

**SUGAR: HEARINGS BEFORE THE
COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES;
67-1 ON H.J. RES. 78, JUNE 8
AND 9, 1921, SERIES F**

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SUGAR

STANFORD
HEARINGS LIBRARIES

BEFORE THE
COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

FIRST SESSION

ON

H. J. RES. 78

BY MR. WARD

JUNE 8 AND 9, 1921

Series F



WASHINGTON
GOVERNMENT PRINTING OFFICE
1921

SUGAR

COMMITTEE ON AGRICULTURE,

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS, FIRST SESSION.

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DAVID H. KINCHELOE, Kentucky.

MARVIN JONES, Texas.

PETER G. TEN EYCK, New York.

L. G. HAUGEN, Clerk.

Later in the same day I called at the Department of Justice and had a short interview with Mr. Newton, assistant to Mr. Figg, who had charge of the sugar matters for the Department of Justice. I told him about my interview with Mr. Gittings, and he said the Department of Justice was interested in the proposition and that he would let me know later about it. The question of the Argentine embargo was taken up and discussed at both of these interviews. At the State Department they knew of the existence of the embargo and expressed the opinion that it would be lifted on the request of the American Government. At neither of these interviews was any direct request made upon us to enter into this transaction. It was merely a preliminary discussion. Mr. Linn was with me at both of these interviews. Mr. Linn is a Washington attorney and has been our Washington representative in certain matters for several years.

Between April 26 and May 7 our firm was absolutely inactive in the matter, but during this period the State Department took the matter up with the Department of Justice and formulated a plan for handling the transaction. On May 6—

Mr McLAUGHLIN of Michigan. Of what year?

Mr. FRANKLIN. 1920.

On May 6 we received a telegram (Exhibit No. 1) from our representative, Mr. Linn, stating that Mr. Figg, of the Department of Justice, wanted to see me for the purpose of discussing this Argentine sugar matter.

EXHIBIT 1.

WASHINGTON, D. C., May 6, 1920.

WALTER S. FRANKLIN, Esq.,
Vice President American Trading Co.,
25 Broad Street, New York, N. Y.:

If you can arrange it, Mr. Figg would like to see you to-morrow and asks that you bring all data to discuss matter fully.

HENRY A. LINN.

On the strength of this telegram I went to Washington and called at the Department of Justice on May 7, where I met Mr. Figg. At this interview the following persons were present: Mr. Figg, representing Department of Justice; Mr. Gittings, State Department; Mr. Linn, our representative; and myself. Mr. Figg took the leading part in the conversation. He stated that the Department of Justice wanted to buy this surplus sugar (Argentine) and bring it into the United States for the purpose of breaking the market and lowering the price of sugar to the American consumer. He said he wanted to distribute the sugar to canners and preservers and to keep it out of the hands of speculators. He asked me if our company would assist the Government by purchasing and delivering this sugar in the United States. I told him I thought we would, but that the Argentine embargo question would have to be definitely settled as it was a tight embargo against all exportation, except that courtesy had been extended in one or two instances to neighboring South American countries.

Mr. Figg stated that the State Department and the Department of Justice would arrange for the lifting of the embargo. I thereupon stated that we were not distributors of sugar and had no facilities for that purpose. Mr. Figg stated that he did not have in mind at that time any particular agency, but that he would find a concern which

would be financially sound and satisfactory to our company to act as the distributor of the sugar. Mr. Figg then asked if we were financially able to carry out this transaction, and I stated I thought we could secure the necessary credits provided the sugar was sold as purchased to arrive in the United States and we were not required to hold it until after the arrival in the United States. This was agreed to by Mr. Figg. Mr. Figg stated that while he could not definitely determine the commission to be paid he felt that the department would recognize that the American Trading Co. would be entitled to a reasonable commission, about 1 cent per pound. He said he could not fix the commission until the price had been determined but that we would be fairly dealt with. The interview closed with the statement by Mr. Figg that the Department of Justice and the State Department would advise us just as soon as the lifting of the embargo had been arranged for, and, in the meantime, we were to decide whether we would act for the Government in the transaction.

At this interview it was pointed out that the surplus Argentine refined sugar could be purchased at between 13 and 14 cents per pound plus certain estimated costs, such as transportation charges, warehouse charges, insurance, finance, and possibly export duties. It was estimated that the sugar could be landed in New York at between 17 and 18 cents per pound, while the American refiners' price was 23 cents.

Mr. SINCLAIR. What was sugar worth here at that time?

Mr. FRANKLIN. It ranged from 22 to 24 cents, and it was going up.

Mr. JACOWAY. What month was that—May, 1920?

Mr. FRANKLIN. That was in May, 1920.

Mr. JACOWAY. Are you not incorrect about that? What did you state the price of sugar was?

Mr. FRANKLIN. I stated it was about 22 cents.

Mr. JACOWAY. Was it not from 25 to 30 cents?

Mr. FRANKLIN. That was later. As I say, the price was going up.

Mr. JACOWAY. I am talking about May, 1920.

Mr. FRANKLIN. Yes; in the latter part of May, 1920, the refiners' price went up, but at the time we were conferring about this transaction the refiners' price was around 23 to 24 cents with very little available.

Mr. JACOWAY. I was simply trying to get your statement accurately. I think you have the amount too low.

Mr. FRANKLIN. The retail price, Mr. Congressman, was all the way from 25 to 30 cents, but the refiners' price at that time was 22 to 24 cents, and they were not making deliveries except in very small quantities.

It was estimated that the sugar could be landed in New York at between 17 and 18 cents per pound, while the American refiners' price was 23 cents with practically no sugar available and the general market running as high as 28 to 30 cents. The refiners' price advanced before the end of May to 26½ cents, but only limited quantities were offered even at this time.

On May 12 we received a letter from Mr. Figg (Exhibit No. 2) informing us that the embargo would be lifted on request of the United States Government, and asking us immediately to begin buying sugar in the Argentine.

EXHIBIT 2.

DEPARTMENT OF JUSTICE,
Washington, D. C., May 11, 1920.

MR. WALLACE D. FRANKLIN,
Vice President American Trading Co.,
25 Broad Street, New York City.

DEAR SIR: I was notified by State Department of the receipt of cable from the Argentine that upon proper presentation through official channels of the American Government that the Argentine would lift the embargo on present surpluses in that country, now amounting to some 150,000 tons. The American attaché, however, estimates the surplus at approximately 70,000 tons.

After talking this over with your representative, Mr. Linn, and Mr. Giddings, it was deemed advisable that your agent already on the ground should be advised to contract for or buy as much of the entire surplus as possible before any further request was made that the embargo be lifted, as, of course, upon the general knowledge that this has been done will create a speculative market.

I have made arrangements with very large interests to handle all or any part of this sugar that we may indicate, our principal idea being, first, to secure sugar for the United States; second, to secure the sugar at the lowest possible price; and, thirdly, to control or indicate the channels of distribution after arrival here.

It occurred to me that if your agent cooperated for all interests that expenses incurred by him could be prorated by the interests, as Mr. Giddings and Mr. Linn, your representative, indicate. I have figured that your firm would handle approximately 10,000 tons of this sugar, the balance to be handled by firm or firms that I may indicate hereafter. I will give Mr. Linn copy of last cable from the Argentine to-morrow, which I think will assure you that permit will be granted when asked for. I hope that you will give this your immediate attention, as we must work very rapidly to beat the speculators in the market.

Yours, very truly,

HOWARD FIGG,
Special Assistant to the Attorney General.

This letter was received about 9 a. m., May 12. Before 2 o'clock on the same day we sent a cable to our representative in the Argentine to buy 5,000 tons of sugar at not to exceed \$300 per ton (2,240 lbs). On that date we also established a credit of \$1,500,000 through New York bankers. Mr. Figg told Mr. Linn on May 11 that B. H. Howell, Son & Co. had been selected to distribute the sugar in the United States.

About this same time the Department of Justice definitely requested B. H. Howell, Son & Co. to act as distributors in this transaction. Mr. Post, the head of the firm, finally agreed, largely as a matter of patriotic duty, as it had never been the custom of their firm to engage in the importation of foreign white sugars, such course being largely opposed to their interests, as indicated in Exhibit No. 14.

I was in Washington on May 13, called on Mr. Figg, and told him exactly what I had done. Mr. Giddings, of the Department of State, was present at this interview. Mr. Figg expressed satisfaction with the prompt action taken and requested that he be kept advised of the amount of sugar purchased each day. He asked if we had been in communication with the Government distributor. I told him that we had and were making arrangements for the economical handling of the entire transaction. He said he had talked with Secretary of State Colby, and that he approved of what we had done.

Mr. PURNELL. You say he told you that he had consulted with Secretary of State Colby?

Mr. FRANKLIN. Yes, sir; that is right.

Mr. PURNELL. You mean Mr. Figg?

Mr. FRANKLIN. Yes, sir.

Mr. PURNELL. I just wanted to get that straight.

Mr. FRANKLIN. Mr. Figg thereupon suggested that the American Trading Co. act alone in the Argentine and purchase all of the sugar. He also said that he would on that day make definite requests, through the State Department, for the modification of the embargo and sent the following letter:

EXHIBIT 3.

MAY 13, 1920.

The honorable SECRETARY OF STATE,
Washington, D. C.

DEAR SIR: We feel safe in now asking you to make proper representations to the Government of Argentina for the lifting of the embargo placed on sugar by the Argentine Government, for immediate export to the United States of any part of 30,000 tons which is now practically ready for export to this country from Argentina by the American Trading Co. We have made arrangements with the American Trading Co. to control distribution of these sugars after reaching the United States.

I hope it will be consistent with your policies to ask for the immediate lifting of the embargo for this amount. If possible, this request should be made confidentially, and further, if possible, that the permit be given to the American embassy at Buenos Aires and not be made public on account of creating a speculative market.

Yours, very truly,

HOWARD FIGG,

Special Assistant to the Attorney General.

On the same day the State Department—

Mr. PURNELL. What is that date?

Mr. FRANKLIN. May 13.

On the same day the State Department cabled the American ambassador in the Argentine, as follows:

EXHIBIT 4.

To: The American Embassy at Buenos Aires, Argentina.

Dated: May 13, 1920.

No.: 45.

With reference to the telegrams from the Department Nos. 39, 40, and 43, and to your telegram No. 113, regarding the lifting of the embargo on sugar from Argentine. This is strictly confidential. The American Trading Co. has been appointed purchasing agent by the Department of Justice and it is being instructed by that department to obtain quietly as many options as possible before the market is aware that the embargo has been lifted, in order to avoid unduly high prices, otherwise it will be impossible to buy Argentine sugar. By this method there will be an avoidance of profiteering at this end, and the Department of Justice is safeguarding all steps so that the American household consumer may be protected.

Instructions are hereby given to you to bring this matter most confidentially to the attention of the Government of the Argentine, for its information. The hope is expressed that the Argentine Government will be satisfied with this arrangement. In the near future the official request for the lifting of the embargo will be made. This is being done merely to avoid speculation, which might destroy the entire transaction, and there is no intention of preventing sugar interests in the Argentine from securing a price which is just.

POLK, Acting.

After the interview at the Department of Justice, I telephoned our New York office, and a cable was sent to our Argentine representative, increasing the authorization to cover the purchase of a total of 30,000 tons, and we increased the credit which we had already established to a total of \$7,500,000. Against this credit we actually drew in the Argentine \$4,600,000, but actually used, including the cost of transportation, etc., in the United States and the Argentine combined, a total of \$6,000,000.

Our first purchase of sugar in the Argentine was made on May 14, amounting to 7,909 tons.

Mr. PURNELL. How many tons?

Mr. FRANKLIN. Seven thousand nine hundred and nine tons.

Mr. PURNELL. May 14 of what year?

Mr. FRANKLIN. 1920. That was the first sugar that we purchased in the Argentine.

Thereafter purchases were made as follows: On May 15 up to and including May 18, 5,300 tons; on May 22, 1,000 tons. This concluded all purchases. We stopped because a permit to export had not been granted on our first purchases, as promised by the State Department and the Department of Justice, thereby seriously disarranging all plans for sale and distribution and involving us in very heavy and unanticipated obligations.

On May 19 another conference was held at the Department of Justice at which Mr. Figg; Mr. Gittings; Mr. Linn; Mr. Bruyn, representing B. H. Howell, Son & Co.; and myself were present. This interview was sought by me for the purpose of expediting the lifting of the embargo and discussing plans for distribution.

EXHIBIT 5.

MAY 20, 1920.

The honorable SECRETARY OF STATE,
Washington, D. C.

DEAR SIR: Calling your attention to my letter of May 13, in which I requested you to make proper reparation to the Government of Argentina for the lifting of the embargo placed on sugar by the Argentine Government for immediate export to this country of any part of 30,000 tons.

The American Trading Co., the American firm buying this sugar, has been able to secure practically this amount, and will continue to purchase beyond the 30,000 tons to any quantity they are able to secure. I will respectfully now ask you to make proper representation to the Argentine Government for the further lifting of the embargo on another 30,000 tons, or less, for shipment from time to time during June, July, and August, as they are able to purchase. This permit should also be secured in the name of the American Trading Co.

It still remains imperative that these requests be kept as confidential as possible, owing to a possibility of creating a speculative market.

Respectfully,

HOWARD FIGG,
Special Assistant to the Attorney General.

The next interview was held at the office of Mr. Figg on May 25 and the same people were present as at the preceding interview. On this occasion Mr. Figg fixed the compensation of importer and distributor at 1 cent per pound each to cover their transaction in the transaction.

That was on May 25.

We again urged the prompt lifting of the embargo and told Mr. Figg that we had held up purchases and would definitely stop further purchasing unless permits were issued at once.

Mr. PURNELL. What date?

Mr. FRANKLIN. May 25.

On May 27, because of the failure of the Government to secure the permits, we cabled our representative in the Argentine to make no further purchases of sugar.