THE WHITE HOUSE
WASHINGTON

[Feb. 8, 1934]

1. The annual gross value of the sugar crop
   American beet and cane growers of the sugar crop
   is approximately $60,000,000.
   Those who believe in the importation of sugar say that the two cents a pound
   tariff is levied to protect those sixty million dollar crop and that it costs our
   consumers every year more than 200 million
   dollars to afford this protection.
and cane
protect the beet/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 helping down the price
of sugar to consumers, of providing for the retention of
existing beet and cane farming within our continental
limits and 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 through an 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 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:

<table>
<thead>
<tr>
<th>Location</th>
<th>Short tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental beets</td>
<td>1,450,000</td>
</tr>
<tr>
<td>Louisiana and Florida</td>
<td>250,000</td>
</tr>
<tr>
<td>Hawaii</td>
<td>935,000</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>321,000</td>
</tr>
<tr>
<td>Philippine Islands</td>
<td>1,037,000</td>
</tr>
<tr>
<td>Cuba</td>
<td>1,914,000</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>6,452,000</td>
</tr>
</tbody>
</table>

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 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.