[Feb. 8, 1934]

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THE WHITE HOUSE
WASHINGTON

1 The annual gross value of the sugar crop ~~to~~ to American beet and cane growers ~~of the sugar crop~~ is approximately $60,000,000. Those who believe in the free importation of sugar ~~[illegible]~~ say ~~that the~~ two cents a pound tariff is levied mostly to protect ~~these~~ sixty million dollar crop and that it costs our consuming public every year more than 200 million dollars to ~~[illegible]~~ afford this protection.

protect the beet and cane farmers ~~within our borders~~, costs ~~our~~ consumers $250,000,000 every year in excess of what these consumers would pay if sugar were on the free list.

I do not at this time recommend placing sugar on the free list. I feel that we ought first to try out a system of quotas with the three-fold object of keeping down the price ~~(limiting the cost)~~ of sugar to consumers, of providing for the retention of ~~existing~~ beet and cane farming within our continental limits, and also ~~and of~~ providing against further expansion of this necessarily expensive industry.

Consumers have not benefited from the disorganized state of sugar production here and in the insular regions. Both the import tariff and cost of distribution, which together account for the major portion of the consumers' price for sugar, have remained relatively constant during the past three years.

This situation clearly calls for remedial action. I believe that we can increase the returns to our own farmers, contribute to the economic rehabilitation of Cuba, provide adequate quotas for the Philippines, Hawaii, Puerto Rico and the Virgin Islands, and at the same time prevent higher prices to our own consumers.

The problem is difficult but can be solved if it is met squarely and if small temporary gains are sacrificed to ultimate general advantage.

The objective may be most readily attained ~~obtained~~ through ~~the~~ amendment of existing legislation. The Agricultural Adjustment Act should be amended to make sugar beets and sugar cane basic agricultural commodities. It then will be possible to collect a processing tax on sugar, the proceeds of which will be used to compensate farmers for holding their production to ~~the three-year average base.~~ the quota level. A tax of less than one-half cent per pound would provide sufficient funds.

Consumers need not and should not bear this tax. It is already within the executive power to reduce the sugar tariff by an amount equal to the tax. In order to make certain that American consumers shall not bear an increased price due to this tax, Congress should provide that the rate of the processing tax shall in no event exceed the amount by which the tariff on sugar is reduced below the present rate of import duty.

By further amendment to the Agricultural Adjustment Act, the Secretary of Agriculture should be given authority to license refiners, importers and handlers to buy and sell sugar from the various producing areas only in the proportion which recent marketings of such areas bear to total United States consumption. The average marketings of the past three years provide on the whole an equitable base, but the base period should be flexible enough to allow slight adjustments as between certain producing areas.

The use of such a base would allow approximately the following preliminary and temporary quotas:

	Short tons
Continental beets	1,450,000
Louisiana and Florida	260,000
Hawaii	935,000
Puerto Rico	821,000
Philippine Islands	1,037,000
Cuba	1,944,000
Virgin Islands	5,000
	6,452,000

The application of such quotas would immediately adjust market supplies to consumption, and would provide a basis for reduction of production to the needs of the United States market.

Furthermore, in the negotiations for a new treaty between the United States and Cuba to replace the existing Commercial Convention, which negotiations are to be resumed immediately, favorable consideration will be given to an increase in the existing preferential on Cuban sugars, to an extent compatible with the joint interests of the two countries, ~~in order that the proposed processing tax may not operate in a discriminatory fashion against the quota of Cuban sugar which is licensed for importation into the United States.~~

In addition to action made possible by such legislative and treaty changes, the Secretary of Agriculture already has authority to enter into codes and marketing agreements with manufacturers which would permit savings in manufacturing and distributing costs. If any agreements or codes are entered into, they should be in such form as to assure that producers and consumers share in the resulting savings.