

**SUGAR SHORTAGE: HEARING BEFORE
THE COMMITTEE ON AGRICULTURE
AND FORESTRY UNITED STATE, SIXTY-
SIXTH CONGRESS, FIRST SESSION;
PART 2, PP. 83-164**

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SUGAR SHORTAGE.

SATURDAY, OCTOBER 18, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to call at 10.30 o'clock a. m., in room 326, Senate Office Building, Senator Charles L. McNary presiding.

Present: Senators Gronna (chairman), Norris, Kenyon, Capper, Keyes, Ransdell, Kendrick, and Harrison.

Also present: Senator Gay and Representative Martin, of Louisiana, Dr. Alonzo Taylor, and Mr. William A. Glasgow.

Senator McNARY. I may state to the committee and those present that I caused this meeting to be called for the purpose of considering the form of sugar legislation. At the hearings that were held before the subcommittee some days ago, at the request of the subcommittee Judge Glasgow prepared a bill which I offered to the Senate on the 9th day of October. This legislation is very comprehensive in its nature, providing, among other things, the authority to acquire raw sugar and license brokers and dealers and place an embargo on the shipment of sugar in and out of the country. Objection was offered to the bill on account of its comprehensive nature.

Then I requested the Legislative Bureau to prepare a bill more simple in form, without the license feature. I introduced that bill, I think, on the 14th day of October. It will be noticed that that bill is supported largely by the Food Administration act, which contains a license feature. On account of opposition in and out of the Senate being urged to the legislation, Judge Glasgow insisting that the Sugar Equalization Board could not proceed without it, and realizing that there was an insuperable situation I thought we had better have the Judge and Mr. Zabriskie come here. The Secretary of Agriculture, Mr. Houston, was also invited to come and he said he would be out of the city, but he thought there ought to be some legislation immediately which would permit the board to acquire sugar; and Dr. Taylor I believe is here to represent the Secretary of Agriculture. Dr. Taylor, do you wish to be heard?

Dr. TAYLOR. I do not wish to disturb the normal flow of the proceedings of your committee.

Senator McNARY. I am sure the committee would like to have your views.

STATEMENT OF DR. ALONZO E. TAYLOR, OF THE WAR TRADE BOARD, REPRESENTING THE DEPARTMENT OF AGRICULTURE.

Senator McNARY. Doctor, give your name and state your connection with the Department of Agriculture.

Dr. TAYLOR. My name is Alonzo E. Taylor. I represented the Department of Agriculture on the War Trade Board, and was also

a member of the Food Administration, and the reason for my appearance to-day is that the feeling on the part of the Secretary that having just returned from abroad I could perhaps give a picture of the conditions in sugar production, sugar consumption, and the economic relations of Europe to a sugar-importation program for next year.

Senator KENDRICK. What countries did you visit, Dr. Taylor?

Dr. TAYLOR. Of course, the American Relief Administration had its central office in Paris, although I have been in Holland, Switzerland, Germany, Czecho-Slovakia, Austria-Hungary, Roumania—in other words the entire sugar production area of Europe. I was there as a member of the American Relief Administration and was engaged in preparing food surveys of these several countries.

Senator KENDRICK. You gave practical attention to this sugar situation?

Dr. TAYLOR. As one of the features of their duty. It is impossible to separate the problems of production and consumption in these countries and we prepared estimates of their sugar production in the same way that we prepared estimates of their cattle and wheat production.

Senator McNARY. Proceed and give an outline of your observations.

Dr. TAYLOR. It seems to me that the crucial point may be presented as follows: There is a contest on between the peoples of every single European nation that was involved in the war and their financial authorities, their governments, as to the degree of importation of foreign commodities that is to be permitted. The people have been four years, some of them, others two and three years—under ration, which involves in most countries nearly every commodity and for most of the commodities, especially those of the combatants, a reduction in the ration; that is, England's sugar consumption used to be 80 to 83 pounds, and it has been reduced to 52 pounds for two years; the German sugar consumption and the French sugar consumption have all been held below normal simply because of the limited sugar importations, and their beet production was, of course, limited in the countries where they produced sugar. This is also true of dairy products, meats and everything else.

These people are tired and exhausted by war. In some countries, notably in Germany, they are emaciated, and the tendency of the people is to get back to a normal ration again as soon as possible. Therefore the pressure which they lay upon their governments is to buy liberally and freely. On the other hand, the governments have the tendency everywhere and always to draw as fine a line as possible between the necessities that are termed for the present "luxuries," and to hold the latter down, and often to hold down the importation of necessities for the simple reason that they have such calls upon their import facilities that they must choose and they are unable during the present year to offer in return for imported commodities but a relatively small volume of exported commodities, because they are producing so little. They all will need to import increased amounts of grain as against the prewar period, and their food program of importations of food must be very heavy.

The best illustration of the tendency of all these governments is shown by the situation in Germany. The Brussels' agreement per-

mitted Germans the importation of over \$600,000,000 worth of foodstuffs. They have imported only about half of that, although their people need the foodstuffs very badly. In other words, the tendency of the governments is to allocate the total volume of imports that they believe they can buy as between the different commodities and to hold down the natural desires of the people to a minimal basis. A very good illustration of this is the refusal of the German Government to import any coffee for the common consumption of the German people. This is the result of two facts: One is the rate of exchange; the second is their monetary ability to pay. If we bought sugar in the Cuban market for 7 cents, it would cost England between 8½ and 8¾ cents, and it would cost France between 11 and 12 cents, and Italy between 14 and 16 cents, so you see it is largely a question of rate of exchange. Second, after having been bought at that rate of exchange, we can pay for sugar in the ordinary course of trade by commodities and by bills of exchange they can not.

The degree to which the European nations, outside of Spain, Switzerland, Holland, Norway, Sweden, and Denmark could purchase sugar of Cuba or to purchase grain from us can not be conjectured or shown in advance, but we know that their export commodities are very small in quantity; we know that they do not wish to see any more exchange; we know we have refused Europe and they are looking everywhere in the world for credits. In other words, the buying power has been a factor with these nations and under this policy of their government is lower consumption.

No one can say in advance to what degree public opinion may force their governments to take additional financial risks and go out and buy. At present the British sugar ration is 52 pounds. If the point of view of the Government is to prevail and the people rest under it supinely, they will continue an attempt at consumption no greater than that, but if the British demands for better and stronger beer and for a better sugar ration becomes imperative and Lloyd-George becomes weaker, they may be forced to make importations of sugar up to the 80 pounds, as before the war. In other words, the program of imports is tied up in a political situation.

Normally speaking, if their financial advisors were to be followed, they would hold them down for another year on sugar and everything else to the level of last year, simply to play safe and they would ask their people to bear for another year these hardships.

The German people had securities in the hands of their legal agents, which the Government had the power to requisition, which would enable the German Government to purchase far more foodstuffs than they did; and they might have said, "We do not intend to be deprived any longer and we demand that you seize those \$600,000,000 that are in the hands of Mr. Palmer in Washington," but they did not do so, and instead they took the program, but no one could say whether they would take the program of their Government or would not do so. If the people of England, France, and Italy had their say, they would undoubtedly return to a normal sugar consumption or to a higher sugar consumption as a natural rebound to the low-sugar consumption of the last two years, and they might easily take 2,000,000 tons of the Cuban crop. On the other hand if the financiers persist in their views, that they wish

to limit the importations of the coming year to where they were for the past year for purely financial reasons, they might reduce the figure to one million or one million and a quarter tons. How this is going to come out in the final contest no one can see. But, on the other hand, whether they take a large amount or whether they take a small amount, it seems to me that in view of the exchange rate and of the difference of their power as governed by the amount of commodities they have to export, America is going to get the sugar she wants in Cuba. It is merely a question of how far they want to drive it up. Our people have got the money to spend; they can get everything they want. Therefore, if we want the four and one-half million tons of sugar in toto, or if we want to get the three and a half million tons of sugar, there is not the slightest doubt we can do it if we are willing to pay the competitive price, because we have the buying power and we can get it against everybody; on the other hand they have the power to drive the price up very high; they can drive it up to 20 cents if they decide they want a large amount of this sugar.

The viewpoint, financially, regarding sugar as a partial luxury and trying to hold Europeans down, and the demand of the people that they be given more of this, no one can foresee the outcome of, because it is a very ticklish psychological situation. The balance of power between the repressive point of view and the financial view in England is pretty evenly balanced, and with the demand of the British people for a plus of a further ration, it is entirely possible that the British people may take the bit in their teeth and say, "We are going back to the 80 pounds." On the other hand the financiers may be able to convince them they ought not to attempt such a thing. But if they do go to 80 pounds and we want a full allowance, sugar will go to the scale of high prices.

Senator McNARY. It is your opinion that the sugar-producing countries of Europe will produce enough sugar for their consumption this year?

Dr. TAYLOR. That depends on what you regard as sugar consumption. Previous to the war Austria-Hungary used to produce about 1.8, and she would now produce a bare million if they succeed in getting the beets across these new borders where the refineries are located. The Czecks have the coal and the refineries. Therefore they will get the beets, and under those conditions it makes it difficult under present conditions to meet the situation. But you may put down 800,000 as the production limit for Austria-Hungary, and you may put down as the limit for Germany 1,200,000, and that makes 2,000,000 in toto as against 3,800,000 or 3,900,000. Then count Russia out and the beet sugar production is down to half; and if they all hold down their consumption they may after a fashion supply it, but all of these people want to go back to normal allowance.

The CHAIRMAN. Will not the financial conditions necessarily reduce the consumption in Germany and Austria-Hungary?

Dr. TAYLOR. It tends to reduce the consumption if the point of view of the Government prevails and the people yield to repression, but it is liable to break out at one point or another and overrule. The people have stood a great deal and they will not calmly after

the war allow the whole program to be put over them without protest. England is the one country where protests against further sugar restriction is likely to be heard, and England is the one country that has the best exchange.

Senator RANDELL. Has not the protest been heard?

Dr. TAYLOR. In England, most strongly.

Senator McNARY. The 1920 sugar crop will be 50 per cent short in Europe?

Dr. TAYLOR. Approximately. Russia being excluded entirely.

Senator McNARY. That being so, is it not extremely likely that European countries will enter into the sugar market in Cuba?

Dr. TAYLOR. The question is to what extent; they must enter the market in Cuba, of course.

Senator RANDELL. They always have bought a certain amount there?

Dr. TAYLOR. They have always bought a certain amount of the Cuban sugar.

Senator McNARY. But in view of the shortage, is it not likely and very likely that they will enter the market stronger this year than before?

Dr. TAYLOR. You mean even than before in prewar times?

Senator McNARY. Yes, sir.

Dr. TAYLOR. That is very difficult to say. It all depends on this outcome. If the British, French, and Italians were to consume a million and a quarter tons, which is practically what they had last year, their Governments would be very well satisfied. Whether their people would be satisfied with that amount or not, I do not know.

The CHAIRMAN. If you have already covered the point before I came in, it will not be actually necessary for you to answer this question: We have been told that England has already purchased one-fourth of the Cuban crop; is that correct?

Dr. TAYLOR. I question whether there is any evidence of that at all.

Senator RANDELL. I do not think Mr. Zabriskie wants to convey that idea.

The CHAIRMAN. I have read the hearings and that is the idea I got.

Mr. ZABRISKIE. We meant to say that the European countries, or countries other than the United States, had already purchased about one-fourth of the crop.

The CHAIRMAN. I am glad to have that made plain because I understood it from the reading of the hearings as I have before stated.

Mr. GLASGOW. One-fourth of the Cuban crop which has been sold includes not only the purchases in Europe, but such small sections as may have been made by individual refiners in the United States.

Mr. ZABRISKIE. That will probably be 200,000 tons.

Senator RANDELL. Mr. Chairman, I think it will be helpful to all of us if we hear Dr. Taylor, who I understand is well posted on the world's supply of sugar and pretty well advised as to the world's consumption also, if he could give us a brief survey of what the supply of sugar is in the world and what this country can reasonably expect to have for its consumption; in other words, what we produce in the United States and in our island possessions.

The CHAIRMAN. Pardon me, Senator Ransdell. I am, of course, very anxious to have that, but I do not want to be led away from the thought which I wanted to suggest to the committee. It is a question of fact we want now; it is not a theory. We want to know what has been done with the sugar crop, at least I do.

Senator RANSDÉLL. I was going to try to bring that out.

The CHAIRMAN. If that can be had I think that is a good deal the most important.

Senator RANSDÉLL. I was going to try to bring that out in connection with this.

The CHAIRMAN. But, before you go into that will you not let the Doctor give the committee what information he has as to the purchases made of the sugar crop?

Senator RANSDÉLL. Surely; I have no objection.

Dr. TAYLOR. I have no information as to that.

Senator RANSDÉLL. Mr. Zabriskie told us pretty fully about that the other day, I thought.

The CHAIRMAN. Then I misunderstood his statement the other day. I read English very well, as I do two or three other languages, and still I misunderstood his statement from the reading of it.

Mr. ZABRISKIE. The information that comes to the board, Senator, is to the effect that about one-fourth of the next Cuban crop has already been spoken for.

The CHAIRMAN. What do you mean by "spoken for"?

Mr. ZABRISKIE. That is, purchased by countries other than the United States, with the exception of about 200,000 tons, which has been purchased by the refiners in the United States. That, of course, is an estimate; there may be a variation as to that.

The CHAIRMAN. Then it is not an absolute fact that one-fourth of the Cuban crop has been bought up now; it is only an estimate?

Mr. ZABRISKIE. We know from some of the larger sellers of sugar that they have sold—for instance, one large concern has advised us that their sales have amounted to between 300,000 and 400,000 tons and they have reason to suppose that others have purchases amounting to about the same. That is the best information that we can get, Senator, and it is subject to some revision.

The CHAIRMAN. Would not your Sugar Board and would not the people who are controlling the sugar crop of Cuba or of other countries know definitely what the amount of the crop is that is sold?

Mr. ZABRISKIE. There is no control of the sugar of the Cuban sugar crop.

Senator KENYON. What about the Porto Rico crop; have you told us about Porto Rico?

Mr. ZABRISKIE. We have not had any data as to the sales of Porto Rican sugar.

Senator KENYON. Is there any sugar stored?

Mr. ZABRISKIE. There is not.

Senator RANSDÉLL. That would be brought out by the question I asked Dr. Taylor about the available supply. That would include Porto Rican sugar, Hawaii, the Philippines, our own country and also the Cuban crop.

Senator KENYON. They told me in Porto Rico it was there because they could not get the boats to ship it out.