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COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

*To Dick Fairbanks:
For appropriate
response*

CIEP STUDY MEMORANDUM NO. 28

August 2, 1973

MEMORANDUM FOR: THE SECRETARY OF STATE
THE SECRETARY OF TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
THE CHAIRMAN, COUNCIL OF ECONOMIC
ADVISERS
THE SPECIAL REPRESENTATIVE FOR TRADE
NEGOTIATIONS
THE EXECUTIVE DIRECTOR, DOMESTIC COUNCIL ✓
THE ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

SUBJECT: US Sugar Policy

The President has directed a review of US sugar policy, taking into account not only domestic economic concerns but also the world sugar situation as it is influenced by the expiration of a variety of international agreements this year and next. The attached study outline will be the basis for this study.

3 You are requested to nominate representatives to participate in the study group. I also intend to augment the group with a small number of consultants from outside the government. Mr. Robert J. Morris, Assistant Director of the Council, will serve as Chairman. Please submit the name of your representative to him. *3*

In view of the fact that negotiations on a new International Sugar Agreement will begin in Geneva on September 10 and last until about mid-October, the study group will not convene formally until after that negotiating conference. However, I intend to call a meeting of the CIEP Senior Review Group in early September to review the positions to be taken by the United States Delegation to that conference and to discuss proposals concerning the structure and content of the sugar study.

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines
By W.H.M., NARA, Date 11/22/00

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I therefore request that the papers as noted in the attached outline and the position papers for the U.S. Delegation to the Geneva Conference on the new ISA be submitted to me by August 31.


Peter A. Flanigan
Executive Director

Attachment: Study on US Sugar Policy

cc: Ken Dam
William Timmons

~~CONFIDENTIAL~~



~~CONFIDENTIAL~~

STUDY ON US SUGAR POLICY

MANDATE: The President's decision to "review sugar policy, taking into account not only domestic economic concerns, but also the world sugar situation bearing in mind that our treaty arrangements on sugar with the Philippines, the Commonwealth sugar agreement and the International Sugar Agreement all expire in 1973 or 1974."

OBJECTIVE: To identify and evaluate options for future US sugar policy. The options should be developed and measured against three basic criteria:

- 1) The objectives for US sugar policy as defined in the Sugar Act.
- 2) The Administration's overall policy goal for agriculture in general, which is to make production and trade in agriculture more responsive to market forces.
- 3) The current and expected future situation in international trade in sugar given the expiration of a variety of current agreements, their forthcoming renegotiation or replacement by other measures and the multilateral trade negotiations, which, in part, will be required to "pay special attention to trade in tropical products."

In accordance with the President's directive, the study will take into account "domestic economic concerns." Thus, domestic or Congressional political considerations are not to be construed as imposing a priori limitations on possible options, at least at this stage.

AREAS TO BE EXAMINED

Following are suggested questions to be addressed by the study group. This is not an exhaustive list, and participants should come to the first meeting prepared to comment on this list, to refine it and add to it as they believe necessary. Agencies indicated in parentheses should prepare papers on the subjects as identified below. These should be submitted to CIEP by August 31.

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines
By WFM, NARA, Date 11/22/00

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2

1. A description of the current state of play as regards the main international agreements on sugar expiring soon and their probable replacements. These include the Laurel-Langley Treaty with the Philippines, the International Sugar Agreement and the Commonwealth Sugar Agreement. The positions of the main participants in each agreement should be summarized (State).

2. An evaluation of the results observed under the current sugar act to date. What have the effects been of such matters as the transfer of the Puerto Rican and Virgin Island allocations to mainland cane producers? What has happened to prices; budget costs; foreign and domestic supply to the US market, etc.? (USDA).

3. What has been the effect of the confectionary quota? What should be done with this provision? (USDA).

4. Are the objectives of the sugar act appropriate? If so, could they be better achieved by alternative policies? If they are not appropriate, what alternative objectives should there be?

5. What are the alternatives to the current system of quota allocations by country? As between foreign and domestic producers? What should be done with the treaty portion of the Philippine quota? What are the domestic economic effects of alternative arrangements for imports (i. e., other than the current quota system)?

6. In 1971, we avoided a limitation on producer payments. However, the current farm bill shows that Congressional sentiment is still strong for payment limitations in regard to other agricultural commodities. What are the probabilities for such limitations in 1974 on sugar? The relationship between producer payments and excise taxes should be reexamined and related to alternative import systems as well.

7. What are the options and their effects as regards what is left of the Cuban reserve? (State).

8. We should have a fact sheet on sugar production by state, employment in the industry by state and an assessment of the importance of sugar growing and processing to each state's economy and its agricultural sector. The paper should also analyze the possible alternative uses of land in such states for growing other crops in the light of current and expected market conditions for such crops as compared with sugar. (USDA).

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9. Given the importance to world trade of the arrangements which the EC has or may be considering on its own sugar policy, we should have a paper on the EC's Common Agricultural Policy on sugar as it currently exists, a discussion of proposals that are under consideration in Europe for changes in it and an assessment of the effect it has had and may have in the future under these alternative arrangements, both for U.S. sugar policy and international trade in sugar. (USDA)

CONFIDENTIAL



THE WHITE HOUSE

WASHINGTON

September 5, 1974

*received
Sept 9.*
*Talk to
Norm*

MEMORANDUM FOR MIKE DUVAL

FROM:

Warren
WARREN HENDRICKS

SUBJECT:

TOM KOROLOGOS MEMO ON SUGAR

*file
Sugar
H. J. ...*

Ken has asked that you respond directly to Tom Korologos on the attached memorandum. Ken would like a copy of your response.

Thanks.

Chuck has called Ken who indicated that you had action.



THE WHITE HOUSE

WASHINGTON

September 4, 1974

MEMORANDUM FOR: ~~WILLIAM EBERLE~~
KEN COLE

THROUGH: WILLIAM E. TIMMONS

FROM: TOM C. KOROLOGOS

TCK
KT

SUBJECT: Sugar

I am getting quite a few requests from the Hill asking for information about the Journal of Commerce report (attached) on August 22 that "Federal sugar marketing quotas, currently due to end December 31, may be lifted several months ahead of schedule according to trade sources in Washington."

Are we considering this kind of new and inflationary disaster?

The psychology of such a move, viewed from an international perspective, would prove the United States has become frantic and is throwing sugar to the world market (the world price of which is 2¢ higher than the domestic price.)

The quotas expire at the end of the year anyway -- (and I'm told that Long and Bennett may try a resolution extending them beyond that time.)

When Calcagnini, Frick, and the others at Agriculture defeated the White House and killed the sugar bill in the House last June the price of sugar in the United States was 24¢ a pound. Today it's 40¢ a pound, it'll be 44¢ by the end of the month and 50¢ (that's \$2.50 for a 5-pound bag) by the end of the year.

I feel that any move to suspend quotas would be a total disaster on the inflation front; a disaster Congressionally with our hard-core supporters; a Foreign Policy disaster, and stupid to boot.



Memorandum for William Eberle and Ken Cole continued
September 4, 1974
Page Two

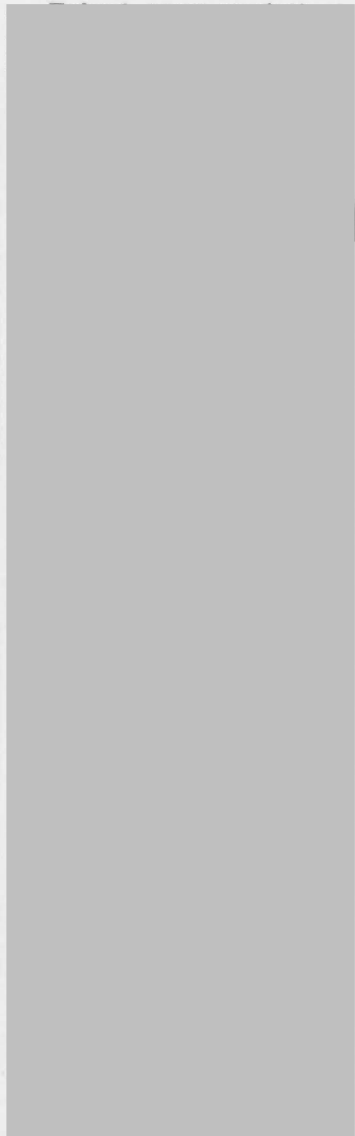
Is such a move contemplated? If so, we need to do some fast explaining to Long, Bennett, Poage, Wampler and a dozen others. In addition, I request that this office be included in the voting on any option paper that might go to the President.



THE JOURNAL OF COMMERCE, Thursday, August 22, 1974

*Sugar Quotas
May Be Lifted
Before Dec. 31*

WASHINGTON (UPI)



// *



THE WHITE HOUSE
WASHINGTON

October 2, 1974

*What are we
doing abt
extending the
Sugar Act?*

*Ken
file*

MEMORANDUM FOR: KEN COLE
FROM: NORM ROSS *NR*
SUBJECT: Background -- Sugar

The U.S. sugar policy for the past 40 years has been marketing limitation through quotas for both domestic production and foreign imports of the commodity. This system of control was designed to regulate supplies and prices during the era of surplus supplies. As the following table shows, however, world consumption has exceeded production in the last four years.

World Sugar Market					
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Metric tons					
	1969/70	1970/1	1971/2	1972/3	1973/4
Production	74,346	72,771	73,188	77,313	80,493
Consumption	72,290	74,518	76,105	78,099	81,068
Initial stocks as percentage of consumption	26.7	28.7	25.1	22.0	19.5

The result has been a sharp rise in sugar prices. U.S. raw sugar prices are currently \$34 per cwt., an increase of 212 percent from a year ago. The \$34 price represents an 8 percent increase from a



10/10

month ago. The U.S. price objective under the Sugar Act is \$12.40 per cwt. Effectively, the U.S. has been on a world market basis since January. Prices in both U.S. and world markets have moved upward together in response to tight world supplies, fluctuating narrowly above and below each other for brief periods in response to special conditions.

Concurrently, with the change in the world sugar supply, there were a number of economic forces at work which also contributed to the sharp price rises in sugar. Among these were the monetary crisis, world-wide commodity shortages, inflation, tight money, and the energy crisis. The energy crisis had a double-barreled impact on sugar prices. It increased the cost of production and shipment as well as put large amounts of dollars and other currencies in the hands of Arab countries which bought aggressively, adding to the rise in prices.

In order to attract the sugar to the U.S., Americans had to bid up prices equal to those which other buyers would pay. While this had the undesirable effect of increasing prices, it did secure the sugar this country needed. In Great Britain, where traditional suppliers reneged on contracts rather than accept low commonwealth sugar agreement prices, there have been shortages.

While sugar is in tight supply worldwide, it is believed that there is enough sugar available (i. e., not already committed) to fulfill U.S. requirements. Some quota countries have supplied sugar to the U.S. at their usual rate while others are holding back on shipments.

Some countries will not be able to fill present quotas while other probably have sugar available in excess of their quotas.

Our peak level of consumption for 1974 is already provided for although stocks in the hands of primary distributors are currently at lower than desired levels. Supplies of raw sugar available to U.S. refiners likewise appear to be tight even though the harvest has begun for sugar crops in the Southern Hemisphere. Some relief can be anticipated from the start of the European and our own beet harvest in the fall as well as the U.S. continental cane crops in October and November.



U.S. sugar import quotas are treated as "obligations to deliver" under the Sugar Act. Foreign countries are penalized for their deficits through reductions in future quotas. Although the present Act is currently scheduled to expire on December 31, 1974, and, hence, its penalty provision is legally meaningless at this time, the possibility that (1) the Act may be extended, or (2) similar legislation may be enacted in the future, still must be taken into consideration by countries that have quotas.

The Sugar Act requires the Secretary of Agriculture to (a) review U.S. sugar requirements, and (b) reallocate any apparent quota deficits at least every sixty days. The Act specifies a formula to be used in reallocating quota deficits. The most recent of these sixty-day periods expired on September 27, 1974. In light of the deficit in the domestic quota of about 620,000 tons, the Secretary, on the recommendation of the Cabinet Committee on Food, decided to continue the quotas and reallocate the domestic deficits among the quota countries while maintaining the estimate of domestic requirements at the present level of 12.5 million tons.

The decision of the Secretary of Agriculture is a controversial one both within the sugar trade and among government analysts. Virtually no one expects that this course of action will reduce sugar prices. The Secretary's decision was based on the following reasons:

- a. The President is not directly involved. If prices rise, as some believe they will, the White House is not implicated.
- b. Quota countries that have filled their quotas would be able to send more sugar under their increased quotas.
- c. This was the easiest option to explain to the public and to the Congress because the estimated domestic requirement would not be lowered.
- d. Incentive for quota countries to fill their quotas is not required.
- e. While 12.5 million tons is probably more than the U.S. needs, maintaining that level allows us to purchase it should it be available.



Arguments against the Secretary's decision include the following:

- a. The additional demand being placed on quota countries could push up prices.
- b. The 700,000 ton increase in foreign quotas could be disillusioning to countries that cannot fulfill their quotas.
- c. 12.5 million tons exceeds the current estimate of U.S. needs of 11.8 million tons thus signaling an unnecessarily high level of demand to the market.

The other options looked into included actions to:

- Suspend the sugar quotas and reduce estimated domestic requirements to 11.8 million tons. This option was not selected because it required a Presidential proclamation justified by a determination that a national economic emergency exists with respect to sugar. There is no national emergency.
- Continue the quotas and reallocate the domestic deficits among the quota countries while reducing the estimate of domestic requirements to 11.8 million tons. This option was not taken because:
 - a. There is some question about the legality of this option since the estimate of domestic requirements can be adjusted only to the extent necessary to attain the price objective of the Act. (The price objective is \$12.40 per cwt. compared to the present price of \$34.)
 - b. The U.S. is cut off from additional sugar supplies from non-quota countries should they become available. Moreover, countries with additional supplies but no balances on their quotas would be unable to ship these additional amounts to the U.S. market.



- 5 -

- c. It would be difficult to explain to the public why the estimates requirement and foreign quotas are being reduced when sugar prices have skyrocketed and more sugar is desired.



October 2, 1974

MEMORANDUM FOR: KEN COLE
FROM: NORM ROSS
SUBJECT: Background -- Sugar

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month ago. The U.S. price objective under the Sugar Act is \$12.40 per cwt. Effectively, the U.S. has been on a world market basis since January. Prices in both U.S. and world markets have moved upward together in response to tight world supplies, fluctuating narrowly above and below each other for brief periods in response to special conditions.

Concurrently, with the change in the world sugar supply, there were a number of economic forces at work which also contributed to the sharp price rises in sugar. Among these were the monetary crisis, world-wide commodity shortages, inflation, tight money, and the energy crisis. The energy crisis had a double-barreled impact on sugar prices. It increased the cost of production and shipment as well as put large amounts of dollars and other currencies in the hands of Arab countries which bought aggressively, adding to the rise in prices.

In order to attract the sugar to the U.S., Americans had to bid up prices equal to those which other buyers would pay. While this had the undesirable effect of increasing prices, it did secure the sugar this country needed. In Great Britain, where traditional suppliers reneged on contracts rather than accept low commonwealth sugar agreement prices, there have been shortages.

While sugar is in tight supply worldwide, it is believed that there is enough sugar available (i. e., not already committed) to fulfill U.S. requirements. Some quota countries have supplied sugar to the U.S. at their usual rate while others are holding back on shipments.

Some countries will not be able to fill present quotas while other probably have sugar available in excess of their quotas.

Our peak level of consumption for 1974 is already provided for although stocks in the hands of primary distributors are currently at lower than desired levels. Supplies of raw sugar available to U.S. refiners likewise appear to be tight even though the harvest has begun for sugar crops in the Southern Hemisphere. Some relief can be anticipated from the start of the European and our own beet harvest in the fall as well as the U.S. continental cane crops in October and November.



U.S. sugar import quotas are treated as "obligations to deliver" under the Sugar Act. Foreign countries are penalized for their deficits through reductions in future quotas. Although the present Act is currently scheduled to expire on December 31, 1974, and, hence, its penalty provision is legally meaningless at this time, the possibility that (1) the Act may be extended, or (2) similar legislation may be enacted in the future, still must be taken into consideration by countries that have quotas.

The Sugar Act requires the Secretary of Agriculture to (a) review U.S. sugar requirements, and (b) reallocate any apparent quota deficits at least every sixty days. The Act specifies a formula to be used in reallocating quota deficits. The most recent of these, sixty-day periods expired on September 27, 1974. In light of the deficit in the domestic quota of about 620,000 tons, the Secretary, on the recommendation of the Cabinet Committee on Food, decided to continue the quotas and reallocate the domestic deficits among the quota countries while maintaining the estimate of domestic requirements at the present level of 12.5 million tons.

The decision of the Secretary of Agriculture is a controversial one both within the sugar trade and among government analysts. Virtually no one expects that this course of action will reduce sugar prices. The Secretary's decision was based on the following reasons:

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NROSS/pt 10-2-84 (sugar) & DC file

cc:WH files



October 2, 1974

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NROSS/pt 10-2-84 (sugar) & DC file

cc:WH files



Draft
10/16/74

TSC SUGAR TASK FORCE REPORT

I. PROBLEM

Upon expiration of the Sugar Act on December 31, the duties on sugar entering the United States will rise to the Column 2 rate and quotas will no longer be in force unless the President proclaims different treatment for imports. Uncertainty in the trade regarding what action the President may take is making it difficult for the domestic industry to plan ahead and has an unsettling effect on the market. Refiners have expressed particular concern at the opening of the U.S. market to refined sugar. The TSC has been asked to analyze the impact of expiration of the Sugar Act and to evaluate the various tariff and quota options open to the President.

II. RECOMMENDATIONS



III. BACKGROUND

A. The U.S. Sugar Industry

U.S. sugar supplies currently come from about 31 percent domestic sugar beets, 23 percent domestic cane, and 46 percent foreign cane. In the 1973-74 crop year domestic production totaled slightly over 5.9 million short tons (ST) and was comprised of mainland beet sugar (3.2 million ST), mainland cane sugar (1.38 million ST), Texas cane (38,000 ST), Hawaiian cane (1.04 million ST), and Puerto Rican cane (290,000 ST). In the 1974-75 year, total domestic production is expected to increase to 6.0 million ST, with increased cane sugar production in all areas offsetting an expected decrease in beet sugar production to 2.95 million ST. At farm value, the sugar crop in 1972, when prices were far below present levels, was over \$800 million. Investment in the industry amounted to \$623 million in farms, \$549 million in beet factories and \$469 million in refineries, a total of over \$1.6 billion.

1. Beet Sugar

Sugar beets are an annual crop but cannot generally be grown successfully on the same land two years in succession so that most beet farms are diversified operations. Since beets require relatively heavy investment in specialized machinery and have consistently been a dependable cash crop, growers have tended to maintain production even when prices for other crops were higher. Under current conditions, however, a substantial shift to alternative crops is expected. Sugarbeets are produced in 24 states, the most important of which are California,



Idaho, Colorado, Minnesota, North Dakota, Michigan, Nebraska, Montana, Wyoming, and Washington. In 1973 sugarbeets were grown on 11,141 farms, employing some 49,000 workers and harvesting some 1,215,000 acres. The number of producing farms in the beet area has steadily declined in the past 40 years, from an average of 53,700 farms in 1937-39 and 18,590 farms in 1967-69. However, a fourfold increase in production per farm has increased domestic beet sugar production well above the 1937-39 average of 1.65 million ST. Refined sugar from beets is processed in a single operation and there are about 55 beet sugar factories located in the beet growing regions. The by-products of the refining process, beet molasses and beet pulp, have several uses, including cattle feed and the manufacture of yeast, citric acid, pharmaceuticals, and MSG.

2. Cane Sugar
Mainland

Sugarcane is grown in a number of Southeastern and South Central states, but only Louisiana, Florida and (to a small degree) Texas produce cane for the manufacture of sugar. The small quantity of cane grown in the other states is used to make sugarcane syrup. Sugarcane is also grown for sugar on the four largest islands of Hawaii and along the four coasts of Puerto Rico.

Sugarcane was grown on 4,865 farms in the 5 sugar producing areas in 1973: Louisiana - 1,290; Florida - 136; Texas - 92; Hawaii - 393; and Puerto Rico - 2,954. Acreage harvested was as follows: Louisiana - 318,907; Florida - 265,129; Texas - 15,098; Hawaii - 108,189; and Puerto Rico - 132,077. As with



beet sugar, there has been a considerable decline in farm numbers in the past 40 years, from the average of 10,568 farms in 1937-39 through an average 2,084 farms in 1967-69. Total mainland production has increased, however, due to a twelve-fold increase in production per farm. Hawaiian^a production has remained relatively static (960,000 ST in 1937-39), although the number of farms has increased substantially from the 1937-39 average of 48. Puerto Rican production has declined in this period, from the 1937-39 average of 982,000 ST, and the number of Puerto Rican cane farms has declined (from 10,750 farms in 1937-39) as considerable sugar land has been absorbed by other commercial users.

Sugarcane is a perennial and one planting can be harvested for several years. Thus, good stands tend to be harvested as long as they are productive because fixed costs have already been invested. Moreover, in the principal cane areas, a shift to alternative crops would be more difficult than in the case of cane. Another factor which operates against such shifts is the large portion of the crop, ranging from 46 percent in Louisiana to over 90 percent in Hawaii, grown by the owners of processing mills and is thus kept in production unless the combined growing and processing operation becomes unprofitable.

Most sugar from cane goes through two stages of processing in order to manufacture the commonly-used cane sugar. The first process, that of extracting, boiling and otherwise processing the cane juice, occurs in the producing areas in raw cane sugar



mills. There are 39 such mills in Louisiana and 7 in Florida. Products obtained in the first process are raw sugar (about 98 percent pure) and by-products such as blackstrap molasses and bagasse. ~~4~~ The second stage of processing, at sugar refineries, results in refined sugars tailored to the varying customer needs, syrups, and blackstrap molasses. A few refineries are located in producing areas --

6 in Louisiana, 3 in Florida and 1 in Texas -- and some are located at interior points of consumption. Most of the cane sugar brought in bulk cargo ships to the mainland from offshore areas, both foreign and domestic, is in the raw form and is processed in refineries generally located in large port cities.

3. Employment - See Section III F 4.

4. Prices

Under the Sugar Act US prices for unrefined sugar have generally been higher and more stable than those on the world free-market, with the difference between the two prices, known as the quota premium (see Table /). The existence of this price differential has, of course, represented a substantial transfer of income from US consumers to both domestic and foreign sugar producers. 1/ At the retail level, prices paid by US consumers have been fairly close to the average for countries

1/ The cost of the quota premium to US consumers is difficult to estimate since in the absence of quotas, the US price would have been lower and the world price higher in most years. One authority estimates that the long run annual cost, based on US prices and consumption levels in 1972, ranges from \$570 million at a quota premium of 2.5 cents to \$342 million at a quota premium of 1.5 cents.

TABLE 4

Raw Cane Sugar Spot Price, 1961-74

Monthly Average

Year/ Month	Domestic Sugar at NY duty paid <u>1/</u>	World Sugar <u>2/</u>
<u>Cents per pound</u>		
1961	6.30	2.91
1962	6.45	2.98
1963	8.18	8.50
1963	6.90	5.87
1965	6.75	2.12
1966	6.99	1.86
1967	7.28	1.99
1968	7.52	1.98
1969	7.75	3.37
1970	8.07	3.75
1971	8.52	4.52
1972	9.09	7.43
1973	10.29	9.61
<u>1973</u>		
September	10.97	9.01
October	11.15	9.56
November	11.10	10.14
December	11.34	11.83
<u>1974</u>		
January	12.63	15.32
February	17.09	21.28
March	18.11	21.27
April	19.25	21.77
May	23.05	23.65
June	26.30	23.67
July	28.35	25.40
August	32.60	31.45
September	33.75	36.50
12-month average, 9/73-8/74	18.50	18.70



1/ 1961-66 are spot prices for sugar in bulk under Contract No. 7, which beginning November 21, 1966 was replaced by Contract No. 10. The terms of these contracts are duty paid or duty free, full duty rate .625 cent per pound.

2/ Prices for 1961-70 are spot prices under No. 8 Contract, bagged sugar f.o.b. and stowed at Greater Caribbean ports (including Brazil). Beginning January 1971 spot price under No. 11 Contract, bulk sugar f.o.b. and stowed at Greater Caribbean ports (including Brazil).



that are net importers. Among the factors affecting future sugar prices will be growing competition from other products (e.g. from corn) which now account for about 20 percent of the domestic market for sweeteners.

4. Income

Growers' gross income per ton of sugarbeets or sugarcane has increased substantially since the sugar program began in 1934. This is due in part to the addition of the Sugar Act payment and in large part to the generally higher price level, but to some extent also reflects an increase in the growers' share of sugar market returns. Gross returns to growers per ton of sugarbeets or sugarcane are dependent upon sugar prices, the quality of their beets or cane, and Sugar Act payments. Molasses prices also have a bearing and in some cases, beet pulp prices. 1/

Note - material to be added on processers and refiners income.

1/ For more basic data on the U.S. sugar industry, see The United States Sugar Program, December 31, 1970, G.P.O.



B. U.S. Exports and Imports

The United States is the world's largest importer of sugar and in recent years about 46 percent of domestic consumption has been supplied from abroad. By quantity, imports last year were 5.3 million short tons raw value, very largely in unrefined form. Although the Philippines are by far the largest single source, Latin American suppliers (notably Dominican Republic, Brazil, Mexico and Peru) account for about 60 percent of the imports. See Table 2.

In terms of value, U.S. imports rose sharply in 1973 to \$918 million, in considerable part due to higher prices, which have continued to rise and in the first half of 1974 sugar entries were valued at \$724 million. On a per pound basis, the 1974 value was double the 1968-70 average and 50 percent above 1973.

U.S. exports have been negligible. In the first half of 1974, however, exports of domestic sugar rose to over 26,000 tons valued at \$7.6 million, including increased deliveries of refined sugar to Canada. See Table 3.



Table 2.--Sugar: charges against adjusted quotas, by supplying areas, 1964-73

Supplying area	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
In thousands of short tons, raw value										
Domestic:										
Beet-----	2,699	3,025	3,025	2,824	3,095	3,216	3,577	3,438	3,511	3,512
Mainland cane 1/-----	911	1,100	1,100	1,169	1,204	1,169	1,308	1,255	1,630	1,613
Hawaii-----	1,110	1,137	1,200	1,253	1,192	1,160	1,145	1,087	1,113	1,142
Puerto Rico-----	792	830	712	705	504	341	352	143	148	76
Virgin Islands-----	16	4	5	-	-	-	-	-	-	-
Total-----	5,528	6,096	6,042	5,951	5,995	5,886	6,382	5,923	6,402	6,343
Foreign:										
Western Hemisphere:										
Brazil-----	182	269	478	513	620	640	638	605	635	657
Dominican Republic--	398	469	603	618	707	693	678	656	737	741
Mexico-----	480	475	489	524	634	655	653	618	651	637
Peru-----	233	293	381	409	493	300	456	482	447	407
West Indies-----	142	148	177	184	218	227	217	209	177	41
Other-----	330	427	515	563	654	704	697	671	770	713
Total-----	1,765	2,081	2,643	2,811	3,326	3,219	3,339	3,241	3,417	3,196
Eastern Hemisphere:										
Philippine Republic--	1,220	1,178	1,187	1,123	1,125	1,125	1,299	1,592	1,432	1,454
Australia-----	216	200	188	191	203	193	206	205	211	269
Republic of China---	81	72	78	79	85	80	86	85	88	88
India-----	111	104	73	76	81	77	82	81	84	81
South Africa-----	120	104	55	56	60	57	60	60	60	75
Other-----	78	86	91	97	87	99	106	106	145	170
Total-----	1,826	1,744	1,672	1,622	1,641	1,631	1,839	2,129	2,020	2,137
Total Foreign-----	3,591	3,825	4,315	4,433	4,967	4,850	5,178	5,370	5,437	5,333
Grand Total-----	9,119	9,921	10,357	10,384	10,962	10,736	11,560	11,293	11,839	11,676

1/ Louisiana and Florida

Source: Compiled from official statistics of the U.S. Department of Agriculture.

Table 3

Exports (domestic merchandise) of Sugar, Beet and Cane,
Raw or Refined

	<u>Quantity</u> (000 lbs.)	<u>Value</u> (\$000)
1968	2,640	293
1969	1,935	269
1970	2,934	329
1971	963	137
1972	1,556	261
1973	7,981	890
January-June 1974	52,298	7,605



C. Sugar Tariff Background

1. Rates of Duty

Under the Tariff Schedules of the United States (TSUS), the Column 1 rate of duty on crystalline sugar (item 155.20) is derived from the rate granted as a concession^{1/} under the General Agreement on Tariffs and Trade (GATT) at Torquay, England, effective June 6, 1951, with respect to paragraph 501 of the previous tariff schedules. The Column 2 rate of duty on the same item is derived from the rate of duty established by Presidential Proclamation No. 2085 under Section 336, Tariff Act of 1930, effective June 8, 1934. The Column 1 and Column 2 rates of duty on liquid sugar and sugar sirups (item 155.30) reflect increases in duty with respect to paragraph 502 of the previous tariff schedules, as negotiated under the GATT in 1956 but not made fully effective until August 31, 1963.

The TSUS provides rate formulas for raw and refined sugars (item 155.20) based on sugar content as measured by sugar degrees determined by polariscopic test. While sugar degrees are not a perfect measure of sugar content, they are accurate enough that most sugar contracts are written giving prices based on sugar content so measured. The graduated tariff rates are based on the assumption that 106 pounds of 96° raw sugar will yield 100 pounds of refined sugar (and the duties assessed on these amounts of raw and refined sugar would be equal). Operating at peak efficiency it is doubtful that our cane sugar refineries could obtain 100

1/ Bound to the Dominican Republic and Peru



pounds of refined sugar from 106 pounds of raw sugar, and in actual practice it takes between 107 and 108 pounds of 96° raw sugar to obtain 100 pounds of refined sugar. Hence, the tariff on refined sugar is slightly lower than the tariff on the raw sugar required to produce an equivalent amount of refined sugar. This is the reverse of the usual relationship between duties on processed products and raw materials, both in the TSUS and foreign tariffs, and most other countries have much higher duties on refined sugar than the U.S. Column 1 level.

The tariff on liquid sugar and sirups of TSUS item 155.30 is based on total sugars in the liquid solution as determined by chemical testing (a different method from polariscopic testing) and the measurement of sugar content will differ from that which would result from polariscopic testing. However, assuming all the liquid sugar of item 155.20 is the result of melting refined sugar in water, this method of testing would result in duties equivalent to those applicable to refined sugar. The same slight tariff preference referred to above for refined sugar would also apply to the liquid sugar and sirups of item 155.30.

Table 4 shows the specific rates of duty for crystalline sugar under Column 1, Column 2, and 50 percent above Column 2 rate formulas. At recent domestic prices of 34 cents per pound for 96° raw sugar and 41 cents per pound



for refined sugar the ad valorem equivalent of the Column 1 duties is under 2 percent. At the Column 2 level the AVE for the raw sugar is 5.5 percent and for refined 4.8 percent. As with any other specific duties applicable to products for which the price has risen sharply, the level of protection on sugar is currently far below that of previous years.



Table 4
U.S. Rates of Duty on Sugar Imports

	<u>Sugar testing by polariscopic test:</u>					
	<u>100°</u>	<u>99°</u>	<u>98°</u>	<u>97°</u>	<u>96°</u>	<u>75° or below</u>
	----- (cents per pound) -----					
Column 1 rate Ad valorem equivalent ^{1/}	0.6625 (1.61%)	0.653125	0.64375	0.634375	0.625 (1.83%)	0.428125
Column 2 rate Ad valorem equivalent ^{1/}	1.9875 (4.85%)	1.959375	1.93125	1.903125	1.875 (5.51%)	1.284375
50% above Column 2 rate Ad valorem equivalent ^{1/}	2.98125 (7.27%)	2.9390625	2.896875	2.8546875	2.8125 (8.27%)	1.9265625
Difference between Column 1 rate and Column 2 rate	1.325	1.30625	1.2875	1.26875	1.25	0.85625
Difference between Column 1 rate and 50% above Column 2 rate	2.31875	2.2859375	2.253125	2.2203125	2.1875	1.4984375

^{1/} Ad valorem equivalent based on recent domestic sugar prices -- 34¢/lb. for raw sugar and 41¢/lb. for refined sugar.



2. Foreign Quotas

Sugar imports for human consumption under items 155.20 and 155.30 have been subject to quota since 1934. Most imports under quota came from Cuba until February 7, 1962, when trade with Cuba was prohibited. Since then, the Cuban quota has been withheld and is temporarily prorated among foreign suppliers. In the Sugar Act, Congress provided for the allocation of quotas and for prorating of deficits in quotas among quota countries on the basis of complex formulas administered by the Secretary of Agriculture. The base for quota determination is the total domestic consumption requirement for sugar that the Secretary determines is appropriate to meet a price objective, also determined by formula. The quotas and prorations for U.S. foreign suppliers as of September 25, 1974 were:

Philippines	1,743,258	Haiti	11,285
Dominican Republic	934,726	Honduras	6,091
Mexico	769,165	Bolivia	15,446
Brazil	922,593	Paraguay	8,833
Peru	521,235	Australia	236,482
West Indies	302,543	Republic of China	98,456
Argentina	112,592	India	94,687
Ecuador	96,754	South Africa	66,893
Costa Rica	109,622	Fiji Islands	51,820
Colombia	132,081	Mauritius	47,485
Panama	78,962	Swaziland	40,707
Nicaragua	77,651	Thailand	27,291
Venezuela	0	Malawi	17,429
Guatemala	98,652	Malagasy Republic	14,132
El Salvador	71,897	Ireland	1,107
Belize (Br. Hond.)	55,792		
		Total Foreign	6,765,667



The above country quotas apply almost entirely to sugar in raw form, and sugar for direct consumption is virtually embargoed. The three minor exceptions, totalling less than 65,000 short tons, raw equivalent, apply to the quotas of only three countries, Philippines 59,920 tons, Ireland 3,817 short tons, and Panama 1,107 short tons.



D. Legal Authority of the President

Termination of the Sugar Act on December 31, 1974, will have three principal legal effects: (1) the duty rates for sugar entering under TSUS 155.20 and 155.30 will revert from the column 1 rates to the column 2 rates,^{1/} approximately a threefold increase; (2) the virtual prohibition against refined sugar imports and the quotas for raw cane sugar imports provided in title II of the Sugar Act will terminate; and (3)^{2/} the provisions of headnote 2 to the tariff schedules for sugar (hereinafter, "headnote 2"), which authorizes the President to proclaim duty rates and to set quotas for sugar, become applicable and enable the President to prevent or modify the effects of (1) and (2) above.

1. Rates of Duty

Headnote 2 provides, in part, that upon "termination of the Sugar Act:

"... if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected con-

^{1/} Headnote² to the tariff schedule for sugar states in part that "the rates in column numbered 1...shall be effective only during such time as ...the Sugar Act...is in effect...".

^{2/} Tariff Schedules of the United States Annotated, Schedule 1, Part 10, Subpart A. Subpart 10A is classified to 19 U.S.C. §1202 (supp. 1974, separate pamphlet).



tracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation."^{3/}

The President's authority to proclaim rates and quotas under headnote 2 is reinforced by his authority under section 201(a)(2) of the Trade Expansion Act of 1962, to

"proclaim such modification or continuance of any existing duty or other import restriction, such continuance of existing duty-free or excise treatment, or such additional import restrictions as he determines to be required or appropriate to carry out any such trade agreement."

This authority remains in force, and would not be superseded by the Trade Reform Act of 1973, as passed by the House.^{4/}

Headnote 2 fixes the column 1 rate as the floor below which the President cannot reduce the rate of duty for sugar. The ceiling, which is not expressly established by the headnote, is derived from the statutory limitation (in TEA section 201(b)(2)) on authority delegated to the President to increase any rate of duty to a level not more than 50 percent above

^{3/}

The full headnote first appeared in the 1951 Torquay Protocol to the GATT (TIAS 2420). It subsequently was contained in the 1967 Geneva Protocol to the GATT, with the footnote "This note is not in the Tariff Schedules of the United States on June 30, 1967". Thereafter, it was added to the Tariff Schedules of the United States by Presidential Proclamation No. 3822 (Dec. 16, 1967), which implemented the Kennedy Round concessions. This proclamation was made pursuant to section 201(a)(2) of the Trade Expansion Act of 1962, 19 U.S.C. 1821 (a)(2).

^{4/}

See H.R. 10710, section 602.



the rate existing on July 1, 1934. Since the present column 2 rate was in effect on July 1, 1934, the ceiling on the President's authority under headnote 2 is 50 percent above the column 2 rate.

A proclamation under headnote 2 may be made prior to the termination of the Sugar Act. Any^{such} proclamation must become effective not later than the 90th day following the Act's termination, i.e. by March 31, 1975. Any duty rate and quotas proclaimed under headnote 2 must "give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the GATT". The President may subsequently modify any action taken under headnote 2 if through changed circumstances a modification is "required or appropriate to give effect to" the interests of domestic producers and affected GATT contracting parties.

The column 1 rates are restored automatically if legislation "substantially equivalent to Title II of the Sugar Act" is later enacted.

2. Quotas

a. Headnote 2

Headnote 2 requires that duty rates and quotas be proclaimed in conjunction. While the terms "particular rate" and "particular quota" are somewhat ambiguous, the headnote appears to permit the establishment of quotas on either a global or a country-by-country basis.



Any rates and quotas proclaimed under headnote 2 must give "due consideration to the interests of. . . materially affected contracting parties" to the GATT. There is substantial reason for believing that any reasonable quotas imposed under headnote 2 would not be successfully challenged under the GATT, because such quotas would be proclaimed pursuant to authority derived from a GATT agreement, and because their proclamation would continue a U.S. policy of some 40 years' standing.

b. Section 22 of the Agriculture Adjustment Act

A second potential source of authority for the imposition of quotas on sugar is Section 22 of the Agricultural Adjustment Act,^{5/} which authorizes the President to impose quotas on imported articles provided that certain factual conditions exist and specified procedures are followed. Those factual conditions, which relate generally to the interference by imports with domestic agricultural price support programs, do not exist currently with respect to sugar (which is not subject to a price support program). Accordingly, while section 22 theoretically provides an alternative source of authority for the imposition of sugar quotas under the umbrella of a GATT waiver,^{6/} it is of little immediate practical utility

^{5/}
7 U.S.C. 624.

^{6/}
The United States was granted a waiver for quotas imposed under section 22 by a decision of the GATT Contracting Parties of March 5, 1955. BISD, 3rd Supplement, 1955, p. 141.



because of the time that would be necessary to establish a price support program for sugar and to find the requisite facts as to interference of imports with that program.

Over the longer term, however, Sec. 22 would enable the President to impose greater restrictions on sugar imports (by increasing duties up to 50 percent ad valorem and/or instituting or lowering quotas to a level not less than 50 percent of the quantity imported in a previous representative period), in the event that the Secretary of Agriculture found it necessary to undertake price supports or other programs to assist sugar producers and that imports were entering under such conditions and in such quantities as to render or tend to render such programs ineffective.

3. Safeguards

If, in the future, the sugar industry of individual firms or groups of workers in the industry, is seriously injured or threatened with such injury from increased imports, then the escape clause and adjustment assistance provisions of the Trade Expansion Act (Title III), which would be superseded by those of the Trade Reform Act (Title II)^{7/}, contain

^{7/} The TEA escape clause and adjustment assistance provisions require that the injury or threat thereof result "in major part" from a concession granted under a trade agreement, and that increases in imports constitute a "major" cause of the injury or threat. The TRA provisions would not require the causal link between an injury or threat and a trade agreement, and would only require that increases in imports constitute a "substantial cause" of injury for escape clause actions, or "contribute importantly" to the injury or threat thereof for adjustment assistance determinations.



authority for the President to proclaim remedies in the form of tariff increases, quotas, and adjustment assistance.

3. Summary

The President may proclaim a duty on sugar which is no lower than the current column 1 rate and no higher than 50 percent above current column 2 rate. A quota system must be proclaimed at the same time. This proclamation may be made at any time before March 31, 1975, but must become effective between January 1 and March 31, 1975. The proclamation may be modified subsequently, if a modification is warranted by changed circumstances.

If any tariff rates and quotas put into effect after December 31 were to allow an influx of disruptive or injurious sugar imports, the President would have authority to proclaim remedies which could include increased protection and adjustment assistance.



E. World Sugar Situation and Outlook

The world sugar supply situation is currently tight, and is likely to remain so for several more years. Although production exceeded consumption in 1973/74 and is likely to do so again for 1974/75, carryover stocks are still at relatively low levels. For the 1974/75 crop year world production is expected to be about 83 million metric tons, raw value. Consumption requirements will probably be about 1.5 million tons lower.

Less than 30 percent of world sugar production moves in international trade and since about half of such trade is conducted under preferential arrangements, the amount sold on the world free-market has been fairly small - not much over 10 million tons. In this thin, residual market, prices have been subject to frequent and wide fluctuations.

Sugar prices have recently been at record levels. The all time peaks were reached ^{October 9, 1974} when world sugar sold at 37.50 cents per pound and the New York duty paid price was 35.75 cents. By contrast, the world price averaged 9.61 cents for 1973 while the U.S. average was 10.29 cents. Generally, there would have to be a reduction of about 1.5 cents per pound from the New York duty paid price to make it comparable with the world price.

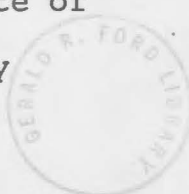
Several factors in addition to supply-demand probably contributed to the price run-up in 1974. Among these were (1) the energy crisis, (2) heavy buying by Middle-East countries, (3) the fact that early in 1974 it became known that Canada and Japan had not covered their requirements for the first six months of the year, and (4) uncertainty as to U.S. sugar policy.



prices
Increased energy[^] increased the cost of sugar production and shipment and also put large amounts of dollars and other currencies in the hands of Arab countries which entered the market aggressively; i.e., purchasing quantities that they normally would buy over a longer period and paying higher prices.

Some of the pressures listed above should be abating in the near future. Relief from the current high prices can also be anticipated as European and U.S. beet harvests this fall as well as U.S. continental cane and crops in many Latin American countries will bring sugar on the market shortly. Consumer resistance to high sugar prices has developed in recent weeks in the United States. Corn sweetener substitutes for sugar are rapidly gaining favor and are likely to displace more sugar in the future. Thus, U.S. consumption in 1975 is likely to be somewhat lower than during 1974. This lower demand and higher than usual stocks in the hands of industrial users makes it likely that domestic prices will drop back moderately next year. Nevertheless, for the next 12 to 18 months, most authorities believe that/sugar prices, both domestic and on the world market, will remain well above the 1973 level.

Most projections indicate a delicate balance between total world production and consumption for the rest of the decade.
UN Food and Agriculture
The Organization projects world demand to increase at a rate of 2.8 percent per year from 1970 to 1980, with growth heavily



concentrated in developing countries. This would bring consumption to 102.7 million short tons, while production is estimated at 102.4 million tons.

World sugar milling capacity now amounts to about 100 million short tons. Projected mill capacity for 1979-80 is very close to projected production, but this is on an optimum basis and does not allow for work stoppages, etc. Increased interest in building new mills has been spurred by recent high sugar prices. Such plans would increase capacity by only about 3 million tons, however, and additional expansion is needed to keep pace with requirements



F. Impact of the Tariff Snap-back and Elimination of Quotas on Domestic Interests

1. Effect on U.S. Sugar Growers and Processors

If the duty on imported refined sugar reverts to the column 2 level of 1.9875 cents per pound, the domestic price of sugar would rise by at least the amount of the tariff increase, or a minimum of 1.325 cents per pound. Returns to domestic growers and processors would be correspondingly increased. Taking into account the traditional division of returns (60 percent to growers and 40 percent to processors), the higher duty should result in increases to growers of 0.795 cents per pound or about 2 percent at present high prices and 0.530 cents or about 1.5 percent to processors.

In the short-run, with continued high world sugar prices, the column 2 rates of duty would still provide a relatively low level of ad valorem tariff protection and would not be a major factor in determining planting decisions for U.S. growers. Should prices decline in the long-run, however, the effective tariff protection would increase. For example, at a price of 20 cents per pound for raw sugar, the ad Col 2 valorem equivalent of the duty would approach 10 percent and could thus have greater weight among the factors influencing the level of U.S. production.

No precise estimate of the impact of quota elimination is possible. Experienced sugar authorities agree, however, that at the Column 2 rates there would be little or no impact over the next 12-18 months. Over the longer term, as the world supply situation eases and prices recede from the present record levels, some domestic adjustment



problems would arise for the smaller, less efficient growers. The magnitude of output affected, however, is not expected to exceed 10-20 percent of domestic production. A shift to other field crops would be easier for beet growers than for cane growers, but in both cases the existence of substantial investment in specialized equipment would cause growers to defer large shifts out of sugar as long as prices remained above variable costs. Such decisions would, of course, be influenced by the level of prices for other crops, particularly in the case of beets where the farms are typically integrated enterprises wherein beets are rotated on a four year cycle with other crops and the annual plantings have historically varied with prices. In the case of cane, alternative uses of the land in some producing areas are more limited and since cane is not planted annually, harvesting would in most cases continue over several years of low prices because of the capital already committed.

2. Refiners

A snap-back to the Column 2 rates on raw sugar would raise the costs of refiners' raw materials, which are about 80 percent of their costs, but since sugar demand is inelastic in the short run, this cost would be shifted to U.S. customers. In the longer run, however, the demand curve for refined sugar will exhibit some elasticity and the incidence of the duty will also fall on domestic refiners and foreign growers. However, as raw sugar supply conditions ease and the price declines, it is expected that the effect of the duty on returns to domestic refiners will not be significant.



With refineries operating at or near capacity throughout the world and the short term supply situation expected to remain tight, the elimination of quota restrictions (particularly in combination with the higher tariff on refined sugar) would probably not generate any early or substantial increase in imports of sugar for direct consumption. This would not rule out sporadic disruption of local U.S. markets from occasional arrivals of foreign shiploads of refined sugar, but there is no reason to expect that such disruption would be sufficiently frequent or widespread to cause significant damage to the domestic refining industry at the levels of earnings that can be expected over the next few years.

Domestic cane refiners make the point that since they have lived under Sugar Act controls for forty years, any decision to move toward a freer sugar economy should provide a period of time for orderly transition and adjustment to new ground rules; however, any determination of the length of time required would at this point be "premature". To the extent that the refiners' fears of "severe disruption" is based on an anticipated flood of low priced imports, the fears do not seem warranted. There is little or no existing, unutilized refining capacity and with demand expected to remain high, the short term threat appears negligible, if not non-existent. No plans for a major expansion of foreign capacity are known to exist but even if ~~xxx~~ some such programs were to be undertaken, production would probably not begin for several years and, as previously noted, most of the output could be consumed locally. This set of circumstances appears

to provide a built-in transition period for adjustment, if any should be necessary.

Such material as is available on the comparative costs of U.S. and foreign cane refineries suggests that fully allocated costs are about the same. Considering the greater costs of shipping refined as compared with raw sugar, problems of quality control in overseas shipments, the need to cater to local markets for over a hundred varieties of refined sugar, and protection afforded by the Col 2 duty, it would appear that domestic cane refiners should be able to hold their own against foreign competition. With regard to refined sugar from beets, the domestic interests involved have not expressed any concern over the expiration of the quotas on direct-consumption sugar.

The above conclusions assume that domestic refineries have access to supplies of raw sugar on about the same terms as foreign refiners. Should countries supplying a significant part of US imports of raw sugar undertake to shift their exports to refined sugar as part of their development efforts and to impose export taxes on raw sugar some adjustment problems could arise for US cane refiners. Domestic cane refiners point out that present US imports of raw sugar come mainly from countries that have state sugar monopolies or single seller arrangements. While such arrangements could provide some leverage over US purchasers under conditions of very tight supply, the threat to US refiners does not appear to be substantial.



3. Consumers

a. Industrial

If no action were taken under headnote 2, industrial users would be faced with a price rise for sugar. In the short run, the entire difference between the column 1 and column 2 rates of duty would be passed on but even in the longer run, the incidence of the tariff increase would fall partly on consumers as noted in the previous section. However, the largest problem that industrial consumers of sugar will have to cope with if the Sugar Act expires is price instability (although without question they have had some experience with this problem in 1974). Certain of the principal sugar users -- candy and soft drink manufacturers -- have a limited degree of flexibility with respect to changing prices in response to their raw material cost changes, particularly for vending machine sales. (However, for candy and soft drinks using sweeteners other than sugar there have been some large windfall gains this year due to increased prices across the whole line of products in response to increased sugar costs).

In the past quotas under the Sugar Act have tended to work as an inventory control device for the nation's supply of sugar. Without quotas, it is likely that industrial consumers would have to develop some inventory capacity for sugar. Currently, there is little experience in the U.S. with sugar storage problems and such inventories would, of course, add to costs.



Chocolate manufacturers have long used the futures market for cocoa as a method of hedging against price risks and assuring adequate supplies of cocoa, and cocoa speculation has sometimes made substantial contributions to profits. They anticipate coping with sugar prices in much the same way. One of the chief complaints of industrial consumers is that the price stability achieved by the Sugar Act has been very effective in preventing price declines but not nearly as effective in preventing price increases. With the expiration of the Act, large industrial consumers will use sugar futures market hedging, inventory control, and long-term forward contracting of sugar supplies as a means of assuring supplies at reasonable prices.

With regard to refined or liquid sugar imports, industrial consumers are inclined to oppose any import restrictions. However, they tend to be wary about the quality control for such imports, since the quality of foreign sugar is generally lower and less uniform than that of the domestic product. Thus, industrial consumers will not quickly shift to refined or liquid sugar imports without assurances of dependable supply and quality even such sugar were to come on the market.

b. Households

The methods cited above that industrial users would employ to hedge against sugar price risks would tend to shift the burden of coping with price instability onto household consumers. In the future, as the world supplies situation eases, household consumers would probably benefit from much cheaper prices for sugar than under a Sugar Act regime. In



times of shortage, however, these consumers will bear a disproportionate share of higher sugar prices, since industrial users will have already assured their own supplies leaving less sugar (and higher cost sugar) for the smaller consumers.

Currently there are scattered ~~xxxx~~ household consumer boycotts against sugar (and some sugar containing products) and it is believed there would be loud consumer protest against any rise in the tariff on sugar.

4. Impact on Labor

a. Farm Workers: Sugar Beets and Sugar Cane

Due to increased mechanization of production, farm employment in the U.S. sugar industry has declined rapidly over the past two decades. The peak number of farm workers engaged in sugar production in the United States and Puerto Rico during the 1973 crop year was 101,300 compared with 334,000 workers in 1950. These figures include hired workers, farm operators and unpaid family workers. With the expiration of the Sugar Act, this downward trend in the number of farm workers in the U.S. sugar industry can be expected to accelerate as sugar prices fall to more normal levels. However, the labor adjustment problems, resulting from this decline in employment, will vary among the sugar workers.

The following table shows the number of farm workers involved in sugar production in the major domestic sugar producing areas during 1973.

<u>Producing Area</u>	<u>Peak Number of Farm Workers-1973</u>
Sugar Cane	
Louisiana	17,000
Florida	11,000
Hawaii	5,300
Puerto Rico	19,000
Sugar Beet	<u>49,000</u>
Total	101,300



In general the shift of workers out of sugar beet production can be expected to be relatively easy. Sugar beet farms are integrated enterprises wherein sugar beets are usually produced in a four-year rotation with other field crops. Thus, suitable alternatives exist for land used in sugar beet production. In the past, beet production and hence employment, have been quite sensitive to changes in relative prices of agricultural commodities. In addition, farm employment in sugar beet production is subject to extremely large seasonal variations. Many of the field workers move from crop to crop and may be capable of finding alternative employment. Their employment alternatives are outside the sugar industry and generally outside the localities where sugar beets are produced.

Workers in the sugar cane areas may face more serious adjustment problems. This is particularly true in the case of Louisiana where most of the workers in the cane fields are non-migratory, even though they are employed for a short period of each year. The employment alternatives are also quite limited for field workers in Puerto Rico. In the case of Florida, the employment impact on U.S. workers would be small since many of the workers in the cane fields are seasonal workers from the West Indies. Finally, sugar workers in Hawaii should not be significantly affected by the snap-back provisions since Hawaii is a relatively efficient producing area, although a substantial drop in sugar prices relative



to other agricultural crops may result in reduced cane acreage.

b. Production Workers in Raw Cane Mills and
Sugar Beet Processing Plants

As of 1973 the peak number of production workers employed by raw cane mills and sugar beet processing plants, in the United States and Puerto Rico, was 18,200 and 22,500, respectively. In the long-run the number of workers involved in sugar processing can be expected to decline as a result of the projected fall in the production of sugar beets and sugar cane. These production workers probably will experience some difficulty in finding new employment since they are not highly skilled workers.

c. Production Workers in Sugar Cane Refineries

Employment in U.S. sugar cane refineries, which consisted of 12,100 production workers in 1973, is not expected to be affected significantly by the absence of a sugar program. According to an economic analysis of the United States cane refining industry produced under industry sponsorship, refining costs in the United States do not appear to be significantly different from the fully allocated costs of foreign refiners. Furthermore, taking into account the greater cost of shipping refined as compared with raw sugar and the ability of refiners to cater to local markets for refined sugar, it would appear that United States cane refiners will continue to operate near present levels even if the virtual ban on refined sugar imports is lifted.



d. Summary

Only limited labor adjustment problems are expected to result from the elimination of sugar quotas. The shift of workers out of sugar beet production can be expected to be relatively easy. Employment in U.S. sugar cane refineries is not expected to decline. The most serious unemployment problems are expected to exist for production workers in the raw cane and sugar beet processing plants and for farm workers in the sugar cane areas of Louisiana and Puerto Rico, although the number of workers affected will be small.



G. International Aspects.

Sugar is produced throughout the world (see Appendix A) and is a major export earner for many developing countries. Of the 34 foreign countries now supplying the United States with sugar, all except Australia, South Africa, and Ireland are in general terms "developing."

Practically all of the foreign sugar suppliers desire a continuation of the U.S. sugar quota system. Furthermore, most desire a part of a sure U.S. market even in the absence of a price differential. Most of our foreign LDC sugar suppliers would have considerable long term difficulties in adjusting to competition in a free U.S. sugar market. Many of these are less efficient suppliers who have relatively few uses for the land and labor now devoted to sugar.

Termination of the traditional U.S. system of country quotas could result in a realignment of our foreign sugar supply sources. The extent of such realignment will depend on whether the United States^{is} expected to remain on the free world market, the prices prevailing, and, most importantly, sugar suppliers' estimate of their own development goals and competing demands for their resources. In spite of the high prices now prevailing, countries without an assured increase in their markets (e.g. larger U.S. quotas) are not making the huge investment outlays necessary to expand production and thereby bring down prices. A few countries have stated they



will increase investment, but thus far this action has not taken place. Moreover, for many developing countries projected increases in domestic demand could limit the amount of increased output available for export.

At present prices, all supplying countries are making sizeable returns from their sugar sales. The principal question is what producers will do when prices fall. A major decline in prices on the U.S. market should cause a shake out of less efficient suppliers.

The most efficient suppliers in the world are Australia, Brazil and South Africa. These suppliers can probably produce sugar at a profit with prices around 5-6 cents per pound. Some of our closer suppliers, while not as efficient as the above three, enjoy the advantage of short shipping distances, including Mexico, the Dominican Republic, Guatemala, Nicaragua and Costa Rica. On the other hand, Haiti, Jamaica, Barbados, Trinidad and Tobago, and Guyana are such high cost producers that geography does not make up for their inefficiency. With the exception of Haiti, however, these Caribbean suppliers enjoy preferential access to the UK market and are likely to continue enjoying some form of preferential access to the UK market through an arrangement presently being negotiated with the EC. In addition, Haiti, Trinidad and Tobago, Barbados and Venezuela could eventually cease exporting in a few years as their domestic consumption outstrips production. Since the three efficient producers



are unlikely to expand production fast enough to take over the entire market, some other countries, such as Panama, Colombia, Ecuador, Honduras, El Salvador and Peru will play a significant role for some years in the U.S. market. Argentina, Bolivia and Paraguay are high cost producers which are likely to have difficulty in competing in the U.S. market without a country quota.

Non-Western Hemisphere suppliers are generally at a disadvantage geographically and therefore depend more heavily on our quota for access. They also tend to supply only a small portion of their production to the U.S. market. Malawi, the Malagasy Republic and Swaziland probably have alternative markets in Africa, the Middle East and in the UK, as do Mauritius and India. Malawi and Swaziland appear to be quite efficient as sugar producers, while the Malagasy Republic and Mauritius are of doubtful efficiency. India is a special case. It can potentially consume all the sugar it produces; however, domestic consumption is restricted in order to earn foreign exchange. Sales are made whenever possible. Consumption has been severely restricted this crop year in order to expand exports, which could become India's largest foreign exchange earner.

Thailand is rapidly increasing production at what appears to be low costs; however, distance from the U.S. market and natural markets closer at hand leave Thai interests in doubt. Both Thailand and Taiwan will probably continue to supply our



market for a time until Japanese and other Asian demand makes the transport differential to the United States the key element in marketing decisions.

In a free market, Philippine actions are unclear. Japan is a natural market for Philippines sugar. Japanese interests are pressing for a larger supply of sugar from that source, in part to pay for new sugar mills being supplied by Japan. While not one of the more efficient producers, the Philippines is expanding capacity by the construction of five new sugar mills.

A new factor in the sugar market is the Peoples Republic of China (PRC). Chinese consumption is very low, but increasing. The PRC has recently concluded intergovernmental sugar deals with several countries, including Guyana, Jamaica, Brazil, Australia and Thailand. Increased purchases by the PRC can put further pressure on the market.

Cuban production was 5.8 million tons in 1973/74 and is increasing. Cuba is committed to supply the USSR and Eastern Bloc with sugar in return for capital goods and in repayment for the massive Cuban debt with these countries. In calendar 1973, Cuba supplied 1.9 million MTs to the free world market.

The Tariff Snap Back

Our foreign suppliers are concerned over the possibility of the tariff snap back. They view this action as an increased trade barrier putting them at a competitive disadvantage



against U.S. sugar growers. They also note that to the degree that the incidence of the increased tariff is on producers they will lose revenue needed for their development programs. The West Indians, Mexicans, Argentines, Swazis and the Malagasy Republic have all expressed informal concern over this possibility.

The Snap Back and a U.S. Generalized System
of Preferences (GSP)

If sugar is included in the GSP scheme, our duties on sugar from eligible developing countries could be eliminated. In general, such a move would obtain a favorable foreign relations response from suppliers. However, under the competitive need formula some serious problems could be created by the fact that several countries supply us more than \$25 million each year and thereby would be excluded from preferential treatment on their sugar. Brazil, the Dominican Republic, Mexico, Peru and the Philippines have for some years shipped over \$25 million, and at present high price levels several others would be denied preferential entry.



APPENDIX A

CENTRIFUGAL SUGAR (RAW VALUE): PRODUCTION IN SPECIFIED COUNTRIES - AVERAGE 1964-65/1968-69, ANNUAL 1969-70/1973-74 1/

REGION AND COUNTRY	AVERAGE 1964-65/1968-69	1969-70	1970-71	1971-72	1972-73	1973-74 2/
NORTH AMERICA						
BAHAMAS.....	3	23	0	0	0	0
BARBADOS.....	176	158	137	113	118	102
BELIZE.....	52	68	66	71	72	85
CANADA.....	139	134	97	149	146	117
COSTA RICA.....	121	151	155	179	174	193
CUBA.....	5,163	4,533	5,924	4,348	5,258	5,808
DOMINICAN REPUBLIC.....	723	984	1,097	1,139	1,143	1,225
EL SALVADOR.....	116	117	158	185	188	231
GUADELOUPE.....	157	186	151	160	121	125
GUATEMALA.....	159	185	264	235	270	321
HAWAII.....	57	68	65	64	65	67
HONDURAS.....	45	53	61	62	59	73
JAMAICA.....	464	374	396	384	331	383
MARTINIQUE.....	48	27	28	22	23	23
MEXICO.....	2,301	2,402	2,476	2,520	2,770	2,878
NICARAGUA.....	100	141	170	166	142	166
PANAMA.....	58	76	86	87	93	109
ST. KITTS.....	38	27	25	26	24	24
TRINIDAD-TOBAGO.....	231	228	217	232	187	193
US-CONTINENTAL (BEET).....	2,757	3,149	3,013	3,186	3,323	2,903
US-CONTINENTAL (CANE).....	1,113	972	1,137	1,094	1,470	1,283
US-HAWAII.....	1,099	1,054	1,167	1,015	1,024	994
US-PUERTO RICO.....	676	417	291	270	231	250
US-VIRGIN ISLANDS.....	2	0	0	0	0	0
TOTAL.....	15,790	19,483	17,120	15,667	17,224	17,549
SOUTH AMERICA						
ARGENTINA.....	991	974	988	991	1,294	1,650
BOLIVIA.....	95	113	82	118	123	185
BRAZIL.....	4,356	4,593	5,118	5,649	6,164	6,935
CHILE.....	135	191	206	173	167	106
COLOMBIA.....	553	702	688	790	815	832
ECUADOR.....	191	209	227	250	250	245
GUYANA.....	330	316	375	319	276	364
PARAGUAY.....	42	48	56	55	57	74
PERU.....	755	789	903	921	920	940
SURINAM.....	17	15	14	11	13	12
URUGUAY.....	62	44	44	58	75	80
VENEZUELA.....	377	424	492	517	513	521
TOTAL.....	7,904	8,414	9,112	9,852	10,461	11,946
WESTERN EUROPE						
AUSTRIA.....	303	318	325	295	388	370
BELGIUM-LUXEMBOURG.....	514	687	659	841	688	808
DENMARK.....	340	304	268	325	342	400
FINLAND.....	51	54	60	63	88	85
FRANCE.....	2,128	2,698	2,696	3,202	2,980	3,167
GERMANY, WEST.....	1,921	2,068	2,054	2,344	2,214	2,504
GREECE.....	192	146	187	154	161	174
IRELAND.....	137	147	150	182	168	189
ITALY.....	1,317	1,384	1,198	1,240	1,283	1,130
NETHERLANDS.....	656	767	714	837	756	832
PORTUGAL (AZORES & MADEIRA).....	20	23	23	18	23	25
SPAIN.....	614	799	731	971	851	828
SWEDEN.....	249	287	219	267	298	275
SWITZERLAND.....	88	85	59	76	67	78
UNITED KINGDOM.....	969	937	984	1,180	963	1,046
TOTAL.....	9,382	10,600	10,326	11,795	11,270	11,895
EASTERN EUROPE						
ALBANIA.....	14	16	17	15	19	19
BULGARIA.....	257	204	227	249	230	250
CZECHOSLOVAKIA.....	942	728	771	780	779	750
GERMANY, EAST.....	650	522	500	520	720	750
HUNGARY.....	460	454	272	280	304	350
POLAND.....	1,713	1,527	1,505	1,712	1,829	1,837
ROMANIA.....	433	454	381	445	577	580
YUGOSLAVIA.....	436	494	354	421	427	472
TOTAL.....	4,906	4,396	4,027	4,342	4,885	5,008
TOTAL EUROPE.....	14,288	14,996	14,353	16,137	16,155	16,903
TOTAL U.S.S.R.....	9,930	8,682	8,985	7,995	8,500	10,304
AFRICA						
EGYPT.....	397	408	408	454	596	650
ETHIOPIA.....	69	77	122	130	144	150
KENYA.....	59	125	133	127	102	135
MALAGASY REPUBLIC.....	106	100	104	110	110	115
MAURITIUS.....	626	576	611	624	686	718
MOZAMBIQUE.....	199	272	281	324	365	390
REUNION.....	232	249	209	182	227	260
RODESIDA.....	188	136	150	175	200	244
SOUTH AFRICA.....	1,426	1,622	1,399	1,865	1,915	1,732
SWAZILAND.....	135	157	163	188	171	190
TANZANIA.....	70	91	93	90	110	110
UGANDA.....	143	148	152	141	125	110
ZAIRE (CONGO-K).....	34	41	45	50	53	61
OTHER 3/.....	343	534	545	690	703	788
TOTAL.....	4,038	4,536	4,416	5,150	5,561	5,657



CENTRIFUGAL SUGAR (RAW VALUE): PRODUCTION IN SPECIFIED COUNTRIES - AVERAGE 1964-65/1968-69, ANNUAL 1969-70/1973-74 1/ (IN THOUSANDS OF METRIC TONS)

REGION AND COUNTRY	AVERAGE 1964-65/1968-69	1969-70	1970-71	1971-72	1972-73	1973-74 2/
ASIA:						
BURMA.....	76	91	113	115	120	108
CHINA, PEOPLE'S REP.....	1,441	1,839	2,267	1,919	2,457	2,630
CHINA, REP. OF (TAIWAN).....	902	615	831	746	780	850
INDIA 4/.....	3,551	5,010	4,502	3,830	4,572	5,000
INDONESIA.....	642	758	726	680	890	950
IRAN.....	351	556	566	580	625	700
JAPAN.....	361	419	455	580	647	650
NANSEI-NANPO (RYUKYU).....	215	249	216	136	5/	2/
PAKISTAN.....	404	696	688	382	479	725
PHILIPPINES.....	1,559	1,927	2,059	1,870	2,312	2,302
THAILAND.....	289	435	530	630	684	970
TURKEY.....	712	544	643	910	811	725
OTHER 5/.....	110	116	109	167	223	287
TOTAL.....	10,614	13,255	13,706	12,546	14,600	15,869
OCEANIA:						
AUSTRALIA.....	2,290	2,214	2,451	2,735	2,900	2,600
FIJI.....	357	315	382	341	375	350
TOTAL.....	2,647	2,529	2,833	3,076	3,275	2,950
WORLD TOTAL.....	65,219	71,895	70,524	70,623	75,976	81,174

NOTE: Due to rounding, may not add to area total.

1/ Years shown are crop year of the crop-harvesting season. For chronological arrangement here, all campaigns which begin not earlier than May of one year, nor later than April of the following year, are placed in the same crop-harvesting year. The entire season's production of each country is credited to the May/April year in which harvesting and sugar production began. Refined beet sugar is generally converted to raw value by multiplying by 1.087 while refined cane sugar is multiplied by 1.07 to obtain the raw value equivalent. 2/ Preliminary. 3/ Other Africa includes Afars-Issas, Algeria, Angola, Cameroon, Congo (Brazzaville), Ghana, Liberia, Malawi, Morocco, Nigeria, Somali Republic, Sudan, Tunisia, and Zambia. 4/ Includes Khondari. 5/ Since January 1, 1972, included in Japan. 6/ Other Asia includes Afghanistan, Ceylon, Iraq, Israel, Lebanon, Nepal, South Korea, South Vietnam, and Syria. Bangladesh is included in Other Asia beginning in 1971-72.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source material, reports of U. S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information.

NON-CENTRIFUGAL SUGAR: 1/ PRODUCTION IN SPECIFIED COUNTRIES - AVERAGE 1964-65/1968-69, ANNUAL 1969-70/1973-74 2/ (IN THOUSANDS OF METRIC TONS)

REGION AND COUNTRY	AVERAGE 1964-65/1968-69	1969-70	1970-71	1971-72	1972-73	1973-74 2/
NORTH AMERICA:						
COSTA RICA.....	40	41	42	40	27	40
EL SALVADOR.....	24	27	13	13	10	10
GUATEMALA.....	19	45	45	45	54	50
MEXICO.....	118	115	115	113	115	115
NICARAGUA.....	16	12	13	12	12	12
PANAMA.....	4	3	2	2	7	2
TOTAL.....	240	243	230	225	225	229
SOUTH AMERICA:						
BRAZIL.....	N.A.	N.A.	N.A.	N.A.	200	200
COLOMBIA.....	684	674	708	730	675	708
ECUADOR.....	37	40	40	40	40	40
PERU.....	13	13	13	13	14	13
VENEZUELA.....	30	30	30	35	33	35
TOTAL.....	762	761	790	818	962	988
ASIA:						
BURMA.....	145	145	145	145	142	130
CHINA, PEOPLE'S REP.....	664	726	730	735	740	820
CHINA, REP. OF (TAIWAN).....	25	24	26	23	25	26
INDIA.....	5,200	6,000	6,500	6,500	6,000	6,100
INDONESIA.....	299	308	308	230	183	150
JAPAN.....	8	5	4	3	13	13
NANSEI-NANPO (RYUKYU).....	16	14	14	14	5/	5/
PHILIPPINES.....	816	711	700	1,200	1,405	1,500
THAILAND.....	59	60	46	46	57	51
VIETNAM, SOUTH.....	168	210	225	254	270	295
TOTAL.....	7,227	8,212	8,707	9,159	8,840	9,095
WORLD TOTAL.....	8,209	9,216	9,726	10,202	10,027	10,312

NOTE: Due to rounding, may not add to area total.

N.A. = Not available.

1/ Noncentrifugal sugar includes all types of sugar produced by other than centrifugal process which is largely for consumption in the relatively few areas where produced. The estimates include such kinds known as piloncillo, pellets, papelon, chancaca, redurs, jagcery, gur, muscovado, panocha, etc. 2/ Years shown are last year's crop-harvesting season. For chronological arrangements here all campaigns which begin not earlier than May of one year, nor later than April of the following year, are placed in the same crop-harvesting year. The entire season's production of each country is credited to the May/April year in which harvesting and sugar production began. 3/ Preliminary. 4/ Since January 1, 1972, included in Japan.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U. S. Agricultural Attaches and Foreign Service Officers, results of office research and related information.



APPENDIX B

Section 22 Quotas for Sugar: An Unlikely Scenario

First: Sugar Act Expires.

Second: Sugar Price Supports. Title III, Sec. 301 of the Agricultural Act of 1949 gives the Secretary of Agriculture the authority to "make available through loans, purchases, or other operations price support to producers for any nonbasic commodity not designated in title II..." The level of support would be "... not in excess of 90 per centum of the parity price..." Should this support level be insufficient, Title IV, Sec. 402 of the Act authorizes the Secretary to make available for any agricultural commodity "... price support at a level in excess of the maximum level of price support otherwise prescribed in this Act..." Such increased price support levels could only be applied, however, after a public hearing and a determination that such support ^{was} ~~is~~ necessary to avoid a supply shortage in a commodity essential to the national welfare or to increase/maintain production of a commodity in the interest of national security.

Then: Section 22 Sugar Quotas. If the aforementioned price support program were put into effect and if the Secretary of Agriculture determined that sugar imports were (or were ^{PRACTICALLY} certain to be) in such quantities as to render ineffective or interfere with the program, he would advise the President. If the President agreed with the Secretary, he would cause an immediate investigation by the Tariff Commission under Sec. 22 of the Agricultural Adjustment Act of 1933, as amended. Following such investigation, including hearings, the Commission would report to the President. If the report



confirmed the damaging effect of ~~current~~/potential imports, the President could impose additional import fees (up to 50 percent AVE) or quantitative restrictions. If the Secretary of Agriculture determined that emergency treatment were needed, the President could act under Sec. 22 before receiving the Tariff Commission's report.

However. Given the U.S.D.A. philosophical commitment to an unrestricted free market economy wherever possible and the Administration's desire to reduce Government spending in order to fight inflation, the above scenario would have to be considered unlikely at best.



THE WHITE HOUSE
WASHINGTON

Date

12-23-74

TO:

Norm Ross

FROM:

WILLIAM TIMMONS *WT*

FOR YOUR INFORMATION ✓

FOR YOUR COMMENTS _____

FOR APPROPRIATE HANDLING _____

OTHER

*For our 4:00 p.m.
meeting.*

INDICATED PARTICIPANTS
NATIONAL CONFECTIONERS ASSOCIATION
WASHINGTON MEETINGS
OCTOBER 23, 1974

Paul K. Brock, President, Brock Candy Company, Chattanooga, Tennessee

Charles P. Bradley, President, Bradley Candy Company, Lebanon, Tennessee

William H. Ford, President, Bunte Candies, Oklahoma City, Oklahoma

William A. Beich, President, Paul F. Beich Co., Bloomington, Illinois

Arthur Bridge, President, E. J. Brach & Sons Div., American Home Products Corp.,
Chicago, Illinois

James W. Nixon, President, Whitman's Chocolates Division, Pet, Inc., Philadelphia,
Pennsylvania

Richard Gibian, President, American Candy Manufacturing Co., Selma, Alabama

Lester Rosskam, President, Quaker City Chocolate & Confectionery Co., Div. of
American Chicle, Philadelphia, Pennsylvania

Charles A. Smylie, President, Y & S Candies, Westfield, New Jersey

T. R. Spangler, Director of Marketing, Spangler Candy Co., Bryan, Ohio

William F. Stark, President, Howard B. Stark Co., Pewaukee, Wisconsin

William M. Morris, President, Life Savers, New York, New York
R. E. Robinson, Life Savers, New York, New York
J. C. K. Buckley, Vice President, The Nestle Company, White Plains, New York

Paul Ginsburg, Vice President - Purchasing, Leaf Confectionery Div., W. R. Grace
and Co., Chicago, Illinois

Joseph Marshall, Vice President, Ward Candy Co., New York, New York

Lincoln Warrell, President, Pennsylvania Dutch Co., Mount Holly Springs, Pennsylvania

Rod McDonald, Vice President, Mrs. J. G. McDonald's Chocolate Co., Salt Lake City,
Utah

Robert E. Fraser, President, Powell's, Hopkins, Minnesota

Bob McCormack, President, Bob's Candies, Albany, Georgia

John R. Morris, Jr., Executive Vice President, L. S. Heath & Sons, Robinson, Illinois

Nello V. Ferrara, Partner, Ferrara Pan Candy Co., Chicago, Illinois, and Chairman
of the Board, National Confectioners Association

James E. Mack, President and General Counsel, National Confectioners Association,
Washington, D. C.

Morris Semiatin, Photographer, will accompany the group.





STAFF

President and General Counsel
JAMES E. MACK
Washington, D.C.

Assistant to the President
and Assistant Secretary-Treasurer
THEMI VASILIS
Chicago, Ill.

Director of Public Relations
HELEN LAPAT SMITH
Chicago, Ill.

OFFICERS

Chairman of the Board
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Ferrara Pan Candy Co., Not Inc.
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Washington Office

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October 23, 1974

Honorable William E. Timmons
Assistant to the President
The White House
Washington, D. C.

Dear Mr. Timmons:

Thanks to you and your White House associates, Tom Korologos and Norman Ross, and William Eberle, Executive Director, Committee for International Economic Policy and Special Trade Representative for the President, for this meeting.

With the expiration of the Sugar Act expected to occur at the end of this year without Congress likely to extend the Act, we recognize the President will be reaching a decision as to what action he will take under Headnote 2 of Subpart A of Part 10, "Sugar; Cocoa; Confectionery" of the Tariff Schedules of the United States. While the action will be taken by the President, of course, we recognize that he will be receiving the advice and recommendations of various departments and agencies as well as the four of you as White House advisors on this matter. Accordingly, today we have held meetings at the State Department with Deputy Assistant Secretary for International Resources and Food Policy, Julius Katz, and Tropical Products Chief, Thomas J. O'Donnell; at the Office of Price and Wage Stabilization with its Director, Dr. Albert Rees; at the Department of Agriculture with Secretary Earl Butz, Assistant Secretary for International Affairs and Commodity Programs, Clayton K. Yeutter, and Kenneth L. Frick, Administrator, Agricultural Stabilization and Conservation Service. A copy of our written submission at each of these meetings is attached. We have a meeting scheduled with Secretary of Commerce, Frederick B. Dent.

In brief our position is that the United States sugar situation at this time is critical. This is because the tight world supply has caused the price to rise to astronomical levels. The wholesale price is now approximately 50 cents per pound, which is more than three times the price a year ago and more than three times the price objective as provided in the Sugar Act. It is most important that the President do what he can both to alleviate the situation and also to prevent it from getting worse.

EAT CANDY the ENERGY FOOD

William E. Timmons
October 23, 1974
Page two

Ludicrous as it may seem, the import duty on sugar automatically will increase more than two cents per pound on January 1, 1975, in the absence of Presidential action. By appropriate action, however, this increase in duty not only may be prevented but the President may also loosen the tight supply situation by establishing a global quota reasonably in excess of 1974 consumption against which both raw and refined sugar may be entered into the United States from all world sources. So as to give public notice and assurance that this action will be taken, it is recommended that the Presidential announcement be made in the immediate future even though it cannot become effective until January 1. An announcement at this time of the intended Presidential proclamation undoubtedly would have a salutary effect on the current disastrous state of the market and also would receive wide public acclaim.

An alternative approach would be for the President to announce immediately that he will request Congress at its Special Session to repeal Headnote 2. Such an action also undoubtedly would receive broad public acclaim.

We believe our recommendation is sound and our request reasonable and that if carried out, it would be a fair and constructive action by the President in the interest of consumers.

Respectfully submitted,

Nello V. Ferrara
Chairman of the Board

Counsel
James E. Mack
808 Jefferson Building
1225 - 19th Street, N. W.
Washington, D. C. 20036

stm

Attachments





STAFF

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Washington, D.C.

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and Assistant Secretary-Treasurer
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WASHINGTON, D. C. 20036 • TELEPHONE (202) 296-4338

October 23, 1974

Mr. Julius L. Katz
Deputy Assistant Secretary
for International Resources and Food Policy
Department of State
Washington, D. C. 20520

Dear Secretary Katz:

This meeting was requested with you in contemplation of the Sugar Act expiring at the end of this year without action by Congress to extend it. It is our desire to present our industry views pertaining to what is best for producers, processors and consumers in the United States and that following such a determination how the President should proceed giving due and proper consideration to Headnote 2 of Subpart A of Part 10, "Sugar; Cocoa; Confectionery" of the Tariff Schedules of the United States, which as you know provides as follows:

"2. The rates in column numbered 1 in items 155.20 and 155.30 on January 1, 1969, shall be effective only during such time as Title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States, whether or not the quotas, or any of them, authorized by such legislation, are being applied or are suspended: Provided,

"(i) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation;

"(ii) That any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations; and

"(iii) That the January 1, 1969, rates shall resume full effectiveness, subject to the provisions of this

EAT CANDY the ENERGY FOOD

Julius L. Katz
October 23, 1974
Page two

headnote, if legislation substantially equivalent to Title II of the Sugar Act of 1948 should subsequently become effective."

(NOTE--Items 155.20 and 155.30 referred to merely provide for an import duty on sugar of .6625 cents per pound so long as the Sugar Act is in effect.)

While the interest and welfare of producers, processors and consumers all must be given careful consideration, it is believed it will be agreed that at this time and for all of 1975 it is overwhelmingly probable that both growers and refiners will do well irrespective of what U. S. governmental action may or may not be taken. Therefore, the primary consideration should be what should be done in the interest of consumers both industrial and household even though all of us know that in the end it is the household consumer who pays the price for both.

It is our belief and conviction that it is apparent that the interest of the consumer is that the duty on both raw and refined sugar should remain at the current statutory minimum of .6625 cents per pound and that there should be no quantitative restriction whatsoever on the importation of either raw or refined sugar. While we are willing to do so, it is not our purpose to discuss with you the merits of the Sugar Act. We believe it is correct to state that its objective was to provide a controlled sugar market with responsibilities and benefits intended for producers, processors, and consumers. Without the Sugar Act with its objective of orderly marketing, we are in theory shifting from a controlled market to a free market. Our position is that if the United States does make such a shift as now seems likely that it should be a shift in fact and not just one in theory to a free market.

It is doubtful if anyone will challenge the contention that if there is no Sugar Act commencing January 1, 1975, that consumers in 1975 will be better off if the United States is in a position to obtain raw sugar and refined sugar from any sources available anywhere in the world without restriction. While, of course, we will expect you to respond if you are not in agreement with this contention, we suspect that it also will be your view. If it is agreed that in 1975 that United States consumers will fare better with the minimum statutory import duty on raw and refined sugar and no quantitative restrictions on importation of either, then the question remains as to how this best may be accomplished, giving due consideration to Headnote 2 of Subpart A of Part 10 of the Tariff Schedules of the United States hereinbefore referred to.

It is conceded that the import duty on sugar will increase from .6625 cents per pound to 2.98125 on January 1, 1975, in the absence of Presidential finding and action holding the duty at .6625 and establishing a quota limitation which would give due consideration to the interest in the United States sugar market of domestic producers and materially affected contracting parties in the General Agreement on Tariffs and Trade. It is suggested that because of the sugar price and supply situation that whatever action the President may take under this authority, the interests of United States producers and contracting parties to GATT will be protected during all of 1975 and the foreseeable future.



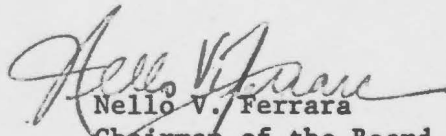
Julius L. Katz
October 23, 1974
Page three

Therefore, it is suggested that the most logical approach would be for the President to issue a proclamation retaining the present .6625-duty on raw and refined sugar and to establish a combined raw and refined global quota limitation for 1975 for a quantity reasonably in excess of 1974 requirements so that consumers may get all of the sugar they need at a fair price. The proclamation also could contain a provision that the full duty rate shall apply if the average wholesale price in the United States shall be reduced to within one cent of the price objective of the Sugar Act.

Another possible approach will be for the President to ask Congress when it reconvenes to repeal Headnote 2 prior to January 1. With the price of sugar being what it is, it would seem that if the President with full Administration support would request the repeal of Headnote 2 that Congress would follow quickly with such legislation.

Thank you for your consideration.

Respectfully submitted,


Nello V. Ferrara
Chairman of the Board

Counsel
James E. Mack
808 Jefferson Building
1225 - 19th Street, N. W.
Washington, D. C. 20036
Telephone: 296-4338

stm





STAFF

President and General Counsel
JAMES E. MACK
Washington, D.C.
Assistant to the President
and Assistant Secretary-Treasurer
THEMI VASILIS
Chicago, Ill.
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October 23, 1974

Dr. Albert Rees, Director
Council on Wage and Price Stability
Executive Office Building
Room 3235
17th and H Streets, N. W.
Washington, DC 20006

Dear Dr. Rees:

The Sugar Act, which will expire at the end of this year in the absence of unexpected Congressional action to extend it, contains a flexible pricing formula. This formula, which sugar producers sought and achieved, afforded them what they considered to be a good, profitable return. As applied to the conditions of today, this formula develops a price for refined sugar of less than 15 cents per pound, and yet at this time the wholesale price of refined sugar is approximately 49 cents per pound, or over 300 percent of what the sugar industry previously had contended was its goal. This includes an increase of almost 5 cents per pound announced yesterday.

We fully acknowledge that this is due primarily to the tight world supply of sugar. There is, however, administrative action which can be taken which should serve to help the situation. If the correct action is not taken, the price and supply situation undoubtedly will get much worse. As ludicrous as it may seem, the import duty on sugar will increase more than 2 cents per pound on January 1 if the proper action is not taken. If appropriate action is taken, not only may the forthcoming 2 cents per pound duty increase be prevented, but United States consumers also could have full access to both raw and refined sugar wherever it might be obtained in the world. Contemplating that the Sugar Act will not be extended, our best opportunity will be to permit U. S. consumers free access to raw and refined sugar wherever they can locate it, and without increasing the import duty.

Before coming to this meeting, we met with Mr. Julius Katz, Deputy Assistant Secretary of State, concerning the subject, and we will have other meetings today with Secretary of Agriculture Butz, Commerce Secretary Frederick B. Dent, Assistant to the President William E. Timmons and members of his staff, and the Special Trade Representative, Mr. William Eberle. In elaboration of how we feel this matter might be dealt with administratively in the interest of consumers, attached is a copy of the letter we presented to Mr. Katz at our meeting this morning.

EAT CANDY the ENERGY FOOD

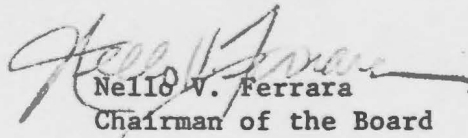


Dr. Albert Rees
October 23, 1974
Page two

It is our opinion that the current sugar debacle provides an opportunity for your office to be of service to all United States consumers of sugar.

Thank you for your consideration.

Respectfully submitted,


Nello V. Ferrara
Chairman of the Board

Counsel
James E. Mack
1225 - 19th Street, N. W.
Washington, DC 20036
Telephone: 296-4338

pnv

Attachment





STAFF

President and General Counsel
JAMES E. MACK
Washington, D.C.

Assistant to the President
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October 23, 1974

Honorable Earl L. Butz
Secretary of Agriculture
Washington, D. C.

Dear Mr. Secretary:

To us this meeting is extremely important, which is the reason we asked you to take the time to see us. The current price of refined sugar is approximately 50 cents per pound or over three times the price objective of the Sugar Act, which was designed to provide a good profitable return to sugar producers. Anticipating expiration of the Sugar Act at the end of the year without extension by Congress, we in turn had contemplated a fully free market at that time for both raw sugar and refined sugar. However, we understand that a proposal has been submitted to your Office urging you to recommend to the President that he invoke Headnote 2 of Subpart A of Part 10, "Sugar; Cocoa; Confectionery" of the Tariff Schedules of the United States in a manner to maintain in 1975 the import quotas on raw sugar on the same basis as provided in the Sugar Act and also to continue in effect the virtual embargo which has existed under the Sugar Act on the importation of refined sugar.

To us this proposal sounds like one of wanting to have your cake and eat it too. It is believed that it is correct to state that the Sugar Act provided both responsibilities and benefits to producers, processors and users alike. Without a Sugar Act, there should be a free market without the responsibilities and benefits provided by the Act. The proposal just referred to, however, would provide to our sources of supply the benefits of the Sugar Act without the responsibilities whereas to consumers just the reverse would be true.

Our recommendation is that you request the President to make the necessary finding under Headnote 2 hereinbefore referred to which will (1) prevent the otherwise automatic increase in the import duty on raw and refined sugar on January 1, 1975, (2) establish a global 1975 quota against which both raw and refined sugar might be entered. Such quota should be reasonably larger than 1974 consumption. With the world supply and price of sugar being what it is, there is no doubt that the interest of United States producers as well as the member countries of the General Agreement on Tariffs and Trade would be protected as required by Headnote 2.

EAT CANDY the ENERGY FOOD

Hon. Earl L. Butz
October 23, 1974
Page two

Another possible approach could be for your Department to request the President to merely ask Congress at its Special Session to repeal Headnote 2. With the current sugar situation, it would seem that Congress would respond readily to such a Presidential request, but legislation would be required.

In substance, our position is as follows: The world sugar supply is tight; but with the expiration of the Sugar Act, we will be able to work more constructively if we are able to obtain the supplies of raw or refined sugar from a balanced combination of U. S. production and from wherever else in the world it may be available. We are convinced that the appropriate Presidential order may be issued compatible with Headnote 2 in accordance with this recommendation.

Thank you for your consideration.

Respectfully submitted,

Nello V. Ferrara
Chairman of the Board

Counsel
James E. Mack
808 Jefferson Building
1225 - 19th St., N. W.
Washington, D. C. 20036

stm



OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

October 17, 1974

MEMORANDUM

TO : Members of the TSC Sugar Task Force

FROM : Doris S. Whitnack *DSW*

SUBJECT: Draft Report

Attached is a draft report for discussion by the Task Force Monday, October 21 at 10 a.m. in STR room 730. It is hoped that the Task Force can conclude its work at that meeting as the TSC has been asked to forward its recommendations on the subject by the end of next week.



10/21

Sugar Meeting

- Global Quotas
vs
- Country Quotas

larger Quotas

Jim

→ unlimited Quotas →
in interest



H. Options

1. Introduction - Country vs Global Quotas

The sugar options open to the President include different levels of tariffs, some of which would require an import quota or quotas. If it is considered that the merits of preventing a snap back to the Col 2 rate outweigh the basic trade policy arguments against providing protection in quota form, a judgment is required as to the appropriate level of the quota and the form of quota system. There was a consensus in the Task Force that if quota system is established, → the volume of imports allowed should be set, at least initially, at a level sufficiently high to be consistent with Administration efforts to ease the tight supply situation and reduce inflationary pressure. The considerations involved in choosing between "country" and "global" quotas are outlined below:

a. Country Quotas

Pro:

(1) Provide a degree of continuity in our sugar supply system; while not a guarantee of supplies when market conditions are more favorable elsewhere, traditional suppliers have tended to fill their quotas to the extent possible.

(2) Permit each country to supply an assured minimum, even those countries which may otherwise find it difficult to compete against more efficient suppliers, but who do not have alternative uses for the resources now employed in sugar.

WALD R. FORD

(3) Since almost all foreign suppliers prefer country quotas to a free market, we could obtain substantial political gain at little or no economic cost by allocating at least a portion of our needs on an individual country basis. This would lend credibility to our commitment to give special consideration to Latin American economic interests ~~xxx~~ since a number of those countries would be among the losers under global quotas.

(4) Country quotas provide a neat political-economic trade-off. We get certain Foreign Relations benefits from a special relationship with our sugar suppliers. Economically, we get relatively assured supply, while providing foreign exchange to many countries needing it for development programs.

(5) If combined with a sizeable allocation on a first-come, first-served basis, we could provide incentives to supply and increase production through new investment among the more efficient producers.

Con:

(1) To the extent that shares are given to inefficient suppliers, resources are used in uneconomic ways.

(2) May be considered contrary to the Congressional will as expressed in its defeat of the Sugar Act, including quota provisions. Moreover, the Congress may feel its quota allocation prerogative is being usurped by the Executive Branch. This ~~xxxxxx~~ might cause an extension of the present Sugar Act or a new sugar bill to be written on a rush basis.



(3) Since few objective economic criterial exist for country allocations, the allocations are somewhat arbitrary. This generates heavy lobbying pressures.

b. Global Quota

Pro:

(1) All foreign suppliers would compete on an equal footing with the most efficient producers theoretically getting the biggest share of the market.

(2) The political and economic difficulties involved in allocating quotas among countries would be eliminated.

(3) A high global quota would enable the Administration to prevent the tariff snap back, while complying with the will of Congress in allowing market forces to play a major role in the U.S. market.

(4) Being less trade distorting than the traditional individual country quotas (even at the same level of total imports permitted entry) they are more defensible against attack as trade restraints.

(5) Would remove the problem of reassigning the large Cuban quota if the United States should later resume trade relations with Cuba.

Con:

(1) LDCs would complain bitterly about having to compete with developed countries under global quotas, stating they could not plan production or shipments over time and that this would have negative long term effects on investment in the sugar industry.



(2) Since practically all of our foreign suppliers prefer an individual country quota system, our movement to a global quota would have some political cost in our relations with a number of the 34 sugar supplying countries, particularly since some would no longer be able to compete in the U.S. market.

(3) South Africa could expand shipments to this country under such a system, and cause adverse political backlash domestically.

(4) A global quota has no net advantage over the sum total of relatively large individual country quotas accompanied by a provision for a large reservation for first-come, first-served sugar.

2. Tariff and Quota Options

The Task Force narrowed the choice among courses of action to seven alternatives. Certain omissions warrant comment.

First, the possibility of proclaiming and suspending quotas is not among the options listed. Any action taken must be defensible as "required or appropriate to carry out any ... trade agreement." The relevant part of a trade agreement is the headnote, which allows the President to proclaim a rate and quota after finding that "a particular rate . . . limited by a particular quota . . . will give due consideration to the interests in the United States sugar market of domestic producers . . ." etc. There is a strong argument that the



proclamation of a rate and quotas followed by suspension of the quotas would not be appropriate to carry out the portion of the trade agreement quoted above. Accordingly, proclamation of a rate and quotas with suspension of the quotas would be too vulnerable to legal challenge to be considered as an option.

Second, use of Sec. 22 authority is not a practical possibility under present market conditions or conditions expected to exist in the coming year or so. See Appendix B.

As noted above in the discussion of legal authority, rates of duty and quotas proclaimed before March 31, 1974 under any of the options could subsequently be modified. Moreover, in the future if imports were to cause injury to the domestic industry and/or its firms and workers, remedies would be available under other provisions of domestic law.

The various options with the principal pros and cons are set forth below:



I. Announce that the Column 2 rates would go into effect with no quotas.

Pro

1. This would appear to be consistent with the will of Congress.

2. The replacement of quota protection by tariff protection, even though higher rates of duty are put into effect, would accord with a basic principle of trade policy. Moreover, the duties could be reduced in the MTN.

3. The elimination of quotas would allow U.S. purchasers to import from wherever they chose and might open some sources now excluded by the quota system.

4. U.S. sugar prices would no longer exceed world market levels by more than the amount of the tariff.

5. Elimination of quotas would encourage a more efficient allocation of resources and present conditions are favorable for the necessary adjustments (e.g. shifts of land and labor to alternative uses).

Con

1. Tariff increases would be passed on to purchasers at a time when prices are already at record levels and the Administration has launched a major drive to control inflation.

2. Refiners would protest that the protection afforded was inadequate, especially with the cost of their raw material increased by the higher duties and their competitive position thus eroded. To the extent that the refiners claims are valid (or believed valid) (a) growers would support them and (b) employment could be adversely affected.

3. Failure of the Administration to take action might encourage revival of proposals for legislation similar to the Sugar Act.

4. The elimination of quotas may adversely affect deliveries from traditional suppliers in periods of tight supply.

5. In more normal market conditions, some of the less efficient developing countries would probably lose a significant source of foreign exchange and face difficult adjustment problems.

6. Although prices on the world market would tend to be less volatile than in the past, they would be less stable than U.S. prices have generally been under a quota system.



II. Proclaim the Column 1 rates together with country import quotas calculated on approximately the same basis as at present for sugar not over 99° and quotas at the current level for sugar over 99°.

Pro

1. This option would not add to inflationary pressures provided that the quotas were set at levels that did not shut out any available supplies of raw sugar.

2. Maintenance of the raw sugar quotas would encourage traditional suppliers to maintain deliveries.

3. Since the current level of protection would be maintained, this is the option least apt to generate new Sugar Act proposals.

4. While not all foreign suppliers care about quotas under existing market conditions, a number do attach value to an assured U.S. market.

5. Growers would probably accept this option and while refiners are seeking higher protection, they would in the end probably settle for maintenance of the status quo.

6. No adjustment problems would be created for industry or sugar workers.

Con

1. Anticipated market conditions in 1975 for sugar and alternative uses for domestic land and labor now producing sugar would make it less painful than in the past to adjust to the freer play of market forces. This option ignores that opportunity.

2. Congress might consider that extension of quotas and of present tariff treatment by the Administration was inappropriate in view of Congressional rejection of the Sugar Act.

3. The continuation of quotas might be opposed by industrial users and consumers in view of the anticipated continuation of high prices for at least the next year.

4. Over the longer run, as market conditions return to normal, the U.S. could find itself paying a premium over the average world price for sugar and part of that premium would continue to be captured by foreign producing interests. This would revive intensive lobbying efforts by quota holders.



III. Proclaim Column 1 rates together with global import quotas at levels above anticipated import requirements for both unrefined and refined sugar.

Pro

1. Although quotas are required in order to proclaim the Column 1 rate rates, high level global quotas would in effect be non-restrictive and would thus promote more efficient use of resources.

2. In the longer run, as more normal supply/demand conditions return, the United States would not, as in the past, pay a premium above the world market price for sugar.

3. Present economic conditions are propitious for making the domestic adjustments which would be entailed in a shift of resources from sugar to other uses.

Con

1. The opening of the U.S. market would probably result in greater fluctuations in U.S. prices than in the past.

2. As the world supply situation eases and prices decline from present record levels, both U.S. industry and labor would face some adjustment problems.

3. Domestic growers and refiners would both argue that the reduction in protection would cause serious injury and that even a smaller reduction should provide for a transition period to facilitate adjustment.



IV. Proclaim Column 1 rates and import quotas (traditional basis) for unrefined sugar; allow the snap-back to operate for refined sugar (i.e. duties would be adjusted upward to the Column 2 level and quotas would be eliminated). 1/

Pro

1. Given present inflationary pressures and the basic Administration policy of allowing freer play to market forces it is unreasonable to continue a virtual embargo on refined sugar.

2. The shift away from quotas on refined is desirable per se as a matter of trade policy but the refiners claim they would not have adequate protection at the Column 1 rate. However, with the Column 2 rate on refined and the Column 1 rate on raw sugar imports, effective tariff protection should be sufficiently increased to avoid injury to the refiners.

3. While it is not likely that large amounts of refined sugar would enter the United States in the coming year, there could be some increase in supply.

Con

1. Refiners will oppose the elimination of quotas on refined sugar and will claim this option would result in disruptive imports, injuring both the industry and its employees and in turn harming growers and their employees.

2. The higher tariff could result in higher prices, thus adding to inflationary pressures.

1/ The rates appearing in the TSUS would involve a graduated scale calculated in such a manner that sugar testing over 99° by polariscopic test, would be assessed duties roughly equivalent to the Column 2 rate.



- V(a). Raise duties to 50 percent above Column 2 rates, and retain current restrictive quotas for refined sugar; proclaim Column 1 rates with quotas for unrefined sugar (below 99°) determined on the present basis. 1/

This is the recommendation of the United States Cane Sugar Refiners' Association.

Pro

Protecting domestic refiners from competition while retaining their current access to raw sugar supplies may tend to promote long-term growth of sugar-refining industry.

Con

1. Double protection of maximum duty rate plus prohibitive quotas is unnecessary.

2. With the containment of inflation the current top priority of the Administration, such excessive protection for refined sugar would be unsound policy and would provoke strong consumer opposition.

3. There probably would be Congressional opposition to such extensive protection for the refiners, especially considering the refiners' opposition to extension of the Sugar Act.

- V(b). Same as V(a), except proclaim Column 2 rates for refined sugar instead of 50 percent above Column 2. 2/

Pro

Same as V(a) above, with additional point that Column 2 rates are less "overkill" than are rates 50 percent above Column 2.

Con

1. Still probably constitutes unnecessary double protection.

2. Still would provoke consumer and Congressional opposition.

1/ Same as footnote to option IV except that the scale for sugar over 99° would reflect the Column 2 level plus 50 percent.

2/ Same as footnote to option IV.



VI Proclaim the Column 1 rate with no import quotas

Pro

1. This policy would be most consistent with the basic U.S. belief in the free market approach to international trade.
2. It would promote a more efficient use of resources.
3. In the longer run, as more normal supply/demand conditions return, the U.S. would not, as in the past, pay a premium above the world market price for sugar.
4. Present economic conditions are propitious for making the domestic adjustments which would be entailed in a shift of resources from sugar to other uses.

Con

1. To avoid the legal problems that could result from an attempt to reduce the duty without quotas, this option, if chosen, should first be approved by Congress. The necessary legislation would have to be enacted before 3/31/75, thus injecting both time pressures and renewed Congressional participation into the decision-making process.
2. The opening of the U.S. market would probably result in greater fluctuations in U.S. prices than in the past.
3. As the world supply situation eases and prices decline from present record levels, both U.S. industry and labor would face some adjustment problems.
4. Domestic growers and refiners would both argue that the reduction in protection would cause serious injury and that even a smaller reduction should provide for a transition period to facilitate adjustment.



VII. Proclaim a global tariff rate quota (TRQ) maintaining the Column 1 rates for imports up to, say, 7 million tons, raw value, with over quota rates at the Column 2 level.

Pro

1. With no absolute quantitative limitation on sugar imports, market forces would be allowed freer play and more efficient use of resources would be encouraged, both at home and abroad.

2. New sources of supply would be opened and importers would be free to choose among suppliers.

3. A TRQ is inherently less restrictive than an absolute quota and would thus be more in accord with basic trade policy principles.

4. The TRQ could be set at a level which would exert no upward pressure on domestic prices.

5. The Column 2 over quota rate should provide adequate protection as the supply situation eases and it is not anticipated that increased import competition would require extensive and painful domestic readjustments over the next few years.

6. Although Congress in rejecting the Sugar Act also rejected the traditional quota system, a global TRQ might not generate Congressional criticism in view of the legal requirements of headnote 2 and the recognized necessity of avoiding inflationary actions (which the snap-back would be).

7. U.S. sugar prices would no longer exceed world free market levels by more than the amount of the tariff and the incentive for lobbying pressures would be negligible with a TRQ.

Con

1. Refiners would argue that they need a transition period if present protection is reduced, that this option would not provide adequate protection as prices decline and would result in major adjustment problems.

2. With the United States on the world market, those prices would tend to be less volatile than in the past, but would be less stable than U.S. prices have generally been in the past.

3. The less efficient developing country suppliers might not be able to compete under more normal supply conditions and some would face difficult adjustment problems.

October 23, 1974

Dear Senator:

I wish to acknowledge receipt and thank you for your October 18 letter to the President urging that he suspend immediately all sugar import quotas to insure that international speculators do not make large interim profits prior to the expiration of provisions of the Sugar Act of 1948, as amended.

You may be assured your letter will be called to the prompt attention of the President. In addition, it will be shared with the appropriate members of the staff.

With kindest personal regards,

Sincerely,

Tom C. Korologos
Deputy Assistant
to the President

The Honorable Richard S. Schweiker
United States Senate
Washington, D.C. 20510

bcc: w/incoming to William Eberle for appropriate handling.
—w/incoming to Norm Rees - FYI

TCK:EF:VO:chs

10/28



10/26

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

JAMES R. CALLOWAY
CHIEF COUNSEL AND STAFF DIRECTOR

October 18, 1974

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As you know, the Sugar Act of 1948, as amended, has effectively legalized a world-wide sugar cartel, which has controlled prices, production and profits in the international sugar industry. Fortunately, this Act was not extended this year, and it will expire December 31, 1974.

In the meantime, however, the price of sugar to the American consumer has skyrocketed. A 10-pound bag costs nearly \$5.00 at some stores, and more than \$4.00 at every store. Moreover, I understand many domestic users cannot purchase adequate sugar supplies at any price, due to the Sugar Act import quotas, despite the fact that sugar producing countries do have some available sugar. Although I appreciate that world sugar demand is high, I believe the skyrocketing prices and domestic scarcities are resulting largely from market anticipation of the expiration of U.S. import quotas this December. The American consumer is paying an outrageous price at the grocery store as a result of this speculative market activity.

Therefore, I respectfully urge you to immediately exercise your authority under §408(a) of the Sugar Act (7 U.S.C. §1158(a)), to suspend at once the operation of all sugar import quotas. Since these quotas will expire in December in any case, such suspension by you would simply insure that international speculators do not make fat interim profits at the expense of the American consumer.

Best regards,

Respectfully,

Rich Schweiker
Richard S. Schweiker
United States Senator

RSS:tg



COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

November 6, 1974

Dear Mr. Evans:

The President's office asked me to respond to your communication about the high price of sugar. This is naturally a great concern to the President.

The initial source of the problem has been the great upsurge in raw sugar prices in world markets that began early in 1973 and has continued through the present. The problem may have been compounded by unnecessarily large markups in the processing and distribution of sugar. On October 31, Secretary Simon announced that the Council on Wage and Price Stability will hold public hearings on this problem.

On behalf of the President, I wish to thank you for writing.

Sincerely,

Gary L. Seevers
Gary L. Seevers
Member

Mr. G. W. Evans
President
Sorority Foods
Salt Lake City, Utah



November 11, 1974

The Honorable Richard S. Schweiker
United States Senate
Washington, D. C. 20510

Dear Senator Schweiker:

This is in respect to Ambassador Eberle's letter of November 8th to you regarding sugar quotas.

There is a minor error in the third paragraph of that letter. The second sentence should read, "Quota imports as of October 31, 1974 were 5,000,748 tons."

With best regards.

Very truly yours,

/s/

David A. Hartquist
General Counsel

bcc:

Tom C. Korologos
Norm Ross, Domestic Council

General Dunn
Jim Murphy
Staff Secretary



file

NOV 8 1974

Dear Senator Schweiker:

This is in further reply to your letter of October 18th to the President regarding sugar import quotas.

As you probably know, world consumption of sugar has exceeded production in each of the last four years. As a result, stocks have been drawn down, resulting in greater instability in sugar markets. World sugar production this year is estimated to be only slightly higher than last year. Crops in Europe and the Soviet Union were below expectations. The resulting tight supply situation in the face of continued strong demand has pushed sugar prices upward.

Our analysis indicates that the suspension of sugar import quotas would not improve the supply or price situation in the United States. Imports this year are running ahead of last year. Quota imports as of December 31, 1974 were 5,000,746 tons. Last year at the same time, quota imports were only 4,568,047 tons. The total import quota for 1974 is 6,765,667 tons. We estimate, however, that only about 5.5 million tons will actually be imported. It is unlikely that any individual country will completely fill its quota.

Thus, neither the overall quota nor the individual country quotas are expected to restrict the supply of sugar available. Suspension of the quotas would therefore not increase supplies or lower prices.



11/8

- 2 -

While some foreign producers may be withholding supplies from the world market, it is in anticipation of higher prices, not the expiration of U.S. import quotas.

Thank you again for your letter to the President.

Sincerely,

[Signature]

W. D. Eberle
Executive Director

The Honorable Richard S. Schweiker
United States Senate
Washington, D. C. 20510

bcc:

Skip Hartquist/db/Nov 8 _____

Tom C. Korologos

Norm Ross, Domestic Council _____

cc:

General Dunn

Jim Murphy

Staff Secretary



October 21, 1974

Dear Senator:

I wish to acknowledge receipt and thank you for your October 18 letter to the President urging that he suspend immediately all sugar import quotas to insure that international speculators do not make large interim profits prior to the expiration of provisions of the Sugar Act of 1948, as amended.

You may be assured your letter will be called to the prompt attention of the President. In addition, it will be shared with the appropriate members of the staff.

With kindest personal regards,

Sincerely,

Tom C. Korologos
Deputy Assistant
to the President

The Honorable Richard S. Schweiker
United States Senate
Washington, D.C. 20510

bec: w/incoming to William Eberle for appropriate handling.
w/incoming to Norm Ross - FYI

TCK:EF:VO:cbs



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RICHARD S. SCHWEIKER, PA.
HENRY BELLMON, OKLA.

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

October 18, 1974

JAMES R. CALLOWAY
CHIEF COUNSEL AND STAFF DIRECTOR

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As you know, the Sugar Act of 1948, as amended, has effectively legalized a world-wide sugar cartel, which has controlled prices, production and profits in the international sugar industry. Fortunately, this Act was not extended this year, and it will expire December 31, 1974.

In the meantime, however, the price of sugar to the American consumer has skyrocketed. A 10-pound bag costs nearly \$5.00 at some stores, and more than \$4.00 at every store. Moreover, I understand many domestic users cannot purchase adequate sugar supplies at any price, due to the Sugar Act import quotas, despite the fact that sugar producing countries do have some available sugar. Although I appreciate that world sugar demand is high, I believe the skyrocketing prices and domestic scarcities are resulting largely from market anticipation of the expiration of U.S. import quotas this December. The American consumer is paying an outrageous price at the grocery store as a result of this speculative market activity.

Therefore, I respectfully urge you to immediately exercise your authority under §408(a) of the Sugar Act (7 U.S.C. §1158(a)), to suspend at once the operation of all sugar import quotas. Since these quotas will expire in December in any case, such suspension by you would simply insure that international speculators do not make fat interim profits at the expense of the American consumer.

Best regards,

Respectfully,

Richard S. Schweiker
Richard S. Schweiker
United States Senator

RSS:tg



November 18, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am announcing actions designed to (1) insure the continued flow of sugar into this country from abroad and (2) encourage increased production domestically at the same time. The actions I am taking will maintain duties on sugar imports at the lowest permissible rate under the Tariff Schedules of the United States.

The Sugar Act is scheduled to expire on December 31, 1974. If no action is taken, tariffs on imported sugar will rise about 1.3 cents per pound on January 1, 1975. The law provides, however, that the President can continue the current rates in force if his proclamation extending the rates includes a quota on sugar imports. I have, therefore, decided to extend the current tariff rates and will set an annual global quota of seven million short tons for 1975. That quantity is more than adequate to meet anticipated import requirements. At the same time, it will ensure a degree of stability for our own sugar industry to operate effectively in a period of very tight supplies.

Although there is no risk we will run out of sugar, we may well experience higher prices than we would like until production catches up with demand. Users of sugar can help ease prices by buying wisely, conserving supplies and consuming less sugar. I urge all Americans to reduce the amount of sugar in cooking and to put in half the amount usually used to sweeten coffee or tea.

The world sugar supply has tightened markedly in recent months. For the past three crop years, world sugar production has been rising. But even so, consumption has exceeded production by a small margin. Crop setbacks this year in a number of countries will prevent production from keeping pace with the normal growth of consumption. Since sugar production this year is expected to be about the same as last, worldwide sugar supplies will continue to be tight. Because we in this country import about one-half of the sugar we consume, we are directly affected by this worldwide problem. So far this year, our foreign suppliers have shipped 10 percent more sugar to the U.S. than last year.

The Council on Wage and Price Stability is working with sugar-using industries to stimulate conservation in the use of sugar. The Council will also hold public hearings to examine the margins charged by sugar processors, refiners and distributors. The purpose of these hearings will be to ensure that the retail prices of sugar and sugar products are not unduly increased.

more



In the past,, sharp increases in sugar prices have always been temporary because they stimulated offsetting production increases of sugar cane and sugar beets. I have asked Secretary Butz to ensure that all American farmers are made aware of the excellent market opportunities offered by sugar beets and sugar cane, and to make sure that there are no governmental impediments to increased production.

Early season contracting between farmers and processors could be very helpful in 1975, and long-term contracting between U.S. refiners and foreign suppliers could be very beneficial as well. Our traditional foreign sugar suppliers who have benefited from our sugar program in the past are also urged to continue providing sugar to our market.

Finally, I have directed the Economic Policy Board to monitor the sugar situation on a weekly basis and to report to me any signs of speculation or market activity in world and domestic markets that would worsen the tight supply situation we face this year.

The Administration recognized the inconveniences worked on the average American citizen by the current sugar situation. It will continue to do everything it can to improve matters and to remove some of the uncertainties for the future.

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NOVEMBER 18, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

ESTABLISHMENT OF TARIFFS AND QUOTA
ON CERTAIN SUGARS, SIRUPS AND MOLASSES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. WHEREAS, pursuant to section 201(a) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(a)), on June 30, 1967, the President entered into a trade agreement consisting of the Geneva (1967) Protocol to the General Agreement on Tariffs and Trade, including a schedule of United States concessions annexed thereto (hereinafter referred to as "Schedule XX (Geneva--1967)", together with the Final Act Authenticating the Results of the 1964-67 Trade Conference Held under the Auspices of the Contracting Parties to the General Agreement, and, by Proclamation No. 3822 of December 16, 1967 (82 Stat. 1455) proclaimed such modifications of existing duties and other import restrictions of the United States and such continuance of existing customs or excise treatment of articles imported into the United States as were then found to be required or appropriate to carry out that agreement on and after January 1, 1968;

2. WHEREAS, among such modifications and continuances, was Note 1 of Unit A, Chapter 10, Part I of Schedule XX (Geneva--1967);

3. WHEREAS, Headnote 2, Subpart A, Part 10 of Schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as (TSUS)), which was added to the TSUS by Proclamation No. 3822 on the basis of said note 1 referred to in recital 2, provides in relevant part as follows:

2. The rates in column numbered 1 in items 155.20 and 155.30 on January 1, 1968, shall be effective only during such time as Title II of the Sugar Act of 1948 or substantially equivalent legislation is in effect in the United States . . . Provided,

- (1) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation, to be effective not later than the 90th day following the termination of the effectiveness of such legislation;

more



4. WHEREAS, Section 201(a)(2) of the Trade Expansion Act of 1962 authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act;

5. AND WHEREAS it is determined that the rates and quota limitation hereinafter established are appropriate to carry out the portion of a trade agreement referred to in recitals 2 and 3, and give due consideration to the interests in the United States sugar market of domestic producers and materially affected contracting parties to the General Agreement on Tariffs and Trade;

NOW, THEREFORE, I, GERALD R. FORD, President of the United States of America, acting under the authority vested in me by the Constitution and statutes, including Section 201(a)(2) of the Trade Expansion Act of 1962 and in conformity with Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS do hereby proclaim until otherwise superseded by law:

(1) Subpart A, Part 10, Schedule 1 of the TSUS is modified by adding thereto a new headnote as follows:

(3) The total amount of sugars, sirups, and molasses described in items 155.20 and 155.30, the products of all foreign countries, entered in any calendar year shall not exceed, in the aggregate, 7,000,000 short tons, raw value. For the purposes of this headnote, the term "raw value" means the equivalent of such articles in terms of ordinary commercial raw sugar testing 96 degrees by the polariscope as determined in accordance with regulations issued by the Secretary of the Treasury. The principal grades and types of sugar shall be translated into terms of raw value in the following manner:

(1) For sugar described in item 155.20, by multiplying the number of pounds thereof by the greater of 0.93, or 1.07 less 0.0175 for each degree of polarization under 100 degrees (and fractions of a degree in proportion).

(11) For sugar described in item 155.30, by multiplying the number of pounds of the total sugars thereof (the sum of the sucrose and reducing or invert sugars) by 1.07.

(111) The Secretary of the Treasury shall establish methods for translating sugar into terms of raw value for any special grade or type of sugar for which he determines that the raw value cannot be measured adequately under the above provisions.

(2) The rate of duty in rate column numbered 1 for items 155.20 and 155.30 is established as follows:

more



155.20.....0.6625¢ per lb. less
 0.009375¢ per lb. for
 each degree under 100
 degrees (and fractions
 of a degree in propor-
 tion) but not less than
 0.428125¢ per lb.

155.30.....Dutiable on total sugars
 at the rate per lb.
 applicable under Item
 155.20 to sugar testing
 100 degrees

(3) The provisions of this proclamation shall become effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after January 1, 1975, and shall remain in effect until the President otherwise proclaims or until otherwise superseded by law.

IN WITNESS WHEREOF, I have hereunto set my hand this **sixteenth** day of November, in the year of our Lord nineteen hundred seventy-four, and of the Independence of the United States of America the one hundred ninety-ninth.

GERALD R. FORD

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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

November 20, 1974

Dear Mr. Pihringer:

Thank you for writing the President about the sugar problem. I assure you that he is very aware of the sharp rise in sugar prices and concerned about it.

On November 18, the President announced his decision regarding duties and quotas on imported sugar. His statement is enclosed. I believe it is in line with the recommendations in your letter.

Sincerely,

Gary L. Seevers
Gary L. Seevers
Member

Mr. Charles R. Pihringer
President
The Chocolate House Inc.
4121 South Thirty-Fifth Street
Milwaukee, Wisconsin 53221

Enclosure



Note: This is enclosure
that was sent w/
attached letters

FOR IMMEDIATE RELEASE

November 18, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am announcing actions designed to (1) insure the continued flow of sugar into this country from abroad and (2) encourage increased production domestically at the same time. The actions I am taking will maintain duties on sugar imports at the lowest permissible rate under the Tariff Schedules of the United States.

The Sugar Act is scheduled to expire on December 31, 1974. If no action is taken, tariffs on imported sugar will rise about 1.3 cents per pound on January 1, 1975. The law provides, however, that the President can continue the current rates in force if his proclamation extending the rates includes a quota on sugar imports. I have, therefore, decided to extend the current tariff rates and will set an annual global quota of seven million short tons for 1975. That quantity is more than adequate to meet anticipated import requirements. At the same time, it will ensure a degree of stability for our own sugar industry to operate effectively in a period of very tight supplies.

Although there is no risk we will run out of sugar, we may well experience higher prices than we would like until production catches up with demand. Users of sugar can help ease prices by buying wisely, conserving supplies and consuming less sugar. I urge all Americans to reduce the amount of sugar in cooking and to put in half the amount usually used to sweeten coffee or tea.

The world sugar supply has tightened markedly in recent months. For the past three crop years, world sugar production has been rising. But even so, consumption has exceeded production by a small margin. Crop setbacks this year in a number of countries will prevent production from keeping pace with the normal growth of consumption. Since sugar production this year is expected to be about the same as last, worldwide sugar supplies will continue to be tight. Because we in this country import about one-half of the sugar we consume, we are directly affected by this worldwide problem. So far this year, our foreign suppliers have shipped 10 percent more sugar to the U.S. than last year.

The Council on Wage and Price Stability is working with sugar-using industries to stimulate conservation in the use of sugar. The Council will also hold public hearings to examine the margins charged by sugar processors, refiners and distributors. The purpose of these hearings will be to ensure that the retail prices of sugar and sugar products are not unduly increased.

more

(OVER)



In the past,, sharp increases in sugar prices have always been temporary because they stimulated offsetting production increases of sugar cane and sugar beets. I have asked Secretary Butz to ensure that all American farmers are made aware of the excellent market opportunities offered by sugar beets and sugar cane, and to make sure that there are no governmental impediments to increased production.

Early season contracting between farmers and processors could be very helpful in 1975, and long-term contracting between U.S. refiners and foreign suppliers could be very beneficial as well. Our traditional foreign sugar suppliers who have benefited from our sugar program in the past are also urged to continue providing sugar to our market.

Finally, I have directed the Economic Policy Board to monitor the sugar situation on a weekly basis and to report to me any signs of speculation or market activity in world and domestic markets that would worsen the tight supply situation we face this year.

The Administration recognized the inconveniences worked on the average American citizen by the current sugar situation. It will continue to do everything it can to improve matters and to remove some of the uncertainties for the future.

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COUNCIL ON INTERNATIONAL ECONOMIC POLICY

December 10, 1974

FOR: Norm Ross, Domestic Council

FROM: Skip Hartquist, General Counsel

SUBJECT: Sugar Act

Per our conversation, attached is a copy
of the memo to the EPB regarding the
Sugar Act.

Attachment

Skip



OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON

20506

*file:
sugar
File*

December 8, 1974

TO : The Executive Committee of the Economic Policy Board

FROM : W.D. Eberle, Executive Director of CIEP

SUBJECT: The Proposed Revisal of the Sugar Act

A last ditch effort may be made this week by the House Agriculture Committee to seek an extension of the Sugar Act. The minority counsel of the House Agriculture Committee has solicited White House views on this initiative. He believes that a bill can be passed in the short session provided the White House is not opposed.

The White House can (1) support the extension; (2) remain neutral or (3) oppose it.

I recommend that the Executive Committee propose Option III to the President. An extension of the Sugar Act would not alleviate the present sugar situation. In fact, although it is doubtful that legislation could be passed even with Administration support, consideration would raise the possibility that the Sugar Act would be renewed and would introduce an unhealthful degree of uncertainty into the sugar market. Administration opposition also could prevent time consuming consideration of the bill which would take away time from important Administration priorities.

At this stage, low keyed opposition limited to discrete indications to key House members will probably be sufficient to nip the initiative in the bud. Such opposition can be low keyed enough so as not to put the President in conflict with elements favoring the Act including their Congressional supporters. This would also leave the responsibility with Congress for any consequences arising from the failure to enact legislation. If the President approves this Option, I suggest that my deputy, Mike Dunn, be given the responsibility for discretely making the necessary Congressional contacts.

Attachment: Paper on Options on Sugar Act Extension



Options on Sugar Act Extension

Problem:

The White House must respond to a request by the Republican Counsel of the House Agricultural Committee for its position on proposed sugar legislation this session. Some indication of White House opposition may be sufficient to head off this initiative.

Background:

1. The Sugar Act expires December 31, 1974, unless legislation is passed this session extending it. In expectation of the expiration of the Sugar Act and to prevent an increase in the tariff, the President announced a 7 million ton global sugar quota which is large enough not to restrict expected imports.

2. The price of sugar is at an all time high and domestic interest in the subject is intense. Renewal of the Sugar Act does not provide a solution to the price problem. Although prices have recently declined from all time highs, they are still over 400% higher than last year. The Act was designed for a surplus situation whereas we now face a sugar shortage.

3. The Administration position thus far on sugar legislation has been to leave initiative on this issue to Congress. However, a last ditch effort may be made by the House Agriculture Committee next week to seek extension of the Sugar Act.

OPTION I

The White House should indicate it supports the initiative for sugar legislation this session.

PRO:

- 1) Presidential support may prevent the expiration of an Act that has provided an element of certainty as to U.S. sugar policy for 40 years. For example, some domestic and foreign producers claim that assured market access stimulates investments needed to expand sugar production capacity.
- 2) Presidential support would be well received by certain interest groups benefiting from the Sugar Act, such as producers who receive support payments,



farm laborers who receive higher wages under provisions of the Act, and some refiners who are protected by the refined sugar embargo.

CON:

- 1) The Sugar Act has done nothing to stem the rise in prices. The present situation requires new concepts. A simple extension or amendment of the present legislation would only create false expectations that relief from high prices would be forthcoming in 1975. The short period of time remaining in the current session will not allow adequate consideration for developing new concepts.
- 2) Presidential support of a sugar act would create further uncertainties as to sugar policies since the President already announced a program for 1975 predicated on the assumption that the act would expire on December 31. This action was well received by both producers and consumers.

OPTION II

The White House should not take a position, continuing to leave the initiative exclusively with Congress.

PRO:

- 1) Given the short period of time and the conflicting views of various producer and consumer groups, this Congressional initiative may not succeed in any event.
- 2) Neutrality will enable the Administration to remain out of the crossfire between proponents and opponents of the sugar legislation. By taking a strong position before such leaders as Senator Long and others are on record, the Administration may be placed in needless conflict with them.
- 3) Remaining neutral would be consistent with the previous Administration position and not give Congress the opportunity of using the pretext of a Presidential position to absolve themselves from responsibility for the current sugar situation.



CON:

- 1) Neutrality as opposed to outright opposition may not be sufficient to head off time consuming consideration of this matter at the expense of priority administration legislation, specifically the Trade Reform Act.
- 2) Neutrality leaves open the possibility that the Act might still pass.
- 3) By not taking a position the President would leave the Administration open to charges of indecisiveness. Those who both favor or oppose the legislation may feel let down by the President.

OPTION III

The White House should oppose the initiative.

PRO:

- 1) Trade decisions for 1975 have already been made on the basis of expiration of the Sugar Act. Opposition at this time will probably kill the Congressional initiative and prevent renewed uncertainties.
- 2) At this time, Presidential opposition can be low keyed, preventing the possibility of having to take a controversial public position later on. This would avoid intensified conflicts with proponents of the bill and win the approval of the many groups against extension of the Sugar Act - cane sugar refiners, industrial users, and household consumer groups.
- 3) If opposition is successful in nipping consideration in the bud, time would not be diverted from other Administration priorities.

CON:

- 1) Would involve the President in the Sugar Act discussions when it may not be necessary, thereby causing needless conflicts with Congressional proponents of the Act.
- 2) By taking a position at this time, the President gives up the flexibility of responding when Congressional sentiments become more apparent.

