

Administration of the Sugar Act of 1948

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I KNOW YOU will recognize that the administrative operations under the Sugar Act of 1948 are so comprehensive that it will not be possible to discuss in any detail the problems involved in the administration of each of the major sections of the Act. Therefore, it will be necessary to select a few provisions of the Act which are of most interest currently and discuss them briefly. I know that some of you have questions regarding numerous specific provisions of the Act and how the administration of such provisions may affect your particular circumstances. I expect to be here during the remainder of this week and during such period I shall be glad to discuss with any of you any such questions you may have. Because of the nature of the interests of this group of technologists I want to go beyond my assigned topic to discuss briefly the research program of the Department of Agriculture under The Research and Marketing Act as it relates to sugar.

The Sugar Act of 1948 is in the most practical sense an extension of the Sugar Act of 1937, as amended, but it is an extension which takes recognition of numerous changes which have taken place in the sugar industry during the past few years. The general objectives of the 1948 Act, as stated in its title, are identical with the objectives stated in the title of the 1947 Act. The methods of obtaining the objectives have been modified to some extent in the new Act.

Among the changes in methods contained in the new Act are the provisions of its Section 201, which deals with the factors to be considered by the Secretary of Agriculture in his determination of the amount of sugar needed each year to meet the requirements of consumers in the continental United States. The guiding principle of this determination is that it "shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain the welfare of the domestic sugar industry . . ."

A great deal of comment has been occasioned by the inclusion in this section of the Act of the ratio of price to cost of living as a factor to be considered in determining consumption requirements. An occasional inference is heard to the effect that the price of sugar which the Secretary must aim for can automatically be calculated from the cost-of-living index. This inference, of course, is wrong. If any such absolute relationship between the cost-of-living index and the price of sugar had been intended there would have been no point in including the other bases and standards which are a part of Section 201 of the Act. The cost-of-living factor is

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not interpreted by the Department of Agriculture as a controlling or overriding factor in determining a price for sugar which must prevail during 1948 or any other year. This ratio of price to cost of living is simply one factor among several others which must be taken into account in determining the level-of-consumption requirements. It was our understanding at the time the bill was under consideration in the Congress, and it still is our understanding, that this interpretation is generally accepted.

In accordance with the law, this factor must be taken into account. In announcing the consumption estimate for 1948, the Department stated that after determining the base quantity of sugar, the quantity consumed during the 12-month period ending October 31, 1947, and after making allowances for deficiencies in inventories and for changes in population and demand conditions, no additional allowance was required at this time with respect to the relationship between the price of sugar and the cost of living. This did not mean the cost-of-living factor had not been taken into consideration. It merely meant that after making allowances for the other factors it was not considered necessary at this time to make any further allowance for the cost-of-living factor in order to achieve the price objective which the Department felt should be achieved by its estimate.

Already we have had complaints that the initial consumption estimate is too high and will result in prices too low to fairly and equitably maintain and protect the welfare of the domestic sugar industry. It seems to me that it is a little early for this complaint to be backed with vigor. We make no claim of infallibility in our capacity to make an estimate at this time which will prove to be a correct and final estimate for the year. We recognize that under current circumstances, representing very significantly changed economic conditions since the time of the pre-war consumption estimates, many of the old guide posts are of limited value until they can be checked and adjusted by experience under the new conditions of national income and purchasing power existing today. Obviously, the current estimate indicates our best judgment as to the quantity of sugar which can be marketed at prices which we feel will meet the standards of the Act. If our judgment is proved to be wrong, as it very well might be, adjustments will be necessary. Under the current high levels of purchasing power it seems the United States might easily consume 7,800,000 short tons of sugar at price levels not significantly different from those which recently have prevailed at the wholesale (primary distributor) level as long as other economic conditions do not change significantly. However, the mere fact that what may appear to be a liberal estimate has been made in the beginning in order to assure consumers that an adequate supply of sugar will be made available should not be used as a means of pushing down prices early in the year to a point below that which should be expected as an average for the year on the assumption that the initial consumption estimate will prevail throughout the year. It would be a mistake to use the original estimate for such purposes because if it were used in such manner the

only result would be a necessary reduction in the estimate. This would not be to the best interest of consumers.

It should be recognized that the quota system, which is based on the consumption estimate, is limited in the degree to which it determines a price level for sugar. It has been generally assumed that a low estimate of consumption automatically insures a high price level and a high estimate of consumption will produce a low price. While the tendencies will be in these directions, the result will not always be as indicated. For example, in the years 1936 and 1937, when the highest sugar quotas of the 1934-38 period were established, the price of sugar, duty paid, averaged higher than in the years of low estimates. A number of factors are involved. Of special importance is the quantity of sugar available behind the quota wall awaiting disposition. Based on the most recent estimate of this year's Cuban crop, there will be a large quantity of sugar available above requirements which can be backed by the necessary dollars. The outlook for the disposition of this large volume of sugar will no doubt have a very significant influence on our sugar market in the United States until final decisions are made regarding the quantities of sugar which can be sold by Cuba to foreign countries under the various foreign relief and aid programs.

The 1948 Act revises the method of establishing quotas after determination of the consumption estimate. I believe most of you are familiar with the method by which the Act allots fixed quotas to each of the domestic areas and the Republic of the Philippines and allots the difference between such fixed quotas and the total consumption estimate to Cuba and foreign countries other than Cuba and the Philippines. The beet sugar industry is allotted a fixed quota of 1,800,000 short tons raw value, which cannot be reduced except in the very unlikely event of a drastically low level of consumption. Should consumption fall to an extremely low level, some reduction in the beet quota would be required - as would be the case with all other domestic area quotas - to assure Cuba a minimum quota equivalent to 28.6 percent of the total consumption estimate. This is the percentage of the total which Cuba had under the 1937 Act. It is possible for the beet area quota to exceed the 1,800,000 short tons figure through re-allocation of any deficits which might occur in other domestic areas or in Cuba. For example, it has already been announced that a deficit of 152,000 short tons is anticipated in the Hawaiian quota for 1948 and as a result of this the beet area quota already has been adjusted upward by 47,738 short tons for 1948.

The 1948 Act, in addition to allotting a considerably larger quota to the beet sugar industry than it received under the 1937 Act, makes it possible to plan operations on the basis of a definite and fixed minimum quantity which may be produced and marketed over a period of 5 years.

Since the enactment of the Sugar Act of 1948 I already have heard occasional comments by persons in the beet sugar industry that the fixed quota for the industry is too small, citing the fact that the production this

year will be approximately at the quota level. I believe it is generally recognized that no area received as large a quota as it wanted or felt it was entitled to. The important fact is that a basis was found on which the several areas could agree, after each area gave up a part of what it felt it was entitled to. The entire industry deserves high commendation for the spirit of compromise and cooperation it displayed in reaching agreement and making possible the enactment of legislation this year. Without such agreement, it is almost certain that such legislation could not have been enacted this year and the result might have been a considerable period of uncertainty in the industry. Any attempt by one segment of the sugar industry at this time to obtain a larger quota is certain to result in similar efforts by all other segments and the result easily could be to lose some of the advantages which the Act achieves for the industry.

The 1948 Sugar Act retains the same marketing and acreage provisions as those contained in the previous Act. There have been some significant changes in the pattern of sugar beet production in the United States during the last five years. These changes will complicate the problems involved in determining marketing allotments and proportionate shares. Certainly, many of these changes in the pattern of production have been closely associated with developments in technology. Since you have had a very significant influence upon the adjustments in production from area to area, I hope you will have an interest in helping solve the problems which will arise when allotments become necessary again. In mentioning these problems on recent occasions and in stating that it would be the policy of the Department to impose marketing or acreage restrictions through allotments only when the need for such action has been very clearly demonstrated, I have been surprised to have a number of people in the beet sugar industry tell me that they think marketing and acreage restrictions should be imposed immediately. I am not sure I understand their reasons for feeling that such restrictions should be imposed at this time and, therefore, I shall not attempt to describe them. However, you can imagine my astonishment at suggestions from the industry that the Government impose restrictions upon the industry prior to the time the Government believes that such restrictions are necessary to accomplish the purposes of the Act.

The previous Act required the Secretary to make determinations regarding fair and reasonable wages for workers employed in the production of sugar beets or sugarcane and fair prices to be paid by producer-processors for sugar beets or sugarcane purchased from other producers. The new Act, in addition to retaining the provisions of the previous Act, requires that, if requested by a substantial portion of the persons in any producing area, the Secretary shall make recommendations with respect to terms and conditions of contracts between producers and processors and between laborers and producers. The administration of these provisions of the Act relating to wages and prices has always been very difficult, partly because of the tremendous task involved in attempting to obtain and analyze sufficient information on which to base a determination. We are currently

preparing to obtain important basic information regarding production and processing of sugar beets and sugarcane in all the domestic areas.

The task of making such determinations is not a pleasant one and we do not relish it. During the time the bill was under consideration in the Congress there was a considerable amount of discussion regarding proposals to eliminate from the bill the provisions relating to wage and price determinations. The Congress resolved this by leaving the provisions in the Act and adding the additional provision regarding determinations requested by a substantial number of persons in any area. Since the provisions are in the Act, we must administer them and we are going to do the best job we can in administering them. This type of job will call for obtaining more information regarding current costs and conditions in producing and processing sugar beets and sugarcane. In obtaining such information I hope we can have your full cooperation because full information on these topics should be as helpful to you as to other segments of the industry and to us. Improvements in technology result in changes in cost relationships in producing sugar beets. Unless proper adjustments are made in the wage and price determinations as a result of such changes in cost relationships, improvements in technology could be retarded because of an improper distribution of the benefits. Therefore, it is to your interests as well as ours to see that the best possible information is obtained as a basis for the determinations.

Recognizing the need for an expanded research program for American agriculture, Congress, in 1946, passed the Research and Marketing Act, commonly referred to as the Hope-Flannagan Bill. This Act provides for a broad national program of research into basic laws and principles of agriculture, including research and services in connection with problems of production, utilization and marketing of agricultural products. The principal objective of the legislation as stated by its sponsors is to assure agriculture a position in research equal to that of industry. Special emphasis is given to the development of new uses for agricultural products, the expansion of present uses, and the improvement of marketing facilities and services to promote a sound, efficient, privately operated distribution system.

The current fiscal year is the first one for which the Research and Marketing Act has been in operation. For work this year a total of \$9,000,000 was appropriated. This was divided for various purposes in accordance with formulas included in the Act as follows:

\$2,500,000 to the State Experiment Stations.

\$3,000,000 to the Department for utilization research.

\$1,500,000 to the Department for cooperative research other than utilization (essentially production research).

\$2,000,000 to the Department for marketing research and services work.

Allocations of Research and Marketing Act funds within the Department were made on a project basis, just as research funds have been allocated under previous authorities. Some of the projects relate specifically to one or more agricultural commodities, and some are related to research on broad problems such as weed control, insect control, etc., and are known as "across-commodity" projects. However, an agency which receives an allocation for an "across-commodity" project may divide it into two or more subprojects on specific commodities.

Although the views of leaders in agriculture and industry are always considered by the Department of Agriculture and by Congress in connection with research projects, the establishment of industry advisory committees to review and recommend projects under the Research and Marketing Act insures an even closer degree of coordination of such projects with other public and private research work and with the aims and needs of the industry. Obviously, this has increased the responsibilities of industry with respect to such work. The entire domestic sugar industry, from producers and processors to the final distributors and users will surely want to take an active interest in this work.

If this research work is to attain the objectives aimed at it will be necessary for both private and public agencies to address themselves to a solution of the problems and difficulties now standing in the way of progress. During the war research in general had to be directed in large part to the immediate task of achieving military victory. Normal peacetime work in research, as in other fields, was necessarily, and properly, diminished. We must now catch up and forge ahead with the work needed to permit our agricultural industries to achieve their full peacetime opportunities. Fortunately many of the advances made during the war will be applicable in some degree to the post-war work. Many new insecticides need testing to determine their usefulness and safety on crops. A by-product of the atomic bomb provides a new method of studying plant nutrition. Even more important than such individual technical developments, however, the war has resulted in a closer understanding of government by industry and of industry by government than ever existed before. The coordination of effort between industry and government that achieved military victory should be retained in developing the post-war research programs so that government and industry working in their respective spheres, can supplement each other in achieving full utilization of our post-war opportunities.

At the time work started in outlining the Research and Marketing Act projects for 1947-48 the sugar industry as well as the Sugar Branch of the Department of Agriculture was still occupied with rationing and price-control work, purchase and price-support operations, and the need for reenacting the Sugar Act. Only secondary attention could be given to the new research work. Moreover, sugar was still in short supply. Accordingly sugar was not then facing the immediate surplus and marketing difficulties that appeared to confront some of the other agricultural commodities. Even

more important, however, government research in sugar had not been developed during the period between the two World Wars to the extent that it had for certain other commodities, such as cotton. As a result, sugar received directly a small share of the funds for the 1948 fiscal year. Naturally much of the "cross-commodity" research in such fields as insect and weed control, should be valuable for sugar crops as well as other crops. In looking to 1948 and future years it is evident that the sugar industry owes it to itself and to the ultimate consumers to assist in organizing an adequate research program to meet our future needs. The one word of caution that I would stress in this connection is that we emphasize the projects of fundamental importance. There is always danger of confining work to the projects that appear immediately pressing and of neglecting the fundamental work needed for a major improvement in the industry.

For the current fiscal year only two projects on sugar were approved. One of these was a project on "Development of Practices to Maintain Sugar Quality of Harvested Sugar Beets and Sugarcane and to Prevent Pre-processing Losses." The objective of this study is to discover means for reducing sugar loss in sugar beets during the period in which they are stored prior to processing and to discover means for reducing or preventing loss of sugar in and deterioration of sugarcane harvested for milling.

The other sugar project approved for work this year is one on "Competitive Relationships Between Corn Sugar and Sirups and Cane and Beet Sugars and Sirups." The objective of this study is to determine quantitatively for various types of industrial users the use of corn sugar or sirup and dry or liquid cane and beet sugar as sweetening agents; to ascertain the factors governing the choice of use of sweetener; to study the competitive relationship between liquid sugar and corn sirup and the probable effect of the expanding liquid-sugar industry on both the dry sucrose and corn-sirup industries; and to explore the problem of probable longtime market demand for the various types of sweeteners.

A portion of an allotment of funds for a project on "Economics of Farm Mechanization and Other Improved Techniques" is being spent studying the "Economics of Sugar Beet Mechanization." The overall objectives of the portion of the study on sugar beets are: (1) To determine the cost and performance, including the effect upon yield and quality of both sugar beets and sugar-beet tops, of various machines and other innovations used in the production of sugar beets and competitive crops, and the effect upon the quantity and quality of labor required; (2) to appraise the effect of mechanization and related technological developments on the competitive position of sugar beets and on the organization, operation, and income of sugar beet farms in the major producing areas; and (3) to appraise the probable effects of mechanization and associated technological innovations on the agriculture and the people of the major sugar beet producing areas.

One of the projects on which it is hoped that work can be started soon is the utilization of sugar beet tops in the production of beet leaf meal.

An effort was made to get this work started last fall with the Colorado Agricultural Experiment Station. The proposed study includes work on dehydration, harvesting, feed value, and economic aspects of beet-top utilization. The primary objective of the contemplated study would be to determine the possibility and practicability of utilizing sugar beet tops in the production of dehydrated sugar beet leaf meal.

It has been recommended that attention be given specifically to sugar beets and sugarcane under the "cross-commodity" projects on weed control and insect control. The development of detrashing methods for sugarcane should also have high priority in research.

The Department and the sugar industry advisory committee established to advise the Secretary with respect to research on sugar and sugar plants which should be undertaken with Research and Marketing Act funds now are formulating their recommendations for the next fiscal year. It is assumed that the projects under way will be carried to completion. Other projects before the advisory committee include:

1. A project relating to new and expanded uses of sugar and sucrose-containing materials, with emphasis on the utilization of blackstrap molasses for livestock feed, acids, plastics, and other products.
2. A project relating to the development of marketing standards for sirups, edible molasses, and liquid sugar.
3. A project relating to field elimination of trash and foreign matter from sugarcane and sugar beets.
4. A project relating to the plant food requirements of sugar beets and sugarcane.
5. A project relating to breeding and agronomic testing of sugar beet and sugarcane plants for maintenance of quality under a fully mechanized system of agriculture.

It is, of course, too early to know how much money will be appropriated for work under the Research and Marketing Act during the next fiscal year. However, the Act provides for larger appropriations each year until the work can reach its maximum. If that principle is followed the appropriation for next year should be substantially more than the \$9,000,000 appropriated for the current year and the portion that will be allotted to research on sugar will undoubtedly depend upon the soundness with which sugar's needs and research programs can be established.