

The difference in beet and cane processing methods has important effects on the sugar industry's organization and political structure. In cane, the refining industry is divorced from the producing and milling sector. There is little research and technological interaction between the two, and they are distinct political entities, as will be discussed in Chapter IV. On the other hand the beet-producing and processing sub-sectors work closely on research and farm management problems, and growers buy their seed from processing companies. Politically, they generally present a united front.

The United States sugar industry is composed of five sectors: 1) Mainland cane--Florida and Louisiana; 2) Hawaii; 3) Puerto Rico; 4) the cane refining industry; and 5) beet sugar producers and processors.

²⁰The United States Sugar Program, p. 4.

Mainland sugar cane production, 1,256,000 short tons in 1971, represented 11.1 per cent of total United States consumption in that year. (Table 2) In general, sugar cane is not grown in rotation with other crops, but occupies the same fields continuously. Except for the smaller growers, most producers own and operate sugar mills which convert the cane into raw sugar. Production in Louisiana has been fluctuating for the past decade, while in Florida it has been rapidly expanding. Production is much more concentrated in Florida.

Louisian Experiment Station studies show that in 1969, large scale Louisiana sugar cane farms produced just under 24,000 tons of cane per farm, at a per acre cost of \$274.08.²¹ Net income per acre was \$9.32. For "family-type" farms, costs per acre averaged around \$240. On these smaller farms, yields and net income per acre directly related to the number of acres harvested. Net income per acre for the three size groupings of large scale farms

²¹ Joe R. Campbell, Returns, Costs, and Profits for Large Scale Sugar Cane Farms in Louisiana, 1969 Crop Year, D.A.E. Research Report Number 425 (Baton Rouge, Louisiana: Louisiana State University Agriculture Experiment Station, May, 1971), p. 17. _____ and Daniel L. Morris, Returns, Costs, and Profits for Family-Type Sugar Cane Farms in Louisiana, 1969 Crop Year, D.A.E. Research Report Number 424 (Baton Rouge, Louisiana: Louisiana State University Agriculture Experiment Station, May, 1971), p. 13.

ranged from \$4.34 to \$39.56. In 1970 there were almost 1600 Louisiana farms, a continual decline from the 1948 high of nearly 6000, producing 604,000 tons, raw value, of sugar on 265,700 harvested acres.²² That same year, Florida's 135 farms produced 649,000 tons on 170,000 harvested acres.²³ The sugar industry is Louisiana's fifth largest agricultural industry, and Florida's third largest.

Hawaiian sugar production, 1,087,000 short tons in 1971, represented 9.6 per cent of total United States consumption in that year. (Table 2) Sugar production in Hawaii is incredibly concentrated and is characterized by very high yields--92 tons of cane per acre in 1970 versus about 25 tons in Louisiana--and relatively high labor costs--both field and mill workers are unionized.²⁴ In 1971, minimum wages for field workers was \$2.41 per hour plus fringe benefits²⁵ versus \$1.50 in Louisiana, the lowest wage sugar area.²⁶ The twenty-one Hawaiian plantations each has a mill. The Hawaiian sugar sector is heavily reliant on

²²Sugar Reports 236, p. 26.

²³Ibid.

²⁴Hawaiian Sugar Planters' Association, Sugar Manual 1971, p. 9.

²⁵Ibid., p. 6.

²⁶U.S., Congress, House, Committee on Agriculture, Hearings, 1971, p. 165.

research. Its trade association invests about \$2.5 million annually in research.²⁷ Sugar is Hawaii's largest agricultural industry, and its third largest overall.

Puerto Rican sugar production was only 142,680 short tons in 1971 (see Table 2). Puerto Rican production, in good part as a result of industrialization on the island and technological stagnation in the industry, has been declining rapidly from a 1952 high of 1,372,000 tons.²⁸

The cane-refining industry refines all imported sugar--as well as sugar produced in the Mainland cane area. The Sugar Act requires that imported sugar plus virtually all sugar sent to the mainland from Hawaii and Puerto Rico be raw. Refineries are located on the Gulf Coast--originally for Cuba and Louisiana's sugar, much of Puerto Rico's crop is now refined there; in Florida and Savannah, Georgia, primarily for the Florida crop; in major Northeast Coast cities, plus St. Louis and Chicago; and in Hawaii, where sugar for local consumption is refined, and California. The California refinery, which refines all of the Hawaiian sugar shipped to the mainland, is owned by the twenty-one Hawaiian sugar companies. Consequently, the Hawaiian industry not

²⁷The United States Sugar Program, p. 4.

²⁸U.S. Department of Agriculture, Economic Research Service, The Structure of the United States Sweetener Industry, by Roy A. Ballinger, Agricultural Economic Report 213 (Washington, D.C.: Government Printing Office, 1971), p. 6.

only has the most highly concentrated production but is the most highly integrated of any of the domestic producing sectors.

The refined sugar is generally marketed in the region in which it is produced. However Louisiana is a surplus area, and much of its refined sugar is shipped up the Mississippi River into the Midwest.

Beet sugar production, 3,443,000 short tons in 1971, represented 30.5 per cent of the total United States consumption in that year (see Table 2). Beets are generally grown in rotation with other crops to maintain yields, thus beet producers' economic activity is not as highly specialized as cane producers'.²⁹ Processors, who convert the beets to refined sugar, are located in the producing areas; but because of the necessary diversification in farming noted above, "processors own little farmland and grow few beets" for other than experimental uses.³⁰ As a result, the ownership integration of growing and processing--but not refining--which characterizes the cane sector, is generally not present in the beet sugar sector.

²⁹The Structure of the United States Sweetner Industry, p. 6. A North Dakota study shows that in 1965 only 16 per cent of Red River Valley sugar beet farmers' cropland was planted in beets. The Red River Valley is a major sugar beet area. See R. A. Yaggie and L. D. Loftsgard, "Sugar Beet Production Costs and Practices in the Red River Valley", North Dakota Agricultural Experiment Station Bulletin 466, (October, 1966), p. 6.

³⁰The Structure of the United States Sweetner Industry, p. 11.

The United States beet sugar producing sub-sector is very unconcentrated compared to its sugar cane counterpart. The 1970 output was produced on 1,367,000 harvested acres on 16,442 farms.³¹

The beet sector has been more reliant on research and technology than any of the other United States sugar sectors, and the growth of the sugarbeet industry in the United States is in good part a reflection of the success of beet-related research.³² Technological improvements--such as the development of a monogerm seed, new weeding practices, and mechanical harvesting--in the decade following World War II helped significantly to boost United States beet sugar production. By the late 1950's the sugar beet harvest was virtually 100 per cent mechanized.³³

The research and technology contribution to greater sugar beet output has come primarily through increased yields and lower per unit production costs.³⁴

³¹Sugar Reports 237, p. 21.

³²Interviews with James T. Bonnen and Robert H. Shields. Also, R. H. Shields, "Sugarbeet Research and the Sugar Act", American Society of Sugar Beet Technologists' Journal, XII (April, 1962), pp. 5-11. Both Bonnen and Shields note that the growth of United States beet sugar production has been a function of new technology.

³³United States Beet Sugar Association, The Beet Sugar Story (Washington, D.C.: United States Beet Sugar Association, 1959), p. 21.

³⁴Yaggie and Loftsgard, "Sugar Beet Production in the Red River Valley", p. 8. The authors found that yields in the Red River Valley increased from 11.6 tons per acre in

Beet sugar was produced in 24 states in 1971, the largest producers being California, Idaho, Colorado, Michigan, and Minnesota.³⁵ Virtually all of the sugar from beets is marketed in regions close to the producing areas--the Pacific Coast, the Mountain States, and the Midwest.

Barriers to Entry

Ballinger cites two significant barriers to entry in the United States sugar industry.³⁶ First, there are large capital requirements for manufacturing. There are definite economies of scale in processing plants.³⁷ Second, United States sugar legislation restricts the annual amount of sugar that can be marketed by each sector of the producing

1954-56 to 13.1 tons in 1960-63. They also infer that costs have declined. For example, they found that scale economies begin to operate at farm sizes of 90 acres, primarily because of mechanization. Since Red River Valley farms had increased in average size from 70 acres in 1957 to 92 acres in 1964, one can conclude that--because of scale economies--per acre and per ton costs have declined.

³⁵Sugar Reports 237, p. 21.

³⁶The Structure of the United States Sweetener Industry, p. 30.

³⁷Interview with Robert Shields. Shields cited two plant closings due to lack of scale and the large amount of capital required to reach efficient size. He estimated that efficiencies are not realized until a plant size of 4000 tons per day is reached. The two plants that closed were half this size.

industry. On the other hand, the Sugar Act has over time enabled both the sugar beet and mainland sugar cane sectors to improve their relative, as well as absolute, shares of the total United States sugar market.

In presenting the purposes and salient features of the Sugar Act, the next chapter describes both this improvement and the annual market ceiling noted above.

CHAPTER III

THE UNITED STATES SUGAR ACT

Sugar has been considered special in the United States since colonial days, and for most of the country's history as a republic, policy-makers have felt that a viable continental sugar industry, to some extent protected from the volatile world market, was in the "public interest". For more than a century protection was in the form of a tariff.

The Depression severely affected the domestic sugar industry; but it became clear that reliance on an increased tariff would have more adverse effects than beneficial ones.¹ There were two reasons for this: 1) High tariff protection was already stimulating domestic overproduction, thus offsetting the tariff's price protection. A further increase in tariffs would have compounded the problem; and 2) Cuba's economy, heavily reliant on sugar, was drastically damaged as a result of increased sugar tariffs throughout the world. Along with taking a large bite from per ton revenue, tariffs caused the domestic overproduction in many countries, thus cutting into markets for Cuban sugar.

¹The United States Sugar Program, p. 32.

By 1933, representatives of the various sectors of the industry met together, and with members of the Administration (primarily the Department of Agriculture) and Congress to formulate proposals for relief for the sugar industry. Their plan was used as a starting point for Presidential recommendations to Congress. These recommendations were the basis for the Jones-Costigan Act of 1934, which created the basic sugar program that exists today. Thus, industry-Administration-Congressional interaction, with the Executive Branch taking an active role, and with Presidential interest, was an important factor in formulating the legislation on which the present United States Sugar Program is based.

Purposes of the United States Sugar Program

Sugar legislation is rife with language concerning the essentiality of that commodity to national strategy and defense. This belief is in addition to, and strengthens, the economic and agricultural fundamentalist's arguments for protection. Protection--from foreign competition and price instability--for the domestic industry is the main purpose of the United States sugar program. A California study shows that if the Sugar Act was abandoned in favor of free trade, domestic production would decline by approximately 65 per cent.² In addition to protecting the domestic industry

²Bates and Schmitz, A Spatial Equilibrium Analysis
. . . , p. 35.

at pre-Sugar Act levels, the Act has successfully increased both the domestic beet sugar and mainland cane sectors' relative shares of the United States market. In 1933, beet sugar's share was 21.5 per cent; in 1971, over 30 per cent. Mainland cane increased from five per cent to over eleven per cent.³

A corollary purpose of the Sugar Act is a stable supply of sugar at fair and reasonable prices. This implies a fair return to producers at reasonable prices to consumers and industrial users. Table 1 compares United States and world prices of sugar since the Act's inception. For most years domestic producers and foreign suppliers of the United States market have received a price greater than the world market price. Thus, consumers have generally paid greater than world price for their sugar;⁴ but they have been given a steady supply of sugar at a relatively stable price--even in years when world price exceeded United States price.⁵

³The United States Sugar Program, p. 5.

⁴Bates and Schmitz, A Spatial Equilibrium Analysis, p. 32, The Authors estimate that in 1970, trade restrictions on sugar cost American consumers \$500 million--31 per cent of actual expenditures for that year. If trade with Cuba is excluded, the savings from free trade would have been \$300 million--25 per cent of 1970 actual expenditures. Also, Ogg, "Income Distribution Consequences", p. 4. Ogg's estimates of the cost of the program to United States consumers are even higher. If the United States unilaterally shifted to free trade, he estimates the program cost to consumers at \$875,582,000 to \$1,086,058,000 per year depending on the world price of sugar.

⁵At least two of the interviewees indicated that this was fine if it had been a conscious policy choice by decision-makers, but that Congress, especially, has never

In diminishing uncertainty, assured stability of of price and supply has encouraged both the industry--producers and processors--and industrial users to plan and invest. Producers know they will get a certain price--or close to it--for their sugar; thus, they can plan accordingly. Processors and industrial users, assured of a supply at a relatively stable price, can invest accordingly; in addition they have little need to maintain large inventories. Given the very high price inelasticity of demand for sugar, processors can pass on most of the increased price of sugar resulting from the Act.⁶

Another purpose of the Sugar Act is fair wages for sugar workers, and the exclusion of child workers.

The final purpose is to expand United States foreign trade, especially in agricultural markets, and as an instrument of United States foreign policy. Thus, two of the reasons access to the United States sugar market is granted to foreign countries are: 1) the belief that the increased foreign exchange will, in part, be used to purchase other United States agricultural products; and 2) to promote good relations between the United States and the exporting country. If the sugar producer is a less developed country,

asked the question: How much in increased sugar prices is price and supply stability worth?

⁶Interviews with Roy Ballinger and Donald Horton.

as many are, the Sugar Act purports to aid these countries in the development process. However, a recent study by Ogg suggests that exporting countries, as a whole, might gain significantly if the United States were to abandon its sugar programs in favor of free trade.⁷ In addition, the relatively fixed annual United States quota increases instability in world markets, since it does not adjust to world supply or demand.⁸

Salient Features of the United States Sugar Program

The Sugar Act is best described as a manual of rules, regulations, and procedures for "a domestic production and marketing cartel managed by a staff agency of the Secretary of Agriculture."⁹ All of the features below date back to the Jones-Costigan Act of 1934.

Each year the Secretary is required to determine the United States' consumption requirements for that year. This

⁷Ogg, "Income Distribution Consequences", p. 3. Whether there is a gain or loss, and the magnitude involved, depends on the resulting world price of sugar. Ogg uses estimates of 2.66 and 3.66 cents per pound. At the former, exporting countries gain \$138,506,000 per year from the United States program, but at the latter price, they lose \$250,155,000 annually.

⁸Interview with Roy Ballinger.

⁹Donald C. Horton, "United States Sugar Policies in the Sixties and Possible Revisions of the United States Sugar Program for the Seventies", (unpublished draft, 1970), p. 2.

must be at a "fair and reasonable" price. The consumption estimate, which can be amended during the year, becomes the total size of the United States sugar market for that year. The sole consideration now used by the Secretary in making the estimate is the price guide.

The price guide for raw sugar was, until 1971, based solely on a parity concept. Now it is a price which would maintain the same ratio between it and the average of the 1) farm prices paid index (1967 = 100), and 2) the Wholesale Price Index (1967 = 100), as the ratio that existed between the two in the period September 1, 1970 through August 31, 1971.

Figure 1 shows the economic relationship which is implicit in making the consumption estimate.

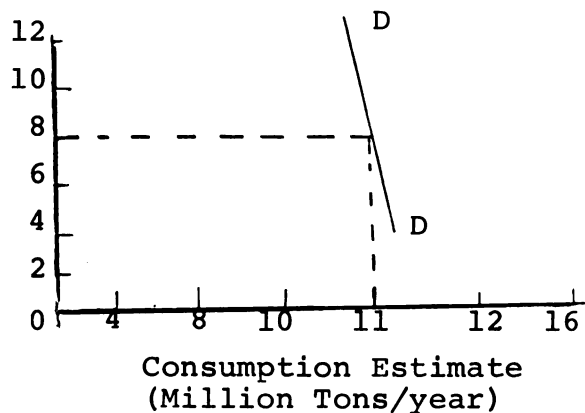


Figure 1. Relationship implicit in the determination of the consumption estimate by the Secretary of Agriculture.

It shows a hypothetical demand curve for sugar, (DD). If the Secretary determined that the target price for sugar for

the year should be eight cents per pound, his consumption estimate for the year would be 11 million tons. Thus each year some point on the prevailing demand function must be estimated in arriving at a consumption estimate.

A division of the total market between domestic and foreign suppliers affords protection to the domestic industry. Foreign participation since the Act's inception has ranged from a high of 54 per cent in 1944 to 33 per cent in 1942. For non-war years, it ranged from 52 per cent in 1958 to 39 per cent in 1964 and 1965.¹⁰ Subordinate divisions of quota are also made among the producing sectors of the domestic industry, and quota allocations are made among foreign countries. If necessary, to limit output, acreage allotments within each domestic area can be imposed by the Secretary. The domestic quota allocations for 1972 are as follows:

	Short Tons, Raw Value
Beet Sugar	3,500,000
Mainland Cane	1,677,667
Hawaii	1,218,238
Puerto Rico	205,000
Total Domestic	6,600,905

This represents 55 per cent of the twelve million ton

¹⁰The United States Sugar Program, p. 27.

consumption estimate. Foreign quotas were assigned to thirty-two countries, whose share ranged from 1,407,970 tons for the Philippines (which exports only to the United States) to 5,351 tons for Ireland. 70 per cent of imports in 1972 will come from the "Big Five" countries: the Philippines, Mexico, Brazil, Dominican Republic, and Peru (See Table 3). If either a domestic area or a foreign country is unable to fill its allocation or quota, the resulting deficits are assigned to other foreign countries to fill. Along with the size of the original allocation or quota, and the share in market growth, which country or countries that get to fill the deficits has always been an important aspect of sugar's legislative process.

Foreign quotas can be suspended by Presidential action. This occurred twice in the 1960's when Cuba (1960) and Southern Rhodesia (1965) lost their quotas as part of economic boycotts of those countries by the United States.

A tariff--of \$.625 per 100 pounds--still exists on imported sugar. At this level, given the usual premium price in the United States market and the heavy demand by foreign suppliers for quotas, the tariff is strictly a revenue-raising device. A tax of \$.005 per pound, raw value, is levied on all sugar marketed within the quota system.

Table 3. Foreign sugar quotas for 1972.

Country	Quotas, Deficits, and Prorations (short tons)
Philippines	1,407,970
Dominican Republic	703,677
Mexico	622,315
Brazil	606,921
Peru	434,300
West Indies	226,496
Ecuador	89,609
Argentina	84,111
Costa Rica	97,672
Colombia	74,766
Panama	46,729
Nicaragua	70,918
Venezuela	67,619
Guatemala	82,820
El Salvador	47,278
British Honduras	37,382
Haiti	34,085
Bahamas	29,687
Honduras	17,609
Bolivia	7,147
Paraguay	7,147
Australia	210,483
Republic of China	87,632
India	84,277
South Africa	59,539
Fiji Islands	46,121
Mauritius	31,027
Swaziland	31,027
Thailand	19,288
Uganda	15,513
Malagasy Republic	12,579
Ireland	5,351
Total foreign	5,399,095

Source: Sugar Reports 237, USDA-ASCS. February 1972, p. 9.

The final feature is conditional payments to growers who provide fair wages and employ proper labor practices, principally no hiring of child labor.¹¹ The payment rate is inversely related to tonnage (from .8 cents per pound on the first 350 short tons to .3 cents per pound for production above 30,000 tons). The budgetary cost of the payments is covered by the tax. Through 1970, total taxes exceeded total payments by some \$630 million, since there are no payments on foreign-produced sugar.¹²

The sugar program thus involves a tax, and provides a price premium to both foreign and domestic producers, in addition to an income supplement to domestic growers. For these reasons it is unique among the basic commodity programs.

In attempting to combine a domestic agricultural program with foreign policy into a single piece of legislation, the Sugar Act faces an inherent dilemma, since the goals of the two often conflict. For example, should preference in foreign quotas be given to reliable suppliers or to less developed countries, especially those in Latin America?

¹¹This requirement, in theory, made the sugar program one of the most progressive of New Deal agricultural legislation. These worker provisions, however, are now contained in other laws; and it is argued that in practice, the Sugar Act now requires no more of sugar producers, with respect to workers, than is required by other legislation of producers of all commodities.

¹²The United States Sugar Program, p. 27.

This dilemma penetrates deep into sugar's political structure, the subject of Chapter IV.

CHAPTER IV

SUGAR'S POLITICAL STRUCTURE

Like the political structures in most other areas, that of sugar tends to define the relevant issues in sugar policy. Sugar's political structure and process can only be described as unique among the basic commodity programs. From the days of developing the original United States Sugar Program, interaction among industry, the Administration, and Congress has been an important characteristic of each Amendment or Extension.

Political scientists distinguish between power and influence. Some argue that power is inherent or sovereign, anything less being influence. Robert Dahl, however, states that "power is the capacity to change the probability of outcomes."¹ Similarly, Deutsch writes that "power is the ability to make things happen that would not have happened otherwise."² Influence is seen as a milder and broader form of power.³

¹Karl W. Deutsch, Politics and Government (Boston: Houghton-Mifflin Co., 1970), p. 24.

²Ibid.

³Ibid.

The Domestic Industry

In general, the sugar industry and its backers have influence, which they use to define the relevant issues and to mold favorable legislation. But, they also have political power, in that they can block any legislation which is unfavorable to the industry as a whole.⁴

Each sector of the domestic sugar industry has a strong sector-wide organization or association--a major reason for the positive legislative response to the needs of the domestic industry.⁵ Each association is politically influential in its own right; and each has a Washington lobbyist with past Federal government experience. As would be expected, each takes a stance on recommendations for sugar legislation that is dictated by that sector's economic interests.

The United States Beet Sugar Association derives much of its political influence from the fact that sugar beets are grown in twenty-four states. Although it represents processors, it almost always has grower support. In many Congressional districts where they are grown, sugar beets have a significant impact on the economy of those districts. This geographical distribution of sugar beet

⁴Interviews with industry representatives and Department of Agriculture staff.

⁵The Structure of the United States Sweetener Industry, p. 31.

production is to some degree the consequence a conscious political strategy. The industry has sought to expand into new producing areas--even if they were not the most economically advantageous ones, and conceivably at the expense of areas already producing beets and desiring expansion--to broaden its political base. Each new state of course, has two Senators and at least one Congressman. But this highly successful spread--halted temporarily by the 1965 Extension--has probably reached its practical limit, especially since some of the newer areas, particularly in New York and Maine, have experienced production and processing problems.

The primary sugar beet lobbyist for the past twenty-five years has been Robert Shields, Executive Director of the United States Sugar Beet Association. Shields was an Agriculture Department lawyer when the first Sugar Act was written, and General Counsel of the Department for much of the 1940's. Shields is considered among the best lobbyists in Washington.⁶

Mainland sugar cane is represented by the American Sugar Cane League and the Florida Sugar Cane League. Their political influence has primarily been--at least until

⁶This judgement was made several times in interviews with certain industry representatives and Government staff. Also, an internal Executive Branch memorandum passed the same judgement.

1969--a function of the Congressional Seniority System. Either or both Louisiana and Florida have had men in powerful positions, especially in the Senate, since the Act's inception. Unlike the beet sector, the mainland cane area, until recently, has not vigorously pursued quota increases, other than from consumption growth. The Leagues' present lobbyist is Horace Godfrey, (hired in 1969), former Director of the Agricultural Stabilization and Conservation Service (1961-69)--a political appointment--with strong political ties both in the Agriculture Department and on Capitol Hill.

The Hawaiian Sugar Planters Association has Hawaii's two Congressmen and Senators solidly behind it since sugar is such an important part of that state's economy. The Association's lobbyist is a former General Counsel of the Department of Agriculture, during the Kennedy and Johnson Administrations, John Bagwell.

The United States Cane Refiners' Association derives part of its political influence from the metropolitan Congressmen in whose districts refineries are located. They also have strong backing from Congressmen with labor ties. But the significant part of the Refiners' political influence comes from their careful cultivation of, and close ties with, the Democratic and Republican leadership in Congress, particularly in the House of Representatives.⁷

⁷Interviews with industry representatives.

In part this success can be attributed to the Association's Washington lobbyist, Irving Hoff, a 14-year veteran of Capitol Hill where he was a key Senate aide.

The Refiners' usual stance on sugar legislation is a dual one. First, they take a free-trade position in supporting increases in the size of the foreign share of the United States sugar market. But this is coupled with their second stance, a protectionist one, i.e., their successful efforts to require that virtually all imported sugar be raw.

As one extension of the Sugar Act nears expiration, representatives of the industry associations meet to formulate proposals for the next extension by developing areas of mutual agreement and trying to overcome intersectoral conflicts. If successful, a united front is presented to Congress and the Administration. This single industry proposal is generally backed by a pooling of the various associations' political influence--thus creating genuine political power for the industry. Congress and the Administration are generally receptive to the industry's proposal under these conditions.

The Administration

Administration involvement in sugar's political process takes place at many levels, including the Presidential one. At least five of the six Presidents who have served during the Sugar Act have had direct involvement in the Sugar Program or its political process.

The agricultural/foreign policy dilemma of sugar legislation is readily seen in the different positions taken by the Departments of Agriculture and State. Each has its own clientele, whose views their respective positions reflect. The domestic industry with Agriculture; and foreign suppliers, plus usually the Refiners since they refine all imported sugar, with State. The two Executive Office agencies which are often active in sugar policy also extend their traditional policy interests into the sugar area. The Bureau of the Budget (now Office of Management and Budget) generally concerns itself with the fiscal aspects of programs--budgetary costs, Treasury outlays, tariffs and taxes involved, and how these fit into the Bureau's view of national budget priorities. Under Kermit Gordon in 1965, they took a stand advocating reform in the sugar program. The Council of Economic Advisors tends to base its positions on its perceptions of national economic welfare and thus its position on sugar policy is generally one of advocating a less-protectionist, more consumer-oriented program. Because of these positions, the Council's and Budget Bureau's influence, while at times strong, historically tends to be relatively minor in sugar policy. This was particularly true of the Council in 1971, when its position tended to isolate it from any meaningful input into sugar policy that year.⁸ The

⁸Interview with Gary Seevers.

Council and Budget Bureau will have some impact at the inter-agency staff level--another unique feature of sugar's political process, where representatives from the concerned agencies and Departments in recent years have formulated joint proposals--but these recommendations are often omitted or reshaped when sugar policy is reviewed at more political levels of the Administration. Political tradeoffs tend to dominate sugar's policy decision process.⁹ This was best exemplified in the political bargaining of sugar legislation and general farm legislation in 1965, which will be discussed in Chapter V.

Intra-Administration conflicts are generally resolved, sometimes by the White House, so that the Administration usually presents a fairly solid front to Congress.

The Congress

Because the Sugar Act contains a tax, it must originate in the House; but unlike other tax bills it is not sent to the Committee on Ways and Means. Instead, sugar legislation is formulated in the Committee on Agriculture where virtually all other agricultural legislation originates. This is based on precedent: the original Sugar Act (the Jones-Costigan Act of 1934) was an amendment to the Agricultural Adjustment Act of 1934, which originated in the Committee on Agriculture.

⁹Interviews with James T. Bonnen, Horace Godfrey, and Donald Horton.

Sugar legislation invariably comes to the House floor on a closed rule--only Amendments agreed to by the Chairman of the Committee on Agriculture are recognized. This, combined with the industry's political power, usually assures passage intact of the Agriculture Committee bill.

In the Senate, sugar legislation is handled by the Finance Committee, which generally hears tax bills, but whose involvement with agricultural legislation is highly limited. That Committee has always had a few Senators on it sympathetic to the needs of the domestic industry. Its present Chairman is Russell Long of Louisiana. In addition, Senator Allen Ellender of Louisiana, a Senator since 1937, though not a Finance Committee member, is always consulted on sugar legislation.¹⁰

Differences in the House and Senate versions are worked out in Conference Committee, and in general the House bill usually prevails. The primary reason for this appears to be that House conferees (who are from the Agriculture Committee) have more interest and expertise in agricultural legislation than their Senate counterparts (from the Finance Committee).¹¹ House members generally serve on only one Committee--thus Agriculture Committee members can devote

¹⁰Interview with Robert Shields. In 1956, Ellender represented the domestic industry in presenting its proposals to the Senate Finance Committee.

¹¹Interview with Hyde Murray.

large amounts of their time to that committee's business--while Senators usually are assigned to two or three committees.

This last fact further increases the domestic industry's political leverage. Sugar legislation generally is viewed as relatively insignificant by many Finance Committee members, and thus they are inclined to go along with the Chairman and ranking minority member. Currently these are Russell Long and Wallace Bennett of Utah--a major beet sugar state--respectively.

In addition to the usual legislative process of hearings and Committee meetings, leaders from both the House Committee on Agriculture and the Senate Finance Committee meet with representatives of the domestic industry to help the latter develop proposals for a new Extension of the Sugar Act, and to offer political advice on industry recommendations.¹²

Foreign Lobbying

Congressional Committees generally refuse to hear testimony from official representatives of foreign governments. Instead of using normal diplomatic channels (Embassy-State Department) virtually all countries interested

¹²Interviews with Robert Shields, Irving Hoff, Horace Godfrey, John Bagwell, and Hyde Murray.

in participating in the United States sugar market--either in obtaining a new quota, or maintaining or increasing an existing one--hire domestic lawyers to present their cases to Congress. This practice became prevalent after Cuba's quota was suspended, and it became necessary to reallocate that share of the market. Although the practice is not unique, it is highly unusual. It is also one of the murkier aspects of sugar's political process. Lobbyists have included former Agriculture Committee members (one, Harold Cooley, a past Chairman), a former Senator, a former Cabinet officer, and a handful of lawyers who had served in the Agriculture Department. Most have close contact with at least some Committee members. Charges of improprieties between Committee members and lobbyists were often made during the 1960's. None was proven, however, but critics contend that the problem is as much the impression conveyed to foreign governments or their sugar industries by the lobbyists that the Congress is "for sale", as the improprieties themselves.¹³ Table 4 shows the fees the lobbyists received in 1965 and 1971.

Never was the foreign lobbying aspect as much in the forefront as in 1965, when it brought sugar's political

¹³U.S., Congress, Senate, Senator Fulbright speaking against the Sugar Act, Senate Bill 2567, 89th Cong., 1st sess., October 20, 1965. Congressional Record, Vol. III, Part 20, p. 27524.

Table 4. Sugar lobbyist fees 1965 and 1971.

Agent	Country Represented	Fee (Per year)
	1965	
Charles Patrick Lark	Venezuela	\$50,000.00
Oscar L. Chapman	Mexico	50,000.00
Albert S. Nemir	Brazil	31,511.06
Arthur L. Quinn	British West Indies, Ecuador, Panama and British Honduras	25,000.00
Sheldon Z. Kaplan	Latin American Sugar Council, Hon- duras, El Salvador, Nicaragua, Guatemala, Costa Rica	24,800.00
Charles H. Brown	Fiji	24,000.00
Griffin Dawson	India	20,000.00
John R. Mahoney	South Africa	19,320.08
Robert C. Barnard	Australia	19,175.12
John A. O'Donnell	Philippines	18,000.00
Arnold F. Shaw	Peru	15,000.00
Ernest Schien & John G. Laylin	Colombia	15,000.00
James M. Earnest	Mauritius	13,952.00
Walter Sterling Surrey	Guadalupe & Martinique	12,500.00
Seymour S. Guthman	Madagascar Republic	7,500.00
Attorney Ganson Purcell	Southern Rhodesia	5,000.00
Attorney George Grant	Thailand	3,500.00
Robert L. Farrington	Republic of China	3,000.00
Robert D. Larsen	Swaziland Sugar Association	(?)
	1971	
William R. Joyce, Jr., Alejandro Orfila	Argentina	\$1,000 per mo., \$12,000 per yr.
Robert C. Barnard	Australia	Bills for services.
Hugh C. Laughlin	Bahamas	No amount listed
Blake Franklin	Bolivia	\$10,000 per yr.
Albert S. Nemir	Brazil	\$180,000 per yr.
Arthur L. Quinn, Arthur Lee Quinn	British Honduras	\$10,000 per yr.
Thomas H. Boggs, Jr.	Central America	\$36,000 per yr.
Tom Kuchel	Colombia	\$200 per hr. (in last 6 mo. period reported \$13,156).

Albert S. Nemiye	Brazil	\$180,000 per yr.
Arthur L. Quinn, Arthur Lee	British Honduras	\$10,000 per yr.
James N. Juliana	Costa Rica	\$15,000 per yr.
Arthur L. Quinn, Arthur Lee	Dominican Republic	\$ 3,000 per mo.
Quinn	Ecuador	\$25,000 per yr.
Daniels & Houlihan	England	\$18,000 per yr.
Walter S. Surrey	Guadeloupe, Martinique	\$12,500 per yr.
Charles H. Brown	Fiji	\$2,000 per mo.
Philip F. King	Haiti	Expenses only
Michael P. Daniels	India	\$25,000 per yr.
George W. Bronz	Ireland	Bills for Expenses
Harold D. Cooley	Liberia	\$10,000 fee plus \$1,000 per mo.
Walter S. Surrey	Malagasy Republic (Madagascar)	\$25,000 per yr.
Jerry Collier Trippe	Malawi	\$15,000 per yr.
W. Devier Pierson	Mauritius	\$25,000 per yr.
Dennis O'Rourke	Mexico	\$4,000 per mo.
Arthur L. Quinn, Arthur Lee	Panama	\$18,000 per yr.
Quinn	Paraguay	\$500 per mo.
Sheldon Z. Kaplan	Peru	\$15,000 per yr.
Prather, Levenburg, Seeger,	Philippines	\$3,750 per mo. (does not include bonuses in recognition of services.
Doolittle, Farmer & Ewing		Last reported bonus was \$6,000
John A. O'Donnell		\$600 per mo.
George C. Pendleton	Republic of China	\$20-65 per hr. (reported
John Mahoney	South Africa	\$48,573 receipts for past yr.)
Justice M. Chambers	Swaziland	\$20,000 per yr.
Harold D. Cooley	Thailand	\$20,000 per yr.
Andreas F. Lowehfeld	Uganda	\$16,000 per yr.
Ed. L. Merrigan	Venezuela	\$50,000 per yr.
Arthur L. Quinn, Arthur Lee	West Indies	\$35,000 per yr.
Quinn		

Source: U.S., Congress, Senate, 89th Cong., 1st sess., October 12, 1965, Congressional Record, Vol. 111, Part 20, p. 26763; and 92d Cong., 1st sess., Vol. 117, No. 118, July 27, 1971, p. 512260.

process and the Sugar Act itself into the limelight, making the Act a significant political issue for the first time since its origin. Chapter V describes the 1965 sugar legislation experience.

CHAPTER V

THE 1965 EXPERIENCE

1965 represented the kind of experience which cartels prefer to avoid: bitter internal dissension; economic problems, and public concern over both the cartel's political process and the Sugar Act itself.

Before describing that experience, two features of the 1962 extension of the Sugar Act must be noted. Many Administration officials felt that the end of the United States' reliance on Cuba afforded an opportunity to reshape United States sugar policy;¹ hence the development of two new features. The first is the global quota. Instead of reassigning the Cuban quota in its entirety to specific countries, the 1962 Act held most of Cuba's quota (about 1.5 million tons--57.77 per cent of imported sugar other than from the Philippines) in reserve until the President saw fit to restore it. The Cuban reserve was to be allocated as a global quota, on a first-come, first-served basis. The second feature is the import recapture fee, a device to capture all or part of the price premium on imported sugar.

¹Horton, "United States Sugar Policies", p. 11.

The episode that we have called the 1965 experience actually began in 1963 with some unusual developments in the economics of sugar.

The Economic Setting

In 1963 and the first quarter of 1964, the world price of sugar skyrocketed above the United States price for the first time since 1957 (See Table 1). At its peak the difference was over three cents per pound. There were three reasons for this phenomenon: 1) Decreased production in Cuba; 2) A poor Eastern European sugar beet crop for two continuous years; and 3) A relatively rapid increase in world demand for sugar.

In reaction to this, the State Department sent urgent messages to all non-Communist sugar producing countries asking for supplies above their quotas--i.e. to fill the global quota--at the lower United States price. State implied that 1963-64 performance would be the basis for new foreign quota determination by Congress when the Sugar Act's extension expired at the end of 1964.² Thus, countries were asked to take short term losses in favor of long term gains. As a result, the total foreign quota for both 1963 and 1964 was filled.

²At least two of those interviewed claimed that the State Department had more than implied that increased quotas would result for countries which "came through" in 1963-64. They claim that actual commitments of increased quotas were made.

Some Congressmen, particularly House Committee on Agriculture Chairman Harold Cooley, were incensed at this action by the State Department since they viewed the allocation of foreign sugar quotas as strictly a Congressional prerogative. Cooley and others also blamed the economic situation on the global quota and recapture fee, and vowed to oppose their inclusion in the next extension of the Sugar Act.

In 1961, domestic production controls had been removed following the suspension of Cuba as a source of sugar supply for the United States. With the advent of world shortages in 1963, the Department of Agriculture also urged domestic producers to increase their production. It is claimed by some that as a quid pro quo the Agriculture Department made commitments of increased quotas for the domestic sugar industry when Congress next considered sugar legislation.³ The response, especially in the beet areas, was quick and large, although a question persists as to how much of this was in response to the invitation and how much was due to better production and market conditions. Sugar beet production in 1962 was almost 380,000 tons short of its

³ Interview with James T. Bonnen. Robert Shields implies this in a 1964 speech. Robert H. Shields, "Consumer Interests--The Basic Issue in Sugar Legislation" (speech given at the Annual Convention of National Vendors Association, Miami Beach, Florida, April 18, 1964), pp. 2-3.

quota.⁴ In 1963, beet production increased 500,000 tons, while marketings increased 20 per cent over 1962 levels.⁵

By mid-1964, when successfully expanded world production hit the world market, the world price of sugar had returned below the United States price. By the end of that year, it had nosedived to less than three cents per pound; and domestic producers--especially beet producers--had substantially more inventories on hand than they could legally market under their Sugar Act allocation.

Although the basic statute of the Sugar Act ran through 1966, the foreign quota allocations were to expire at the end of 1964. Given the surplus inventory and over-production problems of domestic producers, it was clear that they too were in need of legislative help in 1964. It was also evident that the Act was deficient in its ability to deal with world shortages. One method suggested by some in the Administration was larger inventories by the domestic industry.⁶ This proposal was met with vehement industry opposition.

Beet producers and processors were seeking a 750,000 ton per year increase in their allocation, in order to market

⁴United States Cane Sugar Refiners' Association, Setting the Record Straight Concerning Sugar Legislation (Washington, D.C.; U.S. Cane Refiners' Association, August, 1964), p. I-2.

⁵Shields, "Consumer Interests", pp. 2-3

⁶Internal Executive Branch staff memoranda.

their inventories and not decrease production. Since consumption growth would cover only a small share of this, any increase even approaching this figure would have to come from another sector's allocation. Politically, the prime candidate would be foreign quotas. But there was a major drawback here: Since the cane refiners process all imported sugar, and no beet sugar, any cut in the foreign allotment would directly affect them--particularly in the Northeast, where refineries process imported sugar exclusively. The result was a bitter and deep conflict between the industry's beet and refining sectors.

Political Process (1): 1963-64

The Administration was determined to take an active role in sugar legislation, partly because Budget Bureau Director Kermit Gordon strongly felt that the Sugar Program was in need of reform.⁷ But the extent of the Administration's role was seen by one participant as primarily a function of the strong and deadlocked conflict within the domestic industry.⁸ Since the traditional processes of sugar legislation formulation were not functioning, the Administration felt itself forced to take the initiative.

⁷Interviews with James Bonnen and Donald Horton.

⁸Interviews with James Bonnen.

By early 1964 the Administration had formed an inter-agency political level group to make recommendations on sugar policy. They in turn formed a staff level technical task force, whose recommendations were to be free of political considerations.⁹ The technical committee was to report to the political level group, who would finalize Administration proposals for the President.

The conflict between the cane refining and beet sectors was so strong, in spite of attempted intervention by the Administration and members of Congress, that the two groups would still not meet, and representatives of each sector were charging the other with trying to destroy the United States sugar industry.¹⁰

This conflict was also mirrored in the Administration, where the Agriculture and State Departments were at odds, primarily over the allocation of quota between foreign and domestic producers. As noted above, both had made commitments in 1963 and early 1964, and it was now time for their respective clientele to collect. Thus the Department of Agriculture vigorously supported the domestic industry's--particularly the beet sector's--request for an increased

⁹Interviews with James Bonnen and Donald Horton; and internal Executive Branch staff memoranda. Both committees were to be comprised of representatives of Agriculture, State, Budget, and the Council of Economic Advisors.

¹⁰Interviews with industry representatives and Department of Agriculture staff.

quota, to come from the foreign share of the market. Many in Agriculture and the Executive Branch believed that the large beet sugar surpluses were a direct result of that Department's 1963-64 policies.¹¹

Meanwhile, the State Department was strongly fighting any decrease in the foreign market share, and at the same time attempting to make good on the commitments it had made to foreign suppliers in 1963-64.

Cooley, Chairman of the House Committee on Agriculture, insisted upon industry agreement--both internal and with the Administration--before he would hold hearings on a bill. In October, he unsuccessfully attempted to force agreement through brief hearings on two short amendments.

As 1964 was ending, time was running out on the foreign quotas, the legal basis of which was to terminate December 31, 1964. Cooley's unwillingness to hold further hearings appeared to place him in a strategic position, since it was clear that sugar legislation could not pass without the support of the House Agriculture Committee Chairman.

But in late October, the Agriculture Department decided it had the legal authority to allocate foreign quotas administratively for two years--but not to continue the global quota or import recapture fee--since the basic statute extended for that length of time. Although their legal

¹¹Interview with James Bonnen.

authority to do this was questionable, USDA and Administration officials privately believed that they would not be challenged in the Courts, but that if they were, new legislation would have been enacted by the time any challenge could be made effective.¹² The Administration at the urging of the State Department based its quota allocation on 1963-64 performance, with the latter year receiving double weight (See Table 5). And so 1964 ended with no new legislation.

There were seven significant issues to be dealt with in the early stages of the 1965 sugar experience:

Issues (1):

1. Domestic-Foreign Division of the Market. This was the most important economic issue in 1965, and had split the sugar industry so widely--and the Administration almost as badly--as to result in legislative inaction.

2. Cuban Reserve. Ever since mid-1960, the name of the foreign sugar game had been "how to divide the Cuban pie". In 1962, the answer was the global quota. But opposition in both Congress--particularly from Cooley--and the State Department ruled out this alternative in 1965.¹³ There was a

¹²Interviews with persons who were in the Department of Agriculture and Executive Branch in 1964.

¹³State's position was, as usual, a reflection of its clientele--foreign countries--who preferred the certainty and security of set individual country quotas.

Table 5. Administration, House, Senate, and Conference Committee allocations of foreign sugar quotas, 1965.

Country	Adminis- tration	House bill	Senate bill	Conference agreement
(Short tons, raw value)				
A. For countries in the Westerh Hemisphere:				
Mexico	390,135	340,925	390,135	348,501
Dominican Republic	385,854	340,925	422,512	340,925
Peru	240,824	272,013	272,013	272,013
Brazil	221,558	340,925	272,013	340,925
British West Indies	122,017	150,397	122,017	136,000
Ecuador	49,770	50,267	49,770	49,770
Colombia	27,829	42,970	27,829	36,000
Costa Rica	34,786	42,159	34,786	40,000
Nicaragua	40,672	38,511	40,672	40,000
Guatemala	35,321	32,836	35,321	34,000
Venezuela	2,676	30,809	2,676	17,000
El Salvador	17,125	30,403	17,125	25,000
Haiti	18,731	28,782	18,731	18,731
Panama	14,449	25,134	14,449	25,134
Argentina	63,685	21,485	63,685	42,000
British Honduras	4,281	19,864	4,281	10,000
Bolivia	-	4,054	1,000	4,054
Honduras	-	4,054	1,000	4,054
French West Indies	50,841	42,970	42,970	42,970
Subtotal	1,720,554	1,859,483	1,832,985	1,827,077
B. For other countries:				
Australia	186,772	162,152	162,152	162,152
China, Republic of	67,431	67,293	67,431	67,431
India	96,865	64,861	64,861	64,861
South Africa	96,865	29,593	66,584	48,000
Fiji Islands	45,489	24,323	35,489	35,489
Thailand	-	19,864	-	15,000
Mauitius	14,985	14,188	14,985	14,985
Swaziland	9,098	6,081	6,081	6,081
Southern Rhodesia	9,098	6,081	6,081	6,081
Malagasy Republic	7,492	6,081	7,492	7,492
Ireland	2,141	-	2,141	5,351
Belgium	1,605	-	1,605	-
Turkey	1,605	-	1,605	-
Subtotal	539,446	400,517	436,507	432,923
C. Philippines	1,050,000	1,050,000	1,050,000	1,050,000
TOTAL	3,310,000	3,310,000	3,310,000	3,310,000

Source: U.S., Cong., House. House-Senate Conference Committee, Sugar Act Amendments of 1965, Conference Report, House Report No. 1209, 89th Cong., 1st sess., October 22, 1965.

desire by some in Congress and the State Department to decrease the Cuban Reserve from its 57.77 per cent, thus permanently transferring some of it to other quotas. Given the demise of the global quota, the Cuban Reserve that remained had to be allocated to other countries. Which countries that were to share in that Reserve, as well as in the Reserve's share of United States market growth, became important issues.

3. Allocation of Quotas. The Administration's allocation of quotas on the basis of 1963-64 performance met with strong opposition in the House. Cooley viewed this as an encroachment of his Committee's duties, if not authority. He also felt that the 1963-64 episode was an aberration, for which countries should not be penalized. Cooley made it clear that the Committee would formulate foreign quotas on its own, as it saw fit. The State Department, of course, was adamant in its backing of the 1963-64 criterion.

4. Foreign Policy Considerations. The dilemma of agricultural versus foreign policy was particularly strong because of the previous sugar policy commitments made by the State Department and the peak interest in Latin America; e.g., The Alliance for Progress, Castro, and the Dominican Republic. This interest was intensified by the move of Thomas Mann from Assistant Secretary for Latin American Affairs to Under-Secretary for Economic Affairs, where he became State's

principal in sugar policy.¹⁴ First, the Administration wanted all deficits to go to the Philippines and Western Hemisphere countries. Second, the House advocated special consideration in the growth of the Cuban reserve to member countries of the Organization of American States (OAS). Third, the Administration favored restricting developed countries' (primarily Australia and South Africa) share in market growth.

5. Import Fee. One of the most volatile issues in sugar policy, the fee had ardent supporters and detractors in both the Administration and Congress. Its supporters included: 1) the Bureau of the Budget, which approved of recapturing part of the premium for the Treasury; 2) the Council of Economic Advisors, who approved of a decrease in the premium to foreign producers; and 3) Congressional critics of the program--along with some parts of the domestic industry--for both of the reasons cited above. Opposition to the import fee was led by the State Department and by Cooley, who called it "immoral, based on unsound economics, an insult to our friends in Latin America, and would result in eventual ruin of the United States sugar program".¹⁵ State's opposition

¹⁴Interview with James Bonnen.

¹⁵U.S., Congress, House, a letter from Representative Cooley to Speaker of the House McCormack, 89th Cong., 1st sess., October 19, 1965. Congressional Record, Vol. 111, Part 20, p. 27400.

was headed by UnderSecretary for Economic Affairs Thomas Mann, and was again a reflection of its foreign country clientele, who, of course, desired as large a premium as possible.

6. Time Extension of the Act. In order to bring production and inventories into line with their market share, domestic producers sought a long extension--preferably through 1971. Foreign interests and the Refiners also favored a long extension, since this would assure the former of participation in the United States premium market for six years; the Refiners were assured of a stable set of suppliers for that length of time.

7. World Shortages. Provisions were sought by the Administration to deal with these; the 1963-64 experience clearly indicated the need for them.

Political Process (2): Pre-Hearings

In order to give their extra-legal 1963-64 based criteria for foreign quota allocations a chance to operate, the Administration was in no rush to hurry sugar legislation in early 1965, especially given the industry's--and its own--discord.

The inter-agency technical committee made revised recommendations in February.¹⁶ These included:

¹⁶Internal Administration memorandum.

1. The sugar beet sector was to receive an immediate increase of 375,000 tons at a consumption estimate of 9.7 million tons. The Mainland cane quota would increase by 205,000 tons. All growth between 9.7 and 10.4 million tons was to go to foreign countries; at 10.4 it was estimated that the domestic/foreign ratio would be at the level it would have reached under the 1962 Extension. Market growth after 10.4 million tons would return to the traditional 65 domestic/35 foreign split. At consumption estimates of 9.7 to 10.4 million tons domestic allocations would be:

	Short Tons, Raw Value
Beet Sugar	3,025,000
Mainland Cane Sugar	1,100,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	<u>15,000</u>
Total Domestic	6,390,000

2. The 1963-64 performance was to be the formula for foreign quota allocation.

3. An import recapture fee was to be imposed of not more than 1.5 cents per pound.

4. Deficits would go to a global quota, which would be subject to a 100 per cent recapture fee.

5. Safeguards against shortages were provided in the form of letters of intent to fulfill quotas and scheduling of shipments, with penalties for non-performance.

6. The market reserve for new beet areas was eliminated.

7. An expiration date of December 31, 1969 was proposed for the legislation.

By late winter of 1964 representatives of the industry sectors were meeting with Administration representatives and members of Congress. On March 29, 1965 the domestic industry, in reaction to the Administration proposals, (which had been informally communicated to all industry sectors), released a set of proposals for the Act's extension, warning that if a single word was changed the agreement would collapse.¹⁷

Although there was still intense conflict within the industry, it was felt that a compromise had to be worked out at least to 1) partially relieve the beet sector of its surpluses, and 2) avoid the possibility of sugar legislation being enacted without industry input--a situation cartel members greatly feared.¹⁸ Their major recommendations were:

1. The inter-agency technical committee's recommendation for an immediate increase in beet and mainland cane quota, with all market growth until 10.4 million tons to foreign countries, etc.;

2. Extension of the Act through 1971, since they believed

¹⁷Domestic Beet Sugar Industry, Mainland Cane Sugar Industry, Hawaiian Sugar Industry, Puerto Rican Sugar Industry, and the United States Cane Sugar Refiners' Association, "Industry Sugar Recommendations" (press release, Washington, D.C., March 29, 1965).

¹⁸Interviews with industry representatives and USDA personnel.

it would take that long to restore the desired domestic/
foreign balance in sugar supply;

3. Elimination of the global quota;

4. An import recapture fee;

5. Termination of the reserve quota for new domestic
sugar beet areas, since all increase in the beet quota would
be used to alleviate the beet sugar surpluses; and

6. A general desire for incentives for foreign countries
to maintain reserve stocks for the United States market.

The industry traditionally takes no stand on the
allocation of foreign quotas, and this was the case in 1965.

With an industry position now formed, the inter-
agency "political" committee met again to develop a final
Administration position on sugar legislation. President
Johnson received the committee's recommendations on April 16,
1965.¹⁹ For the most part they paralleled the industry's
and technical task force's recommendations. The State De-
partment, however, still vigorously opposed the import fee,
which remained an issue.

By late Spring, the Administration was ready to go
to the Hill with a bill that would extend the Sugar Act
through 1971--as recommended by the industry, and supported
by the Agriculture Department. With two other exceptions

¹⁹Memorandum from the Inter-Agency Policy Committee
on Sugar to President Johnson dated April 16, 1965.

the bill included the task force recommendations, and had the backing of the domestic sugar industry: There was no provision for a global quota, and the import recapture fee was missing.

Johnson had indicated his support for a fee in spite of Cooley's extreme distaste for one.²⁰ Many State Department officials, of course, especially Thomas Mann, a long time Johnson friend, opposed it. Along with their general support for their foreign clientele, they felt that the fee hindered the development process in producing countries by cutting into deeply needed foreign exchange. With increasing attention being directed toward Latin America, it was believed that the fee was harmful to United States relations with that area, since most Latin American countries held United States sugar quotas. In an effort to mollify Latin American feelings after the United States invasion of the Dominican Republic, Johnson summoned the Ambassadors of Latin American sugar-producing countries to the White House, and announced that the import fee would be dropped from the Administration's bill.²¹ The industry immediately dropped its support of the fee.

²⁰Internal Executive Branch memoranda.

²¹Interview with Robert Shields.

Political Process (3): The House

Cooley waited until late August of 1965 to hold hearings on the Administration bill. As Chairman, he had always delayed sugar legislation until late in the Congressional session for two reasons: 1) It lessened the chances of lengthy analysis of, and debate over, the legislation; and 2) in minimizing the opportunity for change after his Committee produced a bill, it increased his power in determining what would be in the final legislation. This time, however, there was an additional reason. The Johnson Administration was trying to push a major revision of the farm program through Congress, and its passage was uncertain. By delaying sugar legislation the Administration was able to bargain successfully for votes with supporters of the Sugar Act, who might not have voted for the Omnibus Farm Bill if it were considered on its own, rather than in the setting of uncertainty about the future of the Sugar Program.²²

Cooley had for some years relished the power he had in determining foreign quotas.²³ He made a point of meeting in private with foreign lobbyists. These meetings were the basis of the impropriety charges.

²²Interviews with practically all 1965 Administration personnel provided descriptions of this strategy.

²³This observation was made in a number of the interviews with industry and government representatives.

When the hearings began, Cooley made clear his dissatisfaction with Administration allocation of foreign quotas. The Administration--finally united in support of its proposals--began the hearings with testimony on its bill, and they were solidly backed by the domestic industry. The industry stressed the need for passage with no modifications. Any change, however minor, they warned, could endanger the delicate compromise which had finally been struck.²⁴

The industrial users testified in support of the Sugar Act, but their spokesman received little questioning from the Committee, and their recommendations appeared to have an insignificant impact on the bill's outcome.

The House hearings lasted four days, with Cooley running them with an iron hand. He often interrupted questions unfriendly to foreign lobbyists, and disallowed questions by Representative Paul Findley concerning the lobbyist's fees. Most foreign lobbyists expressed dissatisfaction with the Administration's bill--generally with the allocation of quotas or deficits; Latin American representatives requested preferences in deficits and market growth. All, of course, wanted increased quotas.

In its executive sessions, at which domestic lobbyists were present, the Committee substituted its own bill

²⁴U.S., Congress, House, Committee on Agriculture, Amend and Extend the Sugar Act, Hearings, 89th Cong., 1st sess., 1965, p. 19.

for the Administration's.²⁵ It included virtually all of the Administration's domestic proposals--these were the ones the industry was concerned with--but significantly altered the foreign aspects of the bill in the following ways:

1. The Committee threw out the 1963-64 performance criterion for foreign quota allocations, substituting its own quotas, for thirty-two countries (including one for the Bahamas, whose new sugar industry was owned by a United States company, and had yet to produce any sugar²⁶ (See Table 5);
2. A further decline in the Cuban reserve to 44.25 per cent was provided;
3. Gave deficits from Eastern Hemisphere countries to other Eastern Hemisphere countries and the Philippines;
4. Gave special consideration in the growth of the Cuban reserve to O.A.S. countries;
5. Omitted the restriction on developed countries' share in market growth; and
6. To deal with periods of tight supply, in effect required foreign quota holders to maintain 15 per

²⁵U.S., Congress, House, Committee on Agriculture, Report on Sugar Act Amendments of 1965, H. Rept., 1046, 89th Cong., 1st sess., 1965.

²⁶By not using any publicly-enunciated objective criteria for allocating quotas, the Committee left itself open to charges of improprieties with lobbyists.

cent of their United States quota in reserve. Failure to do so could result in loss of the quota. The Administration, over the State Department's opposition backed this last proposal.

Opposition on the House floor was led by Representative Findley and centered around foreign lobbying and the allocation of foreign quotas; opponents claimed that no objective criteria had been used in quota allocations. In response to this, the Committee hastily put out a publication titled "The Development of Foreign Sugar Quotas in HR 11135", attacking the Administration's 1963-64 performance criterion and defending their allocations on the basis of nine considerations. They included as criteria, "stability of government", "national policy and strategy", and purchase of United States agricultural products, as well as the ability to supply sugar, and past performance.²⁷

With full backing from the domestic industry, the bill passed the House, 246 to 147. But the debate had focused public attention on the Sugar Act, creating public distress and thus making the Act, itself, an issue.²⁸

²⁷U.S., Congress, House, Committee on Agriculture, The Development of Foreign Sugar Quotas in H.R. 11135, 89th Cong., 1st sess., 1965, pp. 5-6.

²⁸Editorials denouncing the Sugar Act, foreign lobbying, and Harold Cooley were commonplace in the popular press. For example: Editorial, The Washington Post, September 20, 1965; Editorial, Wall Street Journal, November

As the bill went to the Senate, three issues had become more important than all of the others:

Issues (2):

1. The Sugar Act. Public concern about United States sugar policy, usually dormant, had been aroused in 1965. The Act as an instrument of United States policy--foreign and agricultural--was being questioned by the public, the press, and an increasing number of Congressmen. The growing number of critics viewed it as an unnecessary subsidy to domestic and foreign producers which hurt both consumers and taxpayers. In addition, the foreign aid component was viewed as uncontrolled, since it was not determined by the usual aid criteria.

2. Sugar's Political Process. Public criticism was primarily focused on this aspect of the Sugar Act, especially on foreign lobbying. Concern was expressed in Congress as well as in the press, over Cooley's dealings with foreign lobbyists.²⁹ The case of Venezuela and Argentina became a cause celebre among lobbying critics. Argentina was the only sugar supplier that did not hire a lobbyist; instead they used diplomatic channels for their quota request. The Agriculture Committee decreased the Administration's quota for Argentina by two-thirds. Venezuela had never supplied sugar

23, 1965; Editorial Washington Post, October 2, 1965.
 "Playing Sugar Daddy to Sugar", Life, October 29, 1965, p.4.
 "Sugar Stick-Up", Nation, October 11, 1965, p. 206.

²⁹ Interviews with industry and government representatives.

to the United States before. They hired a lobbyist for \$50,000. The Administration wanted a quota of 2,676 tons for that country; the Committee granted it one of 30,809 tons. Cooley's allowing domestic industry lobbyists to attend Executive sessions of the Agriculture Committee did nothing to ease the concern over the political decision process in sugar legislation. In addition, this time Cooley's delay in not bringing up sugar legislation until late in the session had angered scores of Congressmen who felt the legislation should not be rushed through Congress. As the bill reached the Senate, the political decision process was becoming the most important issue of the 1965 Sugar experience, since this was where public and Congressional attention and dissatisfaction with the Sugar Act was focused.

3. Time Extension of the Act. Senators, especially, were miffed over the lack of time they had to formulate sugar policy. For this reason, many--especially John Williams and William Fulbright--wanted a short extension (one to two years) with full-scale Congressional hearings and study in the interim.

Political Process (4): The Senate

The Senate Finance Committee received the House bill in mid-October and held hearings for only one day. Most of that day was spent questioning Administration representatives, who urged the Committee to restore the Administration bill.

Intense opposition to the House bill, as well as general concern over the Act itself, was expressed by a number of Finance Committee members, in particular Fulbright, Williams, and Paul Douglas. Williams claimed that strong Administration backing was essential if the House bill was to be altered successfully, and the changes sustained in Conference. They pressed Under Secretary of State Mann and Agriculture Under Secretary John Schnittker on the need for extending the Act, and whether the Administration preferred the House bill to no Extension at all. Neither spokesman gave a commitment either way. It was becoming clear that the Administration's support for reform in the Sugar Program would only go so far. Some Committee members expressed strong support for a revival of the import fee; but Mann made clear the Administration's (and his) opposition to the fee.

The Committee substituted its own bill for the House one. Long stated that the Committee "concluded that the House distribution of foreign quotas would be difficult to defend".³⁰ Except for extending foreign quotas for only two years--the Finance Committee's bill closely paralleled the Administration's. Table 5 shows the Committee's foreign

³⁰U.S., Congress, Senate, Senator Long speaking in favor of S. 2567, to Extend and Amend the Sugar Act, 89th Cong., 1st sess., October 19, 1965. Congressional Record, Vol. 111, Part 20, p. 27374.

quota allocation. The two-year extension of foreign quotas was supported by many of those critics of sugar's decision-making process, who felt that they had not been given adequate opportunity to review the matter of foreign quota allocation. It is [/]uncertain though, whether this short extension of the foreign provisions was in itself supported by Committee members with ties to the sugar industry, or whether it was included to win support from Senators--both in Committee and on the floor--who might not have supported the Act's Extension if it included a lengthy extension of foreign quotas.

Fulbright and Douglas led the opposition on the Senate floor. Fulbright was incensed over many of the foreign policy aspects of the bill--in particular lobbying and the uncontrolled foreign aid component of the Sugar Act. As Chairman of the Committee on Foreign Relations, he felt that his committee was the proper one in which to hold hearings and formulate the foreign policy aspects of the Act. The Finance Committee's two-year foreign extension was insufficient to mollify Fulbright. He offered a narrowly defeated amendment--the opposition to it was headed by Long--which would remove foreign quotas from the bill, leaving quota allocation to the Administration for another year, and allowing Congress to review and examine fully the Sugar Act's foreign provisions in its next session. As the bill passed

the Senate, Long gave assurances that the Senate Conferees would not waver when sugar legislation came to a House-Senate Conference.

Political Process (5): House-Senate Conference

Publicly the Administration expressed support for the Senate version; but opposition from the Agriculture and State Departments, combined with total opposition from the Refiners, to only a two-year foreign extension, limited the effectiveness of that support.³¹

Williams had predicted that lack of total Administration support would ensure passage of the House version. It was uncertain how much the Administration had traded in its quest for votes for the Omnibus Farm Bill, or how much of its dwindling interest was due to weariness with sugar issues.³² The Conference compromise, passed by both houses, contained most of the key provisions of the House bill, including the five year extension for foreign quotas. Long's pledge of unwavering support for the Senate version had not withstood the Conference battle.

Quotas tended to be closer to the House version, (See Table 5), especially those the House considered crucial, such as for Mexico, which had irked some Agriculture Committee

³¹Interviews with industry and government representatives.

³²Horton, "United States Sugar Policies", p. 32.

members because of its less-than-complete support for United States policies in Latin America.³³ The House allocation of deficits and growth prevailed while a compromise reduction to 50 per cent was reached for the Cuban reserve.

Cooley called the Conference report a "complete vindication of the House Committee on Agriculture".³⁴ But it was not a complete nor final one for Cooley. He was defeated for re-election in 1966, apparently partly because of the role he cherished playing in sugar's political process.³⁵

Issues (3): A Summary

1. Domestic-Foreign Division of the Market. The technical task force's recommendation of an immediate increase in domestic quota--375,000 tons for the beet sector and 205,000 for mainland cane--at a 9.7 million ton Consumption Estimate, with all growth until 10.4 million tons to foreign suppliers, sailed through both Houses with full domestic industry backing.

³³U.S., Congress, Senate, Senator Smathers speaking in favor of S. 2567, to Extend and Amend the Sugar Act, 89th Cong., 1st sess., October 22, 1965. Congressional Record, Vol. 111, Part 21, p. 28248.

³⁴U.S., Congress, House, Representative Cooley speaking in favor H. 11135, to Extend and Amend the Sugar Act, 89th Cong., 1st sess., October 22, 1965. Congressional Record, Vol. 111, Part 21, p. 28555.

³⁵Interview with government representatives.

2. The Sugar Act and its Political Process. This issue was left hanging. The Conference Committee Report had passed both houses with little difficulty. Although critics of the Act had grown in number, they were still a minority in Congress, and with passage of the Extension, could be expected to turn their attention elsewhere. No efforts, of course, were made to reform the political process affecting sugar legislation.

3. Cuban Reserve. This was reduced to 50 per cent. Growth in the Reserve accruing from growth in the Consumption Estimate was to go to OAS countries.

4. Allocation of quotas. The House version, based on no set criteria, generally prevailed. (See Table 5).

5. Import Fee. This was dropped by President Johnson in response to intense opposition from Latin American countries and their spokesmen in the State Department.

6. Time Extension of the Act. The industry's desire for an extension through 1971 won Administration backing, and became a key feature of the legislation.

7. World Shortages. Provisions were included to require foreign suppliers to maintain 15 per cent of their quota in reserve.

Despite the belief by many in the Executive Branch that a veto would not be over-ridden in Congress, President Johnson signed the Bill.³⁶

³⁶Horton, "United States Sugar Policies", p. 32.

Thus, after long and bitter controversy, the longest extension in the history of Sugar Act was a legislative accomplishment. Sugar would be absent from the legislative arena until 1971. Given the concern expressed in 1965 over both the Sugar Act and its political process, changes could be expected in 1971. Chapter VI describes the 1971 sugar experience.

CHAPTER VI

THE 1971 EXPERIENCE

Since the 1965 Extension was based on a series of compromises within the harried and warring domestic industry, some observers felt that the 1971 Extension might be preceded by the same kind of bitterness and conflict as in 1965, prompted by various industry sectors attempting to overcome unfavorable parts of that compromise.¹ This prediction proved false. The 1971 sugar experience was relatively quiet, smooth, and harmonious--the kind which cartels cherish.²

The Economic Setting

As 1971 approached, the economic situation in sugar had pretty much returned to normal. The world price had climbed back from lows of under three cents per pound to within three cents of the United States price. Demand had increased more rapidly than anticipated

¹For example, see Horton, "United States Sugar Policies," p. 1.

²Interviews with industry representatives and USDA personnel.

in the United States--consumption in 1970 was over 11 million tons. There were, however, some problems in the domestic industry.

First, although continental production was once again in balance with marketing quotas, acreage restrictions were in effect in the mainland cane areas, as they had been in every year of the 1965 Extension.

Second, Puerto Rican production continued to decline; and in 1970 production there fell some 800,000 tons short of quota. In addition, the Virgin Islands had stopped producing sugar altogether. (Its quota had been 15,000 tons.) These deficits were filled by the Philippines and Western Hemisphere countries, and thus the actual domestic share of the market--56 per cent--was well below the 62 per cent target.

Third, a handful of older beet sugar producing plants had closed down, leaving producers in those areas without a market for their beets. Two plants closed due to lack of scale economies and the inability to secure capital to reach that size, and one because of the costs involved for it to comply with new environmental quality laws.³

Fourth, expanding beet production had just about peaked in 1970. Although it had met it's 1970 quota, beet

³Interview with Robert Shields.

sugar production in 1968 had been about 200,000 tons short of that year's quota. At the same time, some new areas had expressed an interest in gaining beet quotas for the first time. The 1965 Extension had stopped the spread of sugar beet production into new areas.

With sugar legislation about to enter the legislative arena for the first time in six years, eight issues were in the United States sugar policy forefront.

Issues (1):

1. Need for an Increased Quota for the Mainland Cane Area. Since this was the only domestic area where production controls were in effect, the need for relief here was strong. The key questions were: 1) How large the increase should be--the mainland cane sector wanted a 500,000 ton boost. This was seen as too large by the beet sugar sector, since most of the increased output in Louisiana would have to be marketed in the traditional beet areas of the midwest; and 2) where the increase would come from. Growth in the consumption estimate would not cover the needed increase, and although beet sugar production appeared to have peaked and become relatively stable, it was still politically infeasible to restrict that sector's share in market growth. This left the Puerto Rican deficit or foreign quotas, and since the former was being filled by foreign countries, this meant that the immediate effect

of an increased mainland cane quota would be a decrease in the foreign share of the market. This, of course, would be opposed by foreign countries, and thus the State Department.

2. Puerto Rican Deficit. With rapidly declining production in Puerto Rico, it was clear that at least part of the deficit would be re-allocated. Puerto Rico was about to embark on a five-year, \$100 million program to revive its sugar industry, thus the Commonwealth opposed re-allocation of the total deficit. Since Puerto Rico is a domestic area, the rest of the domestic industry felt that it should receive the re-allocation. However, the real effect in 1971 of such a re-allocation would be to reduce the foreign share of the market.

3. Payment Limits. Limitations on Government payments to farmers of cotton, wheat, and feed grains had been a landmark feature of the Agriculture Act of 1970. Payment limitations might still be a live issue when Congress took up sugar legislation. The domestic sugar industry, in particular the Hawaiian sector where sugar payments averaged \$391,889 per farm in 1969,⁴ was upset over the possibility of payment limits for sugar. From the domestic industry's viewpoint, this was expected to be the most important issue faced in 1971. Opponents of payment limits

⁴U.S., Congress, Senate, 92nd. Cong., 1st sess., July 27, 1971. Congressional Record, Vol. 117, No. 118, p. S12277.

for sugar claimed that that commodity was special because of the tax on processed sugar. They claim that in 1971 no producer received more than \$9,050 in payments above the excise tax on the sugar manufactured from his crop.⁵ However, given the high inelasticity of demand for sugar, economists dismiss this claim since the tax is passed on.⁶ In addition, a study by Professor James Bonnen has shown that government payments to sugar cane producers are more concentrated than those to producers of any other commodity.⁷ In stunning contrast, Bonnen found that beet sugar payments are the least concentrated of any commodity program.⁸

4. South African Quota. A concerted effort was building in Congress to eliminate the South African quota on the grounds of that country's policy of apartheid. Those

⁵U.S., Congress, Senate, Committee on Finance, Sugar Act Amendments of 1971, Hearings, on H.R. 8866, 92nd. Cong., 1st sess., 1971, p. 44.

⁶Interviews with Roy Ballinger and Donald Horton.

⁷James T. Bonnen, "The Distribution of Benefits from Selected United States Farm Programs," in Rural Poverty in the United States, A Report by the President's National Advisory Commission on Rural Poverty, (Washington, D.C.: 1960), pp. 461-505.

⁸Ibid., p. 505. Bonnen calculated Gini concentration ratios of .799 for governments payments to sugar cane producers in 1965, and .456 for sugar beet payments in 1965. In 1964, five per cent of sugar cane producers received 63.2 per cent of the government payments. In 1965, five per cent of sugar beet producers received 24.4 per cent. The relatively low concentration in sugar beet payments can partially be attributed to the beet sector's political strategy of spreading out quotas as much as possible.

favoring the quota claimed that South Africa's reliability as a supplier of sugar was an important factor in the stability of supply for the United States market.

5. Expropriation. There was growing concern in Congress over the actual and potential seizure, expropriation, and nationalization of property owned by United States citizens and corporations in foreign countries. Incidents included the seizure of United States fishing boats by Ecuador--which claimed a 200 mile territorial limit--and Peru's nationalization of Grace Co. property. In 1962 the Sugar Act was ammended to allow the President to suspend a country's sugar quota if expropriation without compensation occurred. The provision had never been used, since the State Department preferred that such matters be handled through: 1) a country's judicial process, and 2) diplomatic channels.⁹ However, concerned Congressmen felt that the Sugar Act was a suitable vehicle for sanctions--many also believed that participation in the United States market should not be opened to offending countries--and that the expropriation clause needed strengthening.

6. Price Guide. Although the Act requested the Secretary of Agriculture to base his consumption estimate on a

⁹ See statement and questioning of Julian Katz, Deputy Assistant Secretary of State for International Resources and Food in, U.S., Congress, House, Committee on Agriculture, Hearings, 1971, pp. 752-764.

number of considerations, that estimate was in administrative practice based on a price guide, and the Sugar Act tied that price guide directly to a parity price computation for sugar.¹⁰ Some government economists and the industrial users felt that this strict reliance on parity was raising the price of sugar too rapidly.¹¹ Increases since 1965 had averaged 3.23 per cent annually.¹² Users felt that the Wholesale Price Index was a more stable, and more realistic base to which to tie the price of sugar.¹³

7. Quarterly Quotas on Imports. Factoring annual quotas into quarters had allowed the Secretary of Agriculture to control the seasonal inflow of sugar, primarily to afford added price protection to the mainland cane sector, whose marketing of sugar is concentrated in the November through February period. The Refining industry had long objected to any interruptions in the flow of imported sugar; and the relative quiet of 1971 allowed them to push for removal of these quotas.

8. Time Extension of the Act. The domestic industry favored an extension of at least four, and preferably six years, since they were pleased with the length of time of

¹⁰ Interviews with Gary Seevers and Linwood Tipton.

¹¹ Ibid.

¹² The United States Sugar Program, p. 11.

¹³ Interview with Linwood Tipton.

the 1965 Extension. An extension over that period would also mean not having to worry about payment limits for that amount of time if they could be avoided in 1971. The Administration, particularly the State Department, favored a short extension of two or three years, since the world sugar situation could change significantly in that period for three reasons: 1) Britain's possible entry into the Common Market, and thus the possibility of termination of the Commonwealth Sugar Agreement; 2) re-negotiation of the World Sugar Agreement--of which the United States is not a member--at the end of 1973; and 3) expiration of the current treaty with the Philippines. Industrial users also favored a short extension.

Political Process (1): Pre-Hearings

The Industry

There was little internal conflict within the domestic industry as 1971 approached. Industry representatives met in November of 1970--at the urging of House Committee on Agriculture Chairman Robert Poage--to begin formulating a single set of industry proposals for the Sugar Act's Extension. Because of their intense fear of payment limitations, and possibly due to memories of the politically costly 1964-65 experience, they placed a high premium on unity.¹⁴

¹⁴ Interviews with industry representatives.

Industry interaction with the Administration was minor, a fact that irked a number of industry representatives.¹⁵ Thus, the industry developed virtually all of its recommendations without Administration leadership or feedback. Their major early recommendations included: 1) a six-year extension; 2) at an 11.2 million ton consumption estimate, an increase of 300,000 tons in the mainland cane quota, with the stipulation by the beet sector that the increase would not alter the traditional 73.3/26.7 per cent beet sugar/mainland cane share in domestic growth; 3) the mainland cane quota increase to come from a decrease in the Puerto Rico quota by 285,000 tons and elimination of the Virgin Islands quota; and 4) a 100,000 ton quota for new mainland cane areas (principally Texas, which had produced cane earlier in the century), to come from growth since 1970 in the foreign quota.¹⁶ This would give the following domestic allocation at a consumption estimate of 11.2 million tons:

	Short Tons, Raw Value
Beet Sugar	3,406,000
Mainland Cane	1,539,000
Hawaii	1,110,000
Puerto Rico	<u>855,000</u>
Total Domestic	6,900,000

¹⁵Ibid.

¹⁶U.S., Congress, House, Committee on Agriculture, Hearings, 1971, pp. 37-42.

The cane refiners knew they had to offer the mainland cane area something to ameliorate the effect of the elimination of quarterly quotas. They devised a "corridor mechanism" which would allow the price of sugar to fluctuate, but only three per cent above or below the target price for five consecutive market days. Then the Secretary could alter the consumption estimate, to adjust the price. The mainland cane sector readily agreed to this; as did the industrial users, in principal.

As hearings began, the industry was still trying to deal with the payment limits and quarterly quota issues. In addition, Robert Poage, Chairman of the House Committee on Agriculture, and ranking minority member Page Belcher insisted that other industry sector representatives meet with the representatives of the industrial users to work out any differences, thus presenting a united front to Congress. The Committee leaders were determined to avoid a floor fight, and it was felt that a single industry-users set of proposals would help.¹⁷

The users were concerned with the guide price issue, and favored substituting the Wholesale Price Index for the parity index. The domestic industry wanted to cling to parity; and the two groups finally agreed on a

¹⁷ Interviews with industry and government representatives.

simple average of the two as the basis for the guide price. They also agreed to a change which would make the guide price the sole determinant of the consumption estimate bringing the legislation into line with historical administrative practice. In addition, the users favored: 1) elimination of quarterly quotas; 2) earlier determination of the consumption estimate; 3) earlier declarations of deficits; 4) a wider corridor (five per cent for ten days) to allow price fluctuations which would encourage a resurgence of the waning sugar futures market; and 5) a three-year extension. The industry agreed with all the recommendations but the three-year extension and the width and time of the corridor mechanism.

The Congress

Poage was determined to avoid the public distress which had marked the 1965 sugar legislation experience.¹⁸ He 1) insisted on an early unified industry position; 2) issued an open invitation to testify to anyone interested in the legislation; 3) refused to meet privately with foreign lobbyists; 4) rotated the Chair among all Committee members during the Hearings; 5) began the hearings early in the Congressional session and; 6) sent a letter to foreign

¹⁸ Interviews with Hyde Murray, Robert Shields, John Bagwell, and Irving Hoff.

lobbyists requesting them to direct their testimony to five points, which he said the Committee would use as its criteria in allocating foreign quotas. These included: 1) Friendliness of government to the United States; 2) Dependability as a source of sugar supply; 3) Reciprocal trade balance; 4) Need of the country for a premium market; and 5) Extent to which the premium is shared by processors, farmers, and workers.¹⁹

Poage and Belcher met occasionally with industry representatives in late 1970 and early 1971, to discuss the upcoming legislation. They were generally agreeable to the industry proposals.²⁰ Belcher, however, insisted that payment limitations would not be a problem in Congress, and that the industry was foolish to worry about them.²¹ Belcher's main role was that of intermediary between the Committee--and the industry--and the Administration. He assured the industry that the Administration would oppose any attempts to implement payment limits in sugar.²²

¹⁹U.S., Congress, House, Committee on Agriculture, Hearings, 1971, pp. 287-290.

²⁰Interviews with industry and government representatives.

²¹Ibid.

²²Ibid.

The Administration

The Administration formed an inter-agency sugar study group in late 1970. As usual, Agriculture took a position similar to the industry's; whereas the State Department advocated minimal change, and a two-year extension. Just as the conflict in the industry was not strong in 1971, neither was the split between the Agriculture and State Departments. The main concern of the State Department was limiting as much as possible the effective decline in the foreign share of the market. The group never really developed a formal proposal, and ceased to function as a group in January 1971.

In meetings with industry representatives, Administration officials gave no comment either way on the industry's proposals.²³ The only suggestion made was a plan to circumvent payment limitations. This seemed odd to Congressional observers who were aware of the understanding between Belcher and the Administration.²⁴ In spite of Belcher's urging otherwise, the industry adopted a modification of the plan as part of its recommendations. It involved a simultaneous reduction in both payments and the excise tax--although the tax on imported sugar would remain at the

²³ Interviews with Robert Shields, Horace Godfrey, Irving Hoff, and John Bagwell.

²⁴ Interviews with industry and government representatives.

former level. On the surface, the effect would be to limit payments to just over \$60,000 per farm, but its impact--as intended--would essentially be neutral, since both the tax and payment were reduced.

After its study group faded away, the Administration's interest in sugar legislation waned until March.²⁵ Hearings had begun, the industry had developed proposals, yet the Administration was silent. With Congressmen, especially Belcher, applying pressure, the Administration turned its attention to sugar legislation. At this point the Administration's internal proceedings were characterized by general contentment with the Sugar Act since 1965, and thus no radical changes were considered.²⁶

The Administration position, not fully certain until the night before it was to testify,²⁷ was based on general acceptance of the industry proposals with the following modifications: 1) a three-year extension; 2) a formula for market growth which would benefit foreign suppliers for the first 530,000 tons of growth--to compensate foreign countries for their loss of the Puerto Rican deficit, and the quota for new mainland cane areas; and

²⁵Interviews with government representatives.

²⁶Interviews with Executive Branch staff.

²⁷Interviews with industry and government representatives.

3) opposition to the industry's tax-payment plan.²⁸ This last decision was made by President Nixon--presumably forced to his attention by opponents of the scheme, led by Belcher, and including the State and Treasury Departments. Opponents felt, first, that no payment limits with no change in the tax-payment scheme was preferable to the industry plan; and second, the dual tax might be in violation of the GATT (General Agreement on Tariffs and Trade), and thus complicate the country's international relations.

Political Process (2): The House

Poage began hearings in early February with a day of descriptive and technical testimony from the Administration, which at that time declined to recommend any proposals for the Act's extension. The purpose of the 15 other days of the hearings, which ran from the beginning of March through May 6, was also to develop legislation, rather than to hear testimony on a specific bill.

Some members of the Committee seemed content to let the bill's main domestic provisions be determined by industry-industrial users compromise, with the Committee settling areas of disagreement.²⁹ The primary points of

²⁸U.S., Congress, House, Committee on Agriculture, Hearings, 1971, pp. 745-758.

²⁹Ibid, p. 76.

disagreement were the time extension of the Act and the width and time of the corridor mechanism.

Foreign lobbyists--one of whom was none other than Harold Cooley--generally based their testimony on Poage's five criteria.

For the first time in sugar legislation history, testimony was heard from groups representing domestic sugar workers and small, marginal farmers. For the former they urged an updating of the worker benefits section of the Act to require additional labor practices and standards, as well as increased wages and fringe benefits. They asked for increased payments for the marginal farmer.

A spokesman representing a Washington, D.C. consumer group testified against the Sugar Act and was unique in receiving hostile treatment from the committee.

A number of witnesses testified in favor of a stronger expropriation clause.

The Committee was sympathetic to the confectionary industry's request for import quotas on confectionaries. The belief here was that the higher than world cost of sugar in the United States put American confectioners at an absolute disadvantage in competing with imports.

The Administration closed the hearings with its recommendations. Their opposition to the tax-payment plan

came as a complete surprise to the industry, which had developed it at the Administration's suggestion.³⁰

The bill reported out of the Committee incorporated most of the industry-users recommendations. The life of the legislation was set at three years--at the insistence of Findley, the Act's leading critic, and Poage.³¹ The corridor device was compromised at four per cent for seven days. 100,000 tons of the market growth increase in the beet sugar quota was to be reserved for new areas. The Puerto Rico quota was cut by 285,000 tons for only the first two years of the Extension; the third year decline would be 140,000 tons. The tax-payment plan was not included; nor were payment limitations.

The bill had no new provisions relating to sugar workers. Amendments along those lines had been offered in Executive Session by Spark Matsunaga of Hawaii, but they were defeated.³² The Agriculture Committee favored import quotas on confectionaries, but they were not included in the bill due to a jurisdictional request by Ways and Means Committee Chairman Wilbur Mills.³³

³⁰ Interviews with industry representatives.

³¹ Interviews with government representatives.

³² Ibid.

³³ U.S., Congress, House, Committee on Agriculture, Report on Sugar Act Amendments of 1971, H. Rept. 92-245, 92nd Cong., 1st sess., 1971, p. 8.

The expropriation section was strengthened to allow the President to fine a country via a tax on the premium (up to \$20 per ton), as well as suspending its quota.

The changes made in the allocation of foreign quotas, deficits, and growth were relatively minor (See Table 6). Poage appointed a sub-committee--headed by Thomas Abernathy--to allocate the quotas, and it was clear that it based its allocations primarily on the reliability of supply, rather

Table 6. House, Senate, and Conference Committee allocations of foreign sugar quotas, 1971 (Short tons, raw value).

Country	House Bill ^a	Senate Bill ^b	Conference Substitute ^b
Mexico	537,545	590,894	561,581
Dominican Republic	525,737	659,874	634,874
Brazil	525,737	577,905	547,905
Peru	418,932	391,839	391,839
West Indies	192,251	204,520	204,520
Ecuador	80,774	79,084	80,774
French West Indies	0	63,888	0
Argentina	76,050	67,062	75,050
Costa Rica	65,185	71,110	68,610
Nicaragua	65,185	64,217	64,217
Colombia	73,688	61,047	67,363
Guatemala	55,265	59,835	58,350
Panama	41,567	40,406	41,557
El Salvador	40,151	43,964	42,693
Haiti	30,704	30,305	30,704
Venezuela	36,845	61,025	61,026
British Honduras	33,537	14,874	33,537
Bolivia	17,005	6,193	6,193
Honduras	17,005	6,494	11,760
Bahamas	33,537	10,000	27,000
Paraguay	15,116	0	6,193
Western Hemisphere	<u>2,881,866</u>	<u>3,104,517</u>	<u>3,016,751</u>

Table 6.--Continued.

Country	House Bill ^a	Senate Bill ^b	Conference Substitute ^b
Australia	205,025	196,162	203,785
Republic of China	85,844	81,734	84,910
India	82,494	77,973	81,514
South Africa	60,300	57,745	57,745
Fiji Islands	44,806	43,034	44,719
Thailand	18,844	14,152	18,681
Mauritius	30,150	17,761	30,150
Malagasy Republic	15,075	9,223	12,149
Swaziland	30,150	7,084	10,150
Malawi	0	0	0
Uganda	15,075	0	15,075
Eastern Hemisphere	<u>588,763</u>	<u>504,858</u>	<u>578,878</u>
Philippines	1,314,020	1,300,264	1,314,020
Ireland	<u>5,351</u>	<u>5,351</u>	<u>5,351</u>
Total	4,790,000	4,915,000	4,915,000

^aFor 1973 and subsequent years the quota for Panama would be increased to 62,947 tons and a quota would be established for Malawi of 15,000 tons and other quotas reduced proportionately. This allocation reflects the allocation and proration of 500,000 tons of domestic deficits to foreign countries.

^bThis allocation reflects the allocation and proration of 625,000 tons of domestic deficits to foreign countries.

Source: U.S., Congress, House, House-Senate Conference Committee, Sugar Act Amendments of 1971, Conference Report, House Report No. 92-527, 92d. Cong., 1st sess., September 29, 1971.

than on the five criteria.³⁴ The Committee did not adopt the Administration proposal for preference in growth to foreign countries; and the OAS preference in market growth of the Cuban Reserve was eliminated. The Cuban Reserve was reduced to 23.74 per cent.

As usual, the bill came to the House floor on a closed rule. Critics believed that the bill should contain payment limitations. Bitter opposition was focused on the continued quota for South Africa, but attempts to open the bill to amendments failed, and the bill passed the House intact.

As sugar legislation headed for the Senate, it was surrounded by little controversy. However, four issues, two of which were considered crucial by Congressional liberals and one by the State Department, remained to be dealt with in the Upper House.

Issues (2):

1. South African Quota. As the bill headed for the Senate, the South African quota had become the major issue of 1971. Proponents of the quota would not yield on the issue. Domestic industry opposition to its removal was

³⁴ Representative Wiley Mayne, in his dissent to the Committee Report, stated that the five criteria "were largely ignored by the Subcommittee." U.S., Congress, House, Committee on Agriculture, Report on Sugar Act Amendments of 1971, p. 48.

strong; the industry and their supporters in Congress felt that any attempt to modify the bill could lead to danger for other features of the Act.³⁵ Since the Senate does not have a closed rule, it was clear that a showdown--forced by liberals--on the South African quota was imminent.

2. Tax-Payment Plan. In focusing their attention on the South African issue, most liberals were no longer greatly concerned over the matter of payment limitations. Thus, the heat on the domestic industry over that issue had been pretty much removed. The industry had favored the tax-payment plan as a second-best alternative--to no change and no payment limits. Thus they were pleased with the Administration's opposition, and its absence from the House bill. The Hawaiian sector, however, wanted to remove payment limitations as a potential issue. Given this and the possibility of attempts to limit payments on the Senate floor, the industry still backed the plan in its Senate testimony.

3. Foreign Preference in Market Growth. The State Department was actively campaigning for this Administration proposal because of the loss to foreign suppliers from the re-allocation of the Puerto Rico deficit and the new mainland cane area quota. Preference was strongly

³⁵One industry lobbyist, in an interview, expressed his opposition strongly: "If they started tearing the bill up here, you never know where they would end."

opposed by the domestic industry. Since this proposal was part of the official Administration recommendations, the Agriculture Department had to give it tacit approval. But it is likely that Agriculture privately opposed it, given the strong domestic industry opposition.

4. Import Quotas on Confectionaries. The mood of the Congress was swaying from free trade to protectionism, and thus there was strong support for these restrictions in both Houses--Wilbur Mills, notwithstanding. The Administration was strongly opposed.³⁶

Political Process (3): The Senate

The Senate Finance Committee hearings were relatively uneventful, primarily because that Committee was generally in agreement with the House bill. Cooley, representing Liberia and Thailand, was upset with the House Agriculture Committee's treatment of those countries, and urged the Senate Committee to rewrite the Sugar Bill for the first time in history.

Some Committee members, particularly Fred Harris, strongly supported new provisions for worker benefits.

The industry and users offered repeats of their House testimonies. But the Administration, especially the

³⁶U.S., Congress, House, Committee on Agriculture, Hearings, 1971, p. 758.

State Department, came on much stronger than they had in the House. They urged adoption of the preferential growth formula for foreign countries, with the State Department claiming that its absence from the final bill would make the 1971 Extension less desirable than a simple extension of the 1965 Act.³⁷ They also opposed the decline in the Cuban Reserve.

The Administration favored a continuation of South Africa's quota; and said they could live with the House's expropriation clause. They felt this support might stave off a stronger measure in the Senate bill.

The Committee's bill closely paralleled the House bill, and the domestic provisions were almost identical, except for decreasing Puerto Rico's quota by 285,000 tons for all three years.

Long substituted a formula giving preference to Western Hemisphere countries and based on past performance, for the House's five criteria, (See Table 6). But except for retaining the Cuban Reserve at 50 per cent, the changes made were minor.

³⁷U.S., Congress, Senate, Committee on Finance, Sugar Act Amendments of 1971, Hearings, on H.R. 8866, 92nd Cong., 1st sess., 1971, p. 54. The State Department was under pressure from all sides because of their foreign clientele. In addition to the growth formula conflict, they were also in the forefront on the South African and expropriation battles.

In its report, the Committee stated as one of the bill's purposes "an improvement in the effectiveness of the anticonfiscation provision," and thus the expropriation clause was further strengthened to include a hearing process for United States citizens who claimed they had been damaged, and requiring, rather than permitting, the President to act--applying either the fine or suspension of the country's quota, or both.³⁸ The bill included quotas on confectionary imports.

As expected, the Senate floor was the setting for a bitter battle over the South African quota. The ammendment to delete the quota from the bill was defeated by only two votes. In hopes of gaining the crucial swing votes from Senators with strong ties to the domestic industry, opponents of the quota offered another ammendment transferring the South African quota to the domestic allocation. The domestic industry, however, strongly opposed it. They feared "unnecessary" changes, and the Northeast refiners would lose the volume of sugar from the South African quota. The ammendment was defeated.

Ammendments were offered to require increased benefits and improved living conditions for sugar workers, but they were easily defeated. An ammendment, offered by

³⁸U.S., Congress, Senate, Committee on Finance, Sugar Act Amendments of 1971, S. Rept. 92-302, 92nd Cong., 1st sess., 1971, p. 1.

Ellender, was accepted which changed the corridor mechanism back to the industry's three per cent for five days. Ellender's maneuver irked the users and industry representatives from sectors other than the mainland cane area, particularly the refiners.³⁹

Political Process (4): House-Senate Conference

The Conference Committee, whose report was passed by both Houses, accepted the key foreign aspects of the House bill, including the decline in the Cuban Reserve, although it generally compromised on the allocation of quotas. One effect was to increase the reliance on the "Big Four" Western Hemisphere countries of Mexico, the Dominican Republic, Brazil, and Peru (See Table 6). The Senate version of the corridor mechanism would apply only for the four months critical to the harvesting of mainland cane. Confectionary quotas were included. The House version of the expropriation clause was accepted.

Issues (3): A Summary

1. Increased Quota for the Mainland Cane Area. That area was given a 300,000 ton boost to come from a decline in the Puerto Rican quota, and elimination of the Virgin Islands quota.

³⁹ Interviews with industry representatives.

2. Puerto Rican Deficit. 285,000 tons of the Puerto Rican quota was permanently reassigned to the mainland cane area.

3. Foreign Preference in Market Growth. This State Department proposal to compensate foreign suppliers for the loss of the Puerto Rican deficit was not included in the legislation. OAS preference in the growth of the Cuban Reserve was eliminated.

4. South African Quota. Proponents were able to overcome opposition, particularly strong in the Senate, and thus South Africa would continue to supply sugar to the United States. At a consumption estimate of 11.2 million tons, its quota would be 57,745 tons.

5. Payment Limits. These were not included in the legislation, nor was the domestic industry's tax-payment plan--which had been designed and offered to neutralize the effects of payment limitations.

6. Expropriation. Growing concern in Congress led to strengthening of the expropriation clause in the Sugar Act. The 1971 Extension allows the President to suspend a country's quota, or fine the violating nation by taxing the premium up to \$20 per ton, or both.

7. Price Guide. This became the sole determinant of the Consumption Estimate, and its basis was changed from a parity concept to an average of one measure of parity and the Wholesale Price Index.

8. Quarterly Quotas on Imports. These were eliminated.

9. Time Extension of the Act. The Sugar Act was extended for three years, through 1971.

10. Import Quotas on Confectionaries. These were provided for, over the objections of the Administration.

CHAPTER VII

1965 AND 1971: A SUMMARY AND COMPARISON

Four considerations are used in the descriptive comparison of the 1965 and 1971 sugar experiences:

- 1) Economic conditions in both the domestic industry and world market; 2) The political processes involved; 3) The major issues involved, and how they were treated; and
- 4) The legislative outcomes.

Economic Conditions

There was great contrast in both the 1965 and 1971 settings and the two-year preceding periods. The world shortage of 1963-64 caused world sugar prices to skyrocket above the United States price for the first time since 1957. Encouraged by the Department of Agriculture, domestic production rapidly expanded. By late 1964, the world price had nosedived to 2.75 cents per pound, and the domestic industry, whose production controls had been removed in the early 1960's in response to the suspension of the Cuban quota, was holding large unmarketable stocks.

By 1970, the world sugar situation had returned to normal. World price had recovered from lows of under three

cents per pound and was back over five cents per pound by mid-1970. The 1965 Extension had returned the domestic industry to relative balance, but there were two significant problems in 1971 that had to be dealt with: 1) the mainland cane area was under acreage restrictions, as it had been since late 1964; and 2) Puerto Rico's deficit had grown to over 800,000 tons in 1970. In addition, domestic sugar beet production, although meeting its quota in 1970, had failed to do so in two of the years since 1965. The highly successful expansion of United States beet sugar production clearly had been approaching its limit, given the current state of technology.

Political Processes

The Industry

In 1964-65, the domestic industry was beset with internal conflict and turmoil, primarily because of the beet sector vs. cane refiners battle over the domestic/foreign share of the market. The industry entered 1971 in relative harmony. In addition that year, the industrial users effectively entered the decision process--they met with the domestic industry to formulate joint proposals for the Act's extension for the first time in the Sugar Act's history. In 1965, the industrial users did not participate in intimate industry deliberations.

The Administration

In 1963 through 1965, the Administration took an active, policy-making role in sugar legislation. An inter-agency staff committee formulated technical recommendations, most of which were approved by the President, and which after some modification served as the basis for an industry-backed Administration bill. However, the Administration, it should be remembered, delayed transmission of the bill to Congress to help insure passage of its Omnibus Farm Bill. As Congress altered the foreign provisions of the Administration's bill, the Administration at first vigorously attempted to restore them, but by the time sugar legislation came to a House-Senate Conference, active Administration support for its original proposals was minimal.

In 1965, there was conflict between the Departments of State and Agriculture--a conflict which mirrored that of the economic interests. Agriculture supported the beet sugar and mainland cane sectors, while State's views were a reflection of the concerns of foreign countries and the cane refiners. The State-Agriculture conflict was relatively minor in 1971.

In 1971, the Administration chose to play basically a defensive role in the formulation of sugar legislation. Although they did form an inter-agency sugar task force, it offered no proposals, and the Administration did not send a sugar bill to Congress. In addition, they waited

until the last day of House hearings to present their recommendations. . These were not finalized until the night before their testimony, and much of the position consisted of approval of the industry-users proposals. Industry-Administration interaction was minor.

The Congress

The 1965 Congressional process in sugar legislation was met with heavy criticism. Committee on Agriculture Chairman Harold Cooley ran the four days of House hearings with an iron hand; met privately with foreign lobbyists; allowed domestic lobbyists to attend Executive sessions of the Committee; substituted a Committee bill for the Administration's, altering the foreign aspects including the allocation of foreign quotas; and gave no criteria for the Committee's allocation of foreign quotas until public criticism forced him to do so, when he responded with a set of nine ex post criteria designed to justify the Committee's quota allocation.

The Senate Finance Committee substituted a bill of its own--which was very similar to the Administration's--for the House version. The House-Senate Conference compromise, however, tended to reflect the House bill.

Although foreign lobbyists testified again in 1971, sugar legislation found itself in the relative obscurity to which it had been accustomed for so long. House Agriculture

Chairman Robert Poage carefully avoided the actions which had focused intense criticism on his predecessor and therefore on the political decision process of sugar policy.

The changes made by the Senate in the House bill were not major, and the heated debate in that chamber in 1971 was not over the Act or its process, but over one issue--the South African quota. In 1971, the House-Senate Conference report was much more of a compromise than that of 1965.

Issues

In 1965, the heavy criticism focused on sugar's political process--primarily on the lobbying and foreign quota aspects--made it and the Sugar Act itself major issues for the first time since the Act's inception in 1934. That distress was clearly not evident in 1971; and in 1971, neither the Act nor its decision process were significant issues.

The need for increased quotas to allow domestic producers to market their surplus, made the domestic/foreign division of the market a significant issue in 1965. The inter-agency task force's recommendations of an immediate increase in the domestic quota, with foreign preferences in market growth until the normal balance was regained, was the compromise which enabled the domestic industry to end its intense conflict. This compromise

required a long extension of the Act, since the industry felt it would take until the end of 1971 to achieve the desired balance in market shares.

How to deal with future world shortages was an important concern in 1965, especially given the domestic industry's abhorrence of maintaining increased inventories. The result was, in effect, to require foreign countries supplying sugar to the United States to maintain 15 per cent of their basic quota in stockpiles. This feature was strongly resisted by the State Department. The allocation of foreign quotas and deficits, treatment of the Cuban Reserve and market growth, and the import fee were important issues in 1965; but they attracted far less attention as issues in 1971.

The issue of the South Africa quota--which had also been raised in Executive Branch discussions in 1965--was the most important issue in the 1971 sugar experience. It overshadowed all of the others--including payment limitations, about which the domestic industry was living in dread and apprehension. As a result of this fear, and to overcome the affects of payment limits, they developed their tax-payment scheme.

How large an increased quota the mainland cane sector would receive, and where it would come from, were important, though not highly-charged 1971 issues. The massive Puerto Rican deficit provided a relatively easy

solution to these questions, although the transferring of 285,000 tons of it would have an adverse effect on actual foreign participation in the market. For this reason, the State Department strongly advocated preference in market growth for foreign countries.

From Congress's viewpoint, the expropriation issue had become important in 1971.

Issues dealing with more technical and administrative aspects of the Sugar Act were of relatively more importance in 1971 than 1965. These included: 1) the termination of quarterly quotas; 2) the corridor mechanism; 3) the price guide; and 4) earlier determination dates by the Secretary of Agriculture.

Finally, increased benefits and improved conditions for sugar workers was an issue championed by Congressional liberals, particularly in the Senate, in 1971.

Legislative Outcome

Table 7 shows the quotas for domestic producing areas for the years preceding and following the 1965 and 1971 Extensions. Table 8 does the same for foreign quotas.

In its allocation of foreign quotas and the removal of the import fee and global quota, the 1965 Act set the pattern for the 1971 bill. The two Extensions were very similar in the direction which they led United States sugar policy, i.e. toward a more effective cartel. In general,

Table 7. Sugar quotas for domestic areas: 1965, 1966, 1971, 1972 (Short tons, raw value).

Area	1965 ^a	1966 ^a	1971 ^b	1972 ^b
Beet Sugar	2,650,000	3,025,000	3,406,333	3,406,000
Mainland Cane	895,000	1,100,000	1,238,667	1,539,000
Hawaii	1,100,000	1,100,000	1,110,000	1,110,000
Puerto Rico	1,140,000	1,140,000	1,140,000	885,000
Virgin Islands	15,000	15,000	15,000	-
Total	5,810,000	6,399,000	6,910,000	6,910,000

^aAllocation based on 9.7 million ton Consumption Estimate.

^bAllocation based on 11.2 million ton Consumption Estimate.

Source: U.S., Congress, House, Committee on Agriculture, Sugar Act Amendments of 1965, H. Rept. 1046, 89th Cong., 1st sess., 1965, p. 19.
 U.S., Congress, House, Committee on Agriculture, Report on Sugar Act Amendments of 1971, p. 2.

Table 8. Foreign sugar quotas, deficits, and prorations: 1965, 1966, 1971, and 1972 (Short tons, raw value).

Country	1965 ^a	1966 ^b	1971 ^c	1972 ^d
Philippines	1,178,216	1,202,978	1,593,733	1,407,970
Dominican Republic	469,235	602,931	655,960	703,677
Mexico	474,376	488,896	618,272	622,315
Brazil	269,243	478,143	604,675	606,921
Peru	292,892	381,375	482,302	434,300
West Indies	148,145	176,886	208,645	226,496
Ecuador	60,246	69,570	87,982	89,609
Argentina	67,346	58,820	74,384	84,111
Costa Rica	42,264	71,527	71,185	97,672
Columbia	34,186	50,597	63,988	74,766
Panama	17,505	13,000	44,792	46,729
Nicaragua	49,196	19,000	71,185	70,918
Venezuela	2,873	24,033	30,394	67,619
Guatemala	42,605	60,277	59,986	82,820
El Salvador	20,903	44,204	43,989	47,278
British Honduras	5,069	12,884	15,200	37,382
Haiti	22,500	26,564	23,066	34,085
Bahamas	-	-	10,000	29,687
Honduras	-	-	7,199	17,609
Bolivia	-	4,681	7,199	7,147
Paraguay	-	-	-	7,147

	200,000	100,000	200,000	200,000	200,000
Republic of China	72,490	78,243	85,435	87,632	87,632
India	103,682	73,403	82,018	84,277	84,277
South Africa	103,862	55,292	60,374	59,539	59,539
Fiji Islands	48,991	41,209	44,996	46,121	46,121
Mauritius	15,901	17,213	18,796	31,027	31,027
Swaziland	9,648	6,781	7,405	31,027	31,027
Thailand	-	17,213	18,796	19,288	19,288
Uganda	-	-	-	15,513	15,513
Malagasy Republic	7,376	8,867	9,682	12,579	12,579
Ireland	2,397	5,351	5,351	5,351	5,351
Belgium	1,940	-	-	-	-
France	6,103	-	-	-	-
French West Indies	52,172	55,644	65,633	-	-
Reunion	2,374	-	-	-	-
Turkey	1,362	-	-	-	-
Total Foreign	3,825,405	4,333,368	5,377,667	5,399,095	5,399,095

^aAllocation based on 9.9 million ton Consumption Estimate.

^bAllocation based on 10.375 million ton Consumption Estimate.

^cAllocation based on 11.3 million ton Consumption Estimate.

^dAllocation based on 12.0 million ton Consumption Estimate.

Source: Sugar Reports 164, p. 17, Jan., 1966;
176, p. 16, Jan., 1967;
236, p. 19, Jan., 1972;
237, p. 9, Feb., 1972.

the 1971 Extension represents a simple refinement of the 1965 Act, and not a departure from it.

Chapter VIII analyzes why this basic similarity in legislation occurred, as well as why there were such great contrasts in: 1) the political processes; 2) Congressional and public reaction to the Sugar Act; and 3) the major issues involved in each experience surrounding sugar legislation.

CHAPTER VIII

1965 AND 1971: AN ANALYSIS

This chapter focuses on why things happened differently--or were the same--in the 1965 and 1971 sugar experiences. Why was there public distress over the Sugar Act and its political process in 1965, and practically none six years later? What effect did public criticism (or the lack of it) have on the legislative outcome? Why was the 1971 experience, especially the legislative process, so smooth, and that of 1965 so chaotic?

Four reasons are offered: 1) Economic conditions; 2) The political processes involved; 3) Foreign policy considerations; and 4) The political environment in the United States. In addition to answering the above questions, all four of these factors help to determine and shape the relevant issues in sugar policy.

Economic Conditions

Along with shaping the issues in sugar policy, the economic conditions of sugar, in both the two-year period preceding each bill and in the year of the bill, shaped the behavior of the domestic industry.

1963 and 1964 saw tremendous fluctuations in both the supply and price of sugar, with a huge surplus--both domestically and world-wide--and depressed world prices at the time sugar legislation was being considered. The marketing of the massive domestic surplus, without production cut-backs, was the prime legislative need of the domestic producing sectors; but opposition from the cane refiners, who needed major imports to maintain volume, set-off the bitter intra-industry conflict, which blocked sugar legislation for a year. Thus, the key issues were over an immediate increase in continental production, and the domestic/foreign share of the market.

Coming off a period of world shortages, the 1965 legislation was formulated from the perspective of insuring adequate United States supplies in future shortages. Thus the elimination of the global quota and import recapture fee--they were made political scapegoats for the economic conditions of 1963-64--became central features of the 1965 legislation. In addition, it was from this viewpoint that the provision to require foreign suppliers to maintain larger inventories was included.

The market for sugar was relatively stable as 1971 approached. The mainland cane area was still under production controls, and was anxious to increase its quota. It was able to do so for three reasons. First, the relative harmony within the industry, a result of no great economic

problems and the industry's contentment with the 1965 Extension--plus the fact that they wanted to avoid a repeat of the brawl that occurred in 1965--enabled good communication and interaction among the industry sub-sector associations. The cooperation within the industry was also a result of the leveling off of United States beet sugar production. The beet sector did not have to utilize its political muscle in any great way, although it did limit the mainland cane expansion to 300,000 tons, since it was satisfied with the increase it would receive from normal market growth. Second, the mainland cane sector's new lobbyist, Horace Godfrey, had strong political ties to Congress--along with a number of political debts--from his recent tenure as Director of A.S.C.S. Godfrey provided the mainland cane sector with political influence they had lacked, even with Russell Long, in 1965.¹ This is evident in the relatively large increase in that sector's quota in 1971. He also supplied the influence to obtain the corridor mechanism as a condition for the Refiners' proposal to eliminate quarterly quotas.

The relative economic balance and intra-industry harmony allowed the industry to concern itself with technical refinements of sugar policy such as the end of quarterly quotas and the corridor mechanism.

¹Interviews with Robert Shields and Horace Godfrey.

Since world supply was once again in its normal surplus state in 1971, minimal attention was paid to determining whether the Act could adequately deal with future world shortages, something that the users, in particular, were concerned with.

The economic situation in 1971 also brought forth the key issues of what to do with the Puerto Rican deficit, and expansion of mainland cane production into new areas.

Political Processes

In substance, the political processes were not all that different--Congress, especially, is slow to reform itself.

In 1965, the Sugar Act itself caused heavy public concern and was made an issue primarily because of the attention focused on it by foreign lobbying. But lobbying was present again in 1971. The difference, i.e. the reason for the absence of public criticism in 1971, was Robert Poage.

Harold Cooley enjoyed sugar. Although charges of improprieties were made against him in 1965, none was publicly proven. According to those intimate with sugar's political decision process, Cooley played the role he did primarily for the power.² His iron-handed hold over sugar

²Interviews with industry and government representatives.

legislation--in the form of complete Committee control, delaying the hearings, and personal involvement with foreign lobbyists and the personal allocation of foreign quotas--was seen as an expression of his desire for power.

Poage did not share Cooley's fascination with sugar legislation, and was hardfast in his desire to avoid the criticism which had helped to end Cooley's political career. His role in sugar legislation, described above in Chapter VI, prompted the following reaction from chief Congressional sugar critic Paul Findley, who had publicly lambasted Cooley's role in 1965.

I wish to compliment Chairman Poage on the policy changes he has initiated in regard to committee consideration of sugar legislation. . . . These measures have built public confidence in the legislative process and have set a good prudent standard for others of us on the committee.³

At Poage's insistence, the domestic industry met early to formulate a unified position--the intra-industry conflict in 1965 helped fuel the public criticism that year. The hearings were held early in the Congressional session and their sixteen days and the number of witnesses, made them more extensive than any over which Cooley had presided.

Poage rotated the Chair during the hearings--even to Findley, who had been silenced by Cooley six years earlier.

³U.S., Congress, House, Committee on Agriculture, Hearings, 1971, p. 728.

All of this clearly miffed Cooley when he returned as a foreign lobbyist in 1971. He was annoyed that the Chairman did not afford him special attention, and called Poage and ranking minority member Page Belcher "hard headed."⁴

The contrast in the two Chairmen is also a reason for the contrast in the 1965 and 1971 House-Senate Conference compromises. Cooley was fighting to save face in the 1965 Conference; as a result, the Conference report tended to reflect the House bill. Poage, without public criticism on his back, was much more willing to compromise in 1971--there was of course less to compromise over in 1971--and the 1971 Conference Report reflects this.

The 1965 and 1971 experience clearly establish that the House Agriculture Committee, together with the domestic industry, is the major force in shaping sugar legislation. The 1965 House Committee bill withstood the onslaughts of heavy, at least at first, Senate and Administration opposition, and public outrage. In 1971, the House Agriculture Committee bill sailed through both Houses relatively unscathed.

A second reason for the smoothness in 1971 was the changed composition of the Senate Finance Committee. Gone

⁴U.S., Congress, Senate, Committee on Finance, Hearings, 1971, p. 460.

from the Senate were John Williams and Paul Douglas, who had helped lead the battle there in 1965; and in 1971, William Fulbright chose not to do battle over sugar, attending none of the Committee's sessions on sugar.

The Administration's changed role is also important in sorting out the differences in the 1965 and 1971 sugar experiences. The Johnson Administration had a history of active participation in agricultural legislation, the Nixon Administration did not. The contrast was evident in their approach to general farm legislation, and it clearly extended to sugar. In both Administrations, however, the views of the State and Agriculture Departments on sugar legislation strongly reflected the positions of their respective clientele groups, and hence, conflicted. Just as the industry conflict was not as strong in 1971 as 1965, neither was the Agriculture-State conflict as strong.

The activist role played in 1965--in part due to the complete breakdown of sugar's traditional policy formulation process--combined with the State Department's commitments of future quota increases to countries with good performance records in 1963-64, forced the issue of 1963-64 performance as the criterion for foreign quotas. This commitment by State was at odds with the Agriculture Department's commitments of an increased domestic allocation when it urged domestic producers to expand production in 1963. The activist role played by the administration

helped to ease those conflicting commitments which were finally resolved in the important compromise which gave an immediate quota increase to the beet sugar sector and all growth in the market up to 10.4 million tons to foreign suppliers. The Administration shaped many other domestic aspects of the legislation in 1965.

In not offering its own legislation, delaying intra-Administration consideration of sugar policy, and withholding its testimony until the final day of House hearings, the Nixon Administration restricted itself primarily to a defensive role.⁵

The contrast between Administrations is more than a matter of style. The Johnson Administration, at least in the beginning, desired more than minor change in United States sugar policy. Although by the time sugar legislation had come to Conference, that Administration was no longer willing to use its political clout to support its, and the Senate's bill.

The Nixon Administration position, through most of the 1971 experience, was one of general contentment with the United States sugar program since 1965.⁶ Part of this

⁵Assistant Secretary of Agriculture Clarence Palmby did not know the exact Administration position on one issue, until only a half hour before his testimony as an Administration spokesman, according to interviews with industry representatives.

⁶Interviews with Tom Murphy and Gary Seevers.

contentment, of course, can be attributed to the success--from the cartel's point of view--of the 1965 Extension. This is a major reason why the 1965 and 1971 Extensions were so similar. The 1971 Extension is basically a refinement of the 1965 legislation.

The final consideration in how the political processes shaped the 1965 and 1971 experience is the changing role played by the industrial users. They were of little importance in 1965. That year they tended to be neither well organized nor particularly interested in the Sugar Act.⁷ Their proposals were formulated by various sugar-user lobbyists, who had little knowledge of, or concern for, sugar as a commodity. They did not even meet with representatives of the domestic industry in 1965. In 1971, the users for the first time became active members of the sugar cartel. Executives of the major sugar-using firms began to feel that the Sugar Act was a strategic piece of legislation, especially given their belief that world sugar shortages were a distinct possibility in the 1970's.⁸ As a result they formed a corporate Vice-Presidential level committee to formulate recommendations for the Act's extension. Poage and Belcher urged the domestic industry

⁷ Interviews with Linwood Tipton, Robert Shields, and John Bagwell.

⁸ Interview with Linwood Tipton.

representatives to meet with the users, which gave the user recommendations added weight. The users were successful in pushing through compromises on the guide price and the corridor mechanism, and earlier deficit declaration and consumption estimate dates by the Secretary of Agriculture. It is possible, however, that the users' new-found influence may not be as great as appears. The domestic industry's willingness to compromise in 1971 might have been a result of the lack of major economic problems; and of the industry's fear over payment limitations. For these reasons the industry wanted to present a united front to Congress, in hope of avoiding a floor fight of any kind.

Foreign Policy

Foreign policy considerations are vital in sugar legislation. In 1965, the United States policy of foreign aid and general policies toward less developed countries, in particular Latin America, were of major importance in shaping the Act's extension. Although the Administration's desire to limit developed countries' participation in market growth was not included, the Extension did give preference in the growth of the Cuban Reserve to OAS countries.

As noted earlier, the State Department's 1963-64 commitments forced the issue of 1963-64 performance as the criterion for foreign quotas.

The import fee was embroiled in both economic and foreign policy debates, but was dropped by the Administration for foreign policy reasons.

What to do with Cuban Reserve, and how large it should be, was an issue in both 1965 and 1971.

In 1971, the transfer of part of the Puerto Rican quota had foreign policy implications, thus the Administration's attempt to give preference in market growth to foreign countries. Foreign affairs at least partially brought two other major issues--expropriation and the South African quota--to the forefront in 1971.

Political Environment in the United States

The political environment is responsible at least partially for differences in the 1965 and 1971 sugar experiences. The concern over the South Africa quota--expressed only in the Executive Branch in 1965--was 1971's most heated issue. It was largely a function of the increased strength of the civil rights movement and the general public feeling towards South Africa's crudely racist and repressive domestic policies.

The industry's fear of payment limitations, and their tax-payment scheme to circumvent limitations, was based on the belief that this issue--at the time the hottest in agricultural policy--would be in the political forefront

in 1971. To the relief of the industry, it was completely overshadowed by the South African issue.

Another reflection of the political environment was the support in 1971 for increased benefits for farm workers--an issue that had not yet been born, politically, in 1965.

Finally, the strengthening protectionist sentiment in Congress in 1971, enabled the passage of import quotas on confectionaries for the first time, although that industry had urged the adoption of such quotas in 1965.

CHAPTER IX

POLICY AND RESEARCH IMPLICATIONS

This study offers certain implications for public policy and future research.

First, significant reform in United States sugar policy is not likely in the foreseeable future. Although the political processes specific to sugar legislation were different in 1965 and 1971, the changes made--important in understanding why certain things happened differently in the two experiences--had little effect on the legislative outcome. Thus certain institutional changes will probably be necessary if reform in the sugar program is desired, as economic analysis and consumer and taxpayer interests suggest.

Of primary importance is a strong Consumer movement which would deal with relatively minor legislation, such as sugar. It is difficult for consumers to get excited about so small a budget item as sugar. But as described earlier, the sugar program costs consumers hundreds of million dollars annually. In this regard, it is doubtful that the sugar program is unique. A strong consumer movement, led in the

sugar battle by critics of the sugar program, could be formed by coalitions with opponents of other programs to confront the power of the sugar cartel.

The second set of institutional changes deals with the Congress. As described in Chapter IV, part of the domestic sugar industry's political power lies in its close ties with the Congressional Leadership. Although changes such as elimination of the Seniority System and closed rules, and open caucus elections of the leadership of both parties would probably not have an immediate effect on the substance of sugar legislation, they could have such an impact over time. Changes specific to sugar policy include the prohibition of foreign lobbyist testimony, and allowing the Foreign Affairs Committee of each House to handle the foreign policy aspects of the bill. The first change would eliminate one of the murkier aspects of sugar's political process, although there would probably be no change in substance. The second change, however, could have an immediate effect on the legislative outcome.

As the study clearly documents, without these institutional changes, attempts to reform or change the program in a way unacceptable to the cartel are easily defeated, and usually limited to begin with.

Second, by itself, public distress over the Sugar Act and its political process, will not affect reform. This was clearly proven in 1965.

Third, without the institutional changes described above, active Presidential support is necessary for reform in the sugar program. Without it, the cartel's political power--especially its strong influence in the Agriculture and State Departments--will go unchecked. When it was given in 1964 and 1965, top Administration support helped to direct sugar policy toward a less protectionist, more consumer-oriented program; but with the Presidential elimination of the import recapture fee, and high level Administration abandonment of the Senate bill in Conference, the chances of limited reform in 1965 died.

Finally, further research in United States sugar policy should direct itself to more than just the normative economics of American sugar policy or economic analyses of the United States sugar program. The literature is full of such analyses. A two-pronged research approach is necessary. The first is research into what United States sugar policy ought to be, based not just on economic efficiency--economics alone cannot provide the answer to public policy--but on a comprehensive policy evaluation approach which would look at the whole program in a broad means-ends framework. Included in this approach would be such things as distributional impacts and foreign policy considerations--including whether the price premium truly contributes to the development process--and how these mesh with general policy goals. Because the direction of change in the sugar

program might be toward a free market, research must be directed towards the costs of such a shift. Would the benefits be worth the costs? A new sugar policy could include adjustment assistance for economically displaced domestic sugar growers and workers.

The second research problem is: once what needs to be done in sugar policy is known, how can it be instituted? What changes in the political process will be necessary to affect that policy, and how can those changes be brought about? This second problem is clearly the more difficult of the two.

SELECTED BIBLIOGRAPHY

SELECTED BIBLIOGRAPHY

Books & Pamphlets

- Bates, Thomas H., and Schmitz, Andrew. A Spatial Equilibrium Analysis of the World Sugar Economy. Giannini Foundation Monograph Number 23. Berkeley, California: University of California Agricultural Sciences, May, 1969.
- Benedict, Murray R., and Stine, Oscar C. The Agricultural Commodity Programs. New York: The Twentieth Century Fund, 1956.
- Campbell, Joe R. Returns, Costs, & Profits for Large Scale Sugar Cane Farms in Louisiana, 1969 Crop Year. D.A.E. Research Report Number 425. Baton Rouge, Louisiana: Louisiana State University Agr. Exp. Sta., May, 1971.
- _____. Returns, Costs, and Profits for Raw Sugar Mills in Louisiana, 1969 Grinding Season. D.A.E. Research Report Number 427. Baton Rouge, Louisiana: Louisiana State University Agricultural Experimental Station, May 1971.
- _____, and Morris, Daniel L. Returns, Costs, and Profits for Family-Type Sugar Cane Farms in Louisiana, 1969 Crop Year. D.A.E. Research Report Number 424. Baton Rouge, Louisiana: Louisiana State University Agriculture Experimental Station, May, 1971.
- Deutsch, Karl W. Politics and Government. Boston: Houghton-Mifflin Co., 1970.
- Hawaiian Sugar Planters Association. Sugar Manual 1971. Honolulu, Hawaii: Hawaiian Sugar Planters Association, 1971.
- Johnson, Harry G. Economic Policies Toward Less Developed Countries, Washington, D.C.: The Brookings Institute, 1967

United States Beet Sugar Association. The Beet Sugar Story. Washington, D.C.: United States Beet Sugar Association, 1959.

Articles

Bhola, Ranal, and Briemyer, Harold. "Cuba--United States Sugar Policy and Interim Suppliers' Dilemma." Business and Government Review, University of Missouri, date not available., pp. 3-9.

Bonnen, James T. "The Distribution of Benefits From Selected United States Farm Programs." Rural Poverty in the United States, A Report by the President's National Advisory Commission on Rural Poverty. Washington, D.C.: Government Printing Office, 1968.

Hamilton, A. "Cotton Candy from Congress." New Republic, October 9, 1965, pp. 9-10.

Horton, Donald C. "Policy Directions for the United States Sugar Program." American Journal of Agricultural Economics, May, 1970, pp. 185-196.

"Lobbyists: Cloud of Doubt." Newsweek, October 25, 1965, p. 34.

"Playing Sugar Daddy to Sugar." Life, October 29, 1965, p. 4.

Shields, R. W. "Sugarbeet Research and the Sugar Act." American Society of Sugar Beet Technologists' Journal, (April, 1962), pp. 5-11.

"Sugar Stick-Up." Nation, October 11, 1965, p. 206.

"Sweet Talk: Hearings on Sugar Legislation." Reporter, September 9, 1965, p. 10.

Washington Post. Editorial, September 20, 1965.

Washington Post. Editorial, October 2, 1965.

Wall Street Journal. Editorial, November 23, 1965.

Yaggie, R. A., and Loftsgard, L. D. "Sugar Beet Production Costs and Practices in the Red River Valley." North Dakota Agricultural Experiment Station Bulletin 466, October, 1966, pp. 1-32.

Unpublished Materials

Domestic Beet Sugar Industry, Mainland Cane Sugar Industry, Hawaiian Sugar Industry, Puerto Rican Sugar Industry, and the United States Cane Sugar Refiners' Association. "Industry Sugar Recommendations," Press Release, Washington, D.C., March 29, 1965.

Horton, Donald C. "United States Sugar Policies in the Sixties and Possible Revisions of the United States Sugar Program for the Seventies." Unpublished draft, 1970.

Ogg, Clayton. "Income Distribution Consequences of United States Sugar Policy." Unpublished article, University of Minnesota Department of Agricultural and Applied Economics.

_____. "Johnson and Johnson on Sugar Policy." Unpublished draft, University of Minnesota Department of Agricultural and Applied Economics, April 15, 1971.

Shields, Robert H. "Consumer Interests--The Basic Issue in Sugar Legislation." Speech given at the Annual Convention of National Vendors Association, Miami Beach, Florida, April 18, 1964.

Government Publications

United States Department of Agriculture. The Structure of the United States Sweetener Industry, by Roy A. Ballinger. Agricultural Economic Report 213. Washington, D.C.: Government Printing Office, September 1971.

United States Department of Agriculture. A History of Sugar Marketing, by Roy A. Ballinger. Agricultural Economic Report 197. Washington, D.C.: Government Printing Office, February 1971.

United States Department of Agriculture. Sugar Reports 164. Agricultural Stabilization and Conservation Service. Washington, D.C.: Government Printing Office, January, 1966.

United States Department of Agriculture. Sugar Reports 176. Agricultural Stabilization and Conservation Service. Washington, D.C.: Government Printing Office, January, 1967.

United States Department of Agriculture. Sugar Reports 236.
Agricultural Stabilization and Conservation Service.
Washington, D.C.: Government Printing Office,
January 1972.

United States Department of Agriculture. Sugar Reports 237.
Agricultural Stabilization and Conservation Service.
Washington, D.C.: Government Printing Office,
February, 1972.

Congressional Committee Hearings, Reports,
and Supplementary Publications

United States Congress. House. Committee on Agriculture.
Hearings. Extend and Amend the Sugar Act, 88th
Congress, Second Session, 1964.

United States Congress. House. Committee on Agriculture.
Hearings. Amend and Extend the Sugar Act of 1948,
89th Congress, First Session, 1965.

United States Congress. House. Committee on Agriculture.
Report on Sugar Act Amendments of 1965. H. Rept.
1046, 89th Congress, First Session, 1965.

United States Congress. House. Committee on Agriculture.
The Development of Foreign Sugar Quotas in H.R.
11135, 89th Congress, First Session, 1965.

United States Congress. Senate. Committee on Finance.
Data Relating to Sugar Act Amendment of 1965, 89th
Congress, First Session, 1965.

United States Congress. Senate. Committee on Finance
Hearings. Sugar, 89th Congress, First Session, 1965.

United States Congress. Senate. Committee on Finance.
Report on Sugar Act Amendments of 1965. S. Rept.
909, 89th Congress, First Session, 1965.

United States Congress. Senate. Committee on Finance.
H.R. 11135--Sugar Act Amendments of 1965--Comparison
Between House Bill and Senate Amendment, 89th
Congress, First Session, 1965.

United States Congress. House-Senate Conference Committee.
Sugar Act Amendments of 1965 Conference Report.
H. Rept. 1209, 89th Congress, First Session, 1965.

United States Congress. House. Committee on Agriculture.
The United States Sugar Program, 91st Congress,
Second Session, 1970.

United States Congress. House. Committee on Agriculture
Hearings. Extension of the Sugar Act, 92d. Congress,
First Session, 1971.

United States Congress. House. Committee on Agriculture.
Report on Sugar Act Amendments of 1971. H. Rept.
92-245, 92d Congress, First Session, 1971.

United States Congress. Senate. Committee on Finance
Hearings. Sugar Act Amendments of 1971, 92d.
Congress, First Session, 1971.

United States Congress. Senate. Committee on Finance.
Report on Sugar Act Amendments of 1971. S. Rept.
92-302, 92d. Congress, First Session, 1971.

United States Congress. House-Senate Conference Committee.
Sugar Act Amendments of 1971, Conference Report.
S. Rept. 92-381, 92d. Congress, First Session,
1971.

Congressional Debate

United States Congress, Senate, S. 2567, 89th Congress,
First Session, October 12 and 13, 1965. Congres-
sional Record, Vol. 111, Part 20, pp. 26727-26773,
26889-26904.

United States Congress. House. H.R. 11135, 89th Congress,
First Session, October 19 and 20, 1965. Congres-
sional Record, Vol. 111, Part 20, pp. 27362-27386,
27394-27405, 27506-27528.

United States Congress. Senate. S. 2567, 89th Congress,
First Session, October 22, 1965. Congressional
Record, Vol. 111, Part 21, pp. 28246-28255.

United States Congress. House. H.R. 11135, 89th Congress,
First Session, October 22, 1965. Congressional
Record, Vol. 111, Part 21, pp. 28555-28563.

United States Congress. House. H.R. 8866, 92d. Congress,
First Session, June 9, 1971. Congressional Record,
Vol. 117, No. 87, p. H4884.

United States Congress. House. H.R. 8866, 92d. Congress, First Session, June 16, 1971. Congressional Record, Vol. 117, No. 88, pp. H4987-5021.

United States Congress. Senate. H.R. 8866, 92d. Congress, First Session, July 27, 1971. Congressional Record, Vol. 117, No. 118, pp. S12231-S12285.

United States Congress. Senate. H.R. 8866, 92d. Congress, First Session, July 28, 1971. Congressional Record, Vol. 117, No. 119, pp. S12319-S12327.

United States Congress. House. H.R. 8866, 92d. Congress, First Session, October 4, 1971. Congressional Record, Vol. 117, No. 146, pp. H9092-H9095.

Memoranda

Selected Internal Administration Memoranda, 1963-1965.

Memoranda sources include: Bureau of the Budget; Council of Economic Advisors; Department of Agriculture; and White House staff.

United States Cane Sugar Refiners' Association. Setting the Record Straight Concerning Sugar Legislation. Washington, D.C.: United States Cane Sugar Refiners' Association, August, 1964.

APPENDIX

APPENDIX

The following were interviewed by the author:¹

John Bagwell, Hawaiian Sugar Planters Association

Roy Ballinger, Economic Research Service
Department of Agriculture (retired)

James Bonnen, former Senior Economist, Council of Economic
Advisors (1963-1965)

C. H. Devaney, American Farm Bureau Federation
Washington, D.C.

Horace Godfrey, American Sugar Cane League

Irving Hoff, United States Cane Refiners Association

Donald Horton, Economist, Bureau of the Budget (retired)

Charles Krause, Director, Agriculture Branch, Office of
Management and Budget

Tom Murphy, Director, Sugar Division, ASCS

Hyde Murray, Associate Counsel, House Committee on
Agriculture

Don Paarlberg, Director, Agricultural Economics, USDA

Gary Seevers, Senior Economist, Council of Economic Advisors

Robert Shields, United States Beet Sugar Association

Linwood Tipton, International Association of Ice Cream
Manufacturers

Ray Voelkel, Economist, Office of Management and Budget

¹All were interviewed in Washington, D.C., on April 5, 6, 7, 10, or 11, 1972, with the following exceptions: James Bonnen, East Lansing, Michigan, November, 1971-June, 1972; Donald Horton, Dekalb, Illinois, March 31, 1972; and Gary Seevers, East Lansing, Michigan, February 24, 1972.

MICHIGAN STATE UNIV. LIBRARIES



31293103153676