"Sugar at a Second Glance"

By FRANK C. LOWRY

Being a Comment Upon, Exposure of and Answer to "Sugar at a Glance," and a Treatment of Our High Tariff on Sugar from the Consumers' Standpoint

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The Influence of Our High Tariff on Sugar Upon the Ultimate Price to the Consumer and as Affecting the High Cost of Living

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"If protection to young industries was needed, it has been given. The initial stages of trial and unfamiliarity are certainly passed. The industry in the far West has quite passed the infant stage. Its difficulties in the farming region proper seem to be due to the competition of the other kinds of agriculture, which, under the typical American conditions, are more profitable. If this kind of agriculture needs protection, and if the familiar grain-growing, cattle-fattening and dairying, of the corn-wheat belt do not, the explanation is still to be found in the principle of comparative cost."—F. W. TAUSSIG, Professor of Economics, Harvard University.

Mr. Truman G. Palmer—An Appreciation

For the benefit of the many new members of the House and Senate who may be unacquainted and uninformed, we wish to introduce the author of "SUGAR AT A GLANCE," to account for the appearance of this work in the form of a public document and to explain the exact occasion for Mr. Truman G. Palmer's interest in the subject of sugar.

To begin with, he is not an expert in the employ of the United States Senate, as might be inferred, "at a glance," from Senate Document No. 890. He merely enjoys the privilege of intimacy with certain retiring members of that body, to whom, on pressing occasions, he furnishes information, "disinterested," but compatible with their standpat views, which in appreciation, they cause to be published and circulated as a Public Document, (at the government's expense.) Nor is he wholly committed to the cause of the beet sugar farmers, as might be taken for granted from the pronounced bucolic nature of his latest composition. In reality he is the Secretary of the United States Beet Sugar Industry, a "voluntary" organization comprehending all of the principal beet sugar companies of the United States with headquarters at 901-903 Union Trust Co. Building, Washington, D. C. This was formerly known as the American Beet Sugar Association and was recruited at Washington several years ago by Henry T. Oxnard, the original beet sugar "volunteer" and now Vice-President of the American Beet Sugar Co. The name was changed in order to avoid confusion with the company of its founder and to obviate the embarrassment of identification with the American Sugar Refining Co., or Trust (though all of the beet sugar companies, in which the latter is most heavily interested, are members of this "patriotic" society).

Mr. Palmer testified before the Hardwick Committee that he had been in the employ of this "voluntary" organization since 1902 when, as a beet-sugar land patriot, he abandoned his fields in the West to appear at the Cuban Reciprocity Hearings to present his "DEADLY PARALLEL." That his earnest but futile endeavors attracted the attention of the Washington beet sugar brigade, who then and there employed him to safeguard their interests, and, if forced, to resort to authorship again, which he forebore to do until driven to desperation by the House Free Sugar Bill.

That his salary while engrossed at Washington was $10,000 per year, raised by "voluntary" contributions from the members of the "volunteer" organization; that he was allowed expenses besides, while engaged in special services away from Washington. That he was the only salaried official, though there existed a "voluntary" executive Committee, composed of such well-known beet sugar "economists" around Washington (during Sessions) as the before mentioned Henry T. Oxnard, Charles C. Hamlin, Vice-President of the United States Sugar & Land Co., a company with a capitalization of $8,000,000, and but one beet-sugar factory at Garden City, Kansas, with a daily slicing capacity of 900 tons (factory cost $900,000) and Thomas R. Cutler, Ex-Bishop of the Mormon Church, Vice-President of the Utah-Idaho Sugar Co. (in which the Trust owns a half interest). That he was employed in a legislative capacity at Washington, principally to present the case of the beet sugar interests "from an economic view-point" before Congressional Committees when the Tariff on sugar was under consideration; but that he was in no sense a lobbyist. That when not thus preoccupied he found time to attend and address the Trans-Mississippi and National Irrigation Congresses, for the purpose of influencing resolutions favoring the fostering of the beet sugar industry, through maintenance of a high Tariff. His testimony to this effect may be found between pages 2694 and 2702 of the Hardwick Hearings.

From the nature of his employment it must become apparent that the "economic view-point" entertained by Mr. Palmer is not altogether a disinterested one; but must, of necessity, have special reference to the interests of the beet sugar manufacturers and land promoters who seek to have the present "pork-barrel" Tariff maintained for their exclusive benefit, at the expense of the consumer, without regard to the interest of the beet grower. What other "patriotic" impulse could move this "volunteer" organization to pay such a high price for the luxury of Mr. Palmer's services and publications?

Introduction

Knowing that Sugar is too broad a subject to be covered "at a glance," and that a practical knowledge of any special phase of it can only be acquired through circumspect observation, "SUGAR AT A SECOND GLANCE" implies a closer scrutiny to the tariff aspects lost sight of in "SUGAR AT A GLANCE," and it is intended to be a comment upon, exposure of, and answer to, this latest "vision" of the Beet Sugar Interests.

In the explanatory letter, to be found on page 2 of his treatise, the author indulges in this "modest" self-recommendation: "Having exercised the *utmost* care in making and checking the various conversions, I feel justified in stating that, *no substantial error has crept into the work.*" While this expresses the self-satisfaction of the author, with his effort, we accepted it as merely defining the limits of his knowledge, and pursued our independent investigations, with the result of having revealed to us, in chart after chart, and page after page, not only where "substantial error had crept into the work," but also, where willful misrepresentations had been attempted.

In the first place, under the pretentious caption of "National Economy," and "High Cost of Living," "SUGAR AT A GLANCE" is a masquerade of the Beet Sugar manufacturer and land promoter, in the guise of the beet-sugar "economist," for the purpose of obscuring and evading the real issue of tariff revision. Their disguises and distractions are graphic representations of remote and imaginary "indirect benefits" to accrue, primarily, to the farmer, and, eventually, to the public, through encouragement to more extensive cultivation of the sugar beet, by maintenance of a high tariff.

For themselves, they prefer the more "direct benefits" that accrue from the maintenance of this special privilege legislation that enable the factory to buy sugar beets from the farmer on a free trade or low tariff basis and sell sugar to the consumer on a high tariff basis. This has, in the past, enabled the beet sugar factories to overcapitalize, to pay excessive dividends, amounting, in some cases to 35% (Michigan Sugar Company) and others to 100% (Union Sugar Company) or to accumulate a surplus of $9,000,000 in five years, after paying regular yearly dividends on preferred and common stock (a large part of which was, originally, water), a feat accomplished by the Great Western Sugar Co. of Colorado.

Mr. Palmer conveniently abandons any attempt to justify our present high tariff on sugar, from the attractive but elusive theory of "equalizing the cost of production between home and abroad." The author well knows that the present "pork barrel tariff rate" cannot be defended upon that basis; hence, he presents arguments to divert attention from the real question at issue in the hope of leaving in the minds of his readers, the impression that any material reduction made in the interest of the consumer would spell "ruin" to the domestic sugar industry, discriminate against the farmer and indefinitely postpone solution of "The High Cost of Living" problem; while he claims acceptance of his doctrines would promote the direct interests of the factory, the indirect interests of the farmer, and, eventually, compensate the consumer, by reducing the high cost of living, through remote increases in crop yields. Even the familiar appeal "to be given ten years more," is not touched upon. This old-time favorite was first introduced at the Cuban Reciprocity Hearings, appeared again before the Payne Committee to ask for an extension of ten years, in order to fulfill the former promise of "production of all sugar at home," but was too feeble or ashamed to present itself at the last hearings before the Senate Finance Committee, since ten years of high protection disclosed an increase of only 400,000 Tons in domestic beet production, while domestic consumption *increased* nearly 1,000,000 Tons. All past representations and favorites have now given place to this new discovery and panacea for "High Cost of Living" known as "indirect benefits."

To indulge in a controversy over the indirect agricultural benefits to be derived through cultivation of sugar beets, in rotation with other crops, would carry us too far afield, and away from the principal consideration of the effect of our high tariff upon the ultimate price to the consumer. Suffice to observe that these remote, "indirect benefits" do not materialize *solely* because of the planting of the sugar beet, but rather as a consequence of the condition in which the soil is left after employing the necessary intensified "horticultural" methods in its cultivation. This may be understood readily from the fact that England neither cultivates nor produces any sugar beets, yet by application of the most effective, intensified methods of farming, and use of the most productive means in rotation upon her limited agricultural area forces her soils to yield more bushels of wheat, rye, barley and oats per acre than do the fields of Germany on which the sugar beet is grown so extensively. This was effectively pointed out by Senator Williams in his speech on the sugar tariff in answer to Senator Lodge's "review" of Senate Document No. 890. It is highly improbable that England would have failed to have experimented with the sugar beet, in her aim to secure the maximum yields, or to have adopted their extensive cultivation and use, did they prove either necessarily conducive, or indispensable to, the attainment of this end, as she had the further inducement of originating domestic sugar production; whereas now all the sugar she consumes is imported. The comparison of crop yields between the two countries, with the advantages in favor of England, where no sugar beets are cultivated, demonstrates that intensified methods of farming, and not the use of sugar beets, are responsible for the increase.

Moreover, we are inclined to question whether the sugar beet is responsible for the increase in crop yields of Germany to the extent and in the manner represented by Mr. Palmer. His claim is to the effect that Germany has more than doubled her yields per acre of wheat, rye, barley and oats, solely through a system of rotation, one year in four, in connection with fields planted to sugar beets. Such a process would require one-fourth of the agricultural area of Germany to be planted in sugar beets annually. This area, according to Mr. Palmer's statistics, is 42,776,000 acres, one-fourth of which would be 10,694,200 acres. As a matter of fact only one-eighth of this allotted area, or 1,247,213 acres, is planted to sugar beets in Germany, from which is produced an average crop of about 2,500,000 tons. Hence, the logic of the situation makes us rather skeptical about the actual application of the sugar beet in rotation with other crops in the manner assumed by Mr. Palmer, and inclines us to the belief that the adoption of more intensified methods of farming during recent years may be the more probable cause of these increased yields.

Furthermore, he apparently overlooks the most important point; and that is, what might be entirely practical in Germany with an area of 209,000 square miles and a population of 65,000,000 would be most impractical in the United States, with an area of 3,025,600 square miles and a population of 94,000,000.

In order to reap the indirect benefits of the necessary crop rotation system alleged by Mr. Palmer to be practised in Germany and to be responsible for the crop increases, it would be necessary to plant to sugar beets, annually, one-fourth of the 194,371,000 acres now planted to corn, oats, barley, wheat, rye and potatoes in the United States, or 48,592,750 acres, which on the present basis of production of 600,000 tons from 500,000 acres, would result in a production of beet sugar in the United States of 58,308,000 tons, or more than three times the World's annual production of sugar, both beet and cane, would require 7,020 more beet sugar factories to be erected, and a capitalization (based on the present basis) of the stupendous amount of $13,800,560,000. These preliminaries would have to be adjusted before the farmer could profit from the "indirect benefits," so alluringly pictured by Mr. Palmer.

In twenty-five years we have extended our sugar beet cultivation to 475,000 acres. On the same basis, 2,500 years would be required to extend it to 48,592,750 acres. We beg to be excused from extending the calculation further so as to demonstrate the cost to the consumer. We are forced to these extraordinary calculations by adopting Mr. Palmer's impractical premises.

We are prompted to inquire what the effect of the withdrawal of all this land from the cultivation of other crops would have on "the high cost of living"?

Thus it is apparent that so far as area is concerned there is no limitation to what could be done in the United States, but this shows how impracticable of application are Mr. Palmer's suggestions. All of this without reference to the most important fact that sugar beets require a large amount of hand labor as compared with other crops, and there are not sufficient field hands for our present agricultural needs. Besides, it is not proposed to interfere with the legitimate growth of the beet sugar industry, as we will show later that the farmer does not receive the advantages of our high protective Tariff, but is paid no more for his sugar beets, and, if anything, less, than the farmer in Germany who works under a low Tariff rate.

Meanwhile he, in common with other consumers, has been required to pay $130,000,000 more annually for his sugar supply, as a result of our high Tariff.

Again in Chart No. 36, Mr. Palmer makes a comparison between the wheat yields per acre of the State of Minnesota and Germany, and shows that Germany raises 127,844,000 bushels of wheat on 4,316,400 acres, while Minnesota raises but 67,600,000 bushels on 5,200,000 acres. Now, in order to arrive at a same relative yield as that of Germany, one-fourth of the 5,200,000 acres, or 1,300,000 acres in Minnesota, would have to be cultivated to sugar beets each year. This is two and three-fifths times the total area now cultivated to sugar beets in the whole United States, and would mean a production in Minnesota alone of 1,560,000 Tons annually, require the erection of 190 beet sugar factories, in addition to the only one that is now in operation, and a capitalization of $360,000,000, in contrast with the present $1 200,000. If the area should be extended to North Dakota, Minnesota and Kansas, to bring them up to the average of France, as represented by Mr. Palmer, in Chart No. 37, then 4,168,000 acres annually would have to be planted to sugar beets, which would mean a yield of 5,004,000 Tons of beet sugar annually, would entail an addition of 600 beet sugar factories, where now there are only 2 over the whole area, and a capitalization of $1,184,280,000, in contrast to a present investment of less than $3,000,000. Then again, where is all the necessary labor to come from? All of which deductions illustrate the futility and impracticability of Mr. Palmer's theory and plan for the advancement of agriculture, for the purpose of increasing the prosperity of the farmer, and eventually relieving the consumer from the burdens of "The High Cost of Living."

In order that we may understand exactly the interest of the American farmer in the cultivation of sugar beets, let us call attention to the fact that the beet sugar interests claim that, approximately, 100,000 farmers (there are 10,000,000 farmers in the United States), are engaged in cultivating 474,000 acres devoted to sugar beets, making an average per farmer of only 4.74 acres. There are 291,000,000 acres in the United States under cultivation in cereals and vegetables.

Finally, the average crop yields of Austria-Hungary and France, where sugar beets are cultivated *quite* as extensively as in Germany, are much less than the latter, and in some instances, not much above the average yields of the United States. Why should this be the case, if the sugar beet alone is responsible for the increased yields?

Besides being impracticable, Mr. Palmers' "economic theories" have not worked out in actual experience. He repeatedly claims that, by increasing the area of beet sugar cultivation, the average yields per acre of various crops would also be increased, and thus "The High Cost of Living" reduced. Between 1898 and 1911 the area cultivated to sugar beets in the United States, increased from 60,000 to 500,000 acres; yet the average yields of cereal crops were less in 1911 than in 1898, and the price of all food stuffs has steadily advanced. If such an expansion has not tended to solve the vexing problem of "The High Cost of Living," in accordance with Mr. Palmer's assurances, to what extent would this cultivation have to expand in order to bring about the desired relief?

"SUGAR AT A GLANCE" is more of a *brief* for the beet sugar land promotion companies, than it is an argument for the beet sugar factories. The reason for this is that the tariff cannot be defended from a factory standpoint. A beet sugar factory operates but three months in the year and is of but little value to the workingman.

One never hears the contention made that a well-equipped beet sugar factory in the United States could not operate as cheaply as anywhere else in the World. The cost of labor does not enter to any extent into the factory's cost of operation. The claim is frequently heard that beet sugar must be very pure because it is not touched by a single human hand from the time the beet enters at one side of the factory until refined sugar is ready for delivery at the other side. So it is clear that the cost of labor does not play an important part in their process of manufacture. You will find in all their statements that the beet sugar men confine their comparisons to statements along the following lines: "We must have a high Tariff because we pay our watchman two dollars a day and in Germany he receives only fifty cents." This is immaterial; it is the labor cost per pound of sugar produced that counts, and this is less than 15c per hundred pounds.

Fuel is an important item, and this, of course, is cheaper in the United States than abroad, particularly in our Western States, where oil is used. It is a well recognized fact in the manufacturing business that the larger the production in a factory the lower the cost per unit, and the factories in the United States average considerably larger than those abroad.

Hence, this attempt to draw away the attention of Congress from consideration of the factory position, by graphic, picturesque, descriptions of the promising but inapplicable agricultural side, to all appearances, for the exclusive benefit of the farmer, and poor consumer, but, in reality, in the direct interests of the beet sugar land speculators, who make use of the tariff to exploit their schemes, and to the indirect profit of the Beet Sugar Factories, at an annual expense to the American people of $130,000,000 per year!

Lastly, "SUGAR AT A GLANCE" is replete with "'substantial error," and actual and quasi misrepresentations. Familiar examples of the former are, the failure to properly represent the Import and Excise taxes of the various countries in Chart No. 7, and in Table on Page 63; the failure to estimate the yields per acre of wheat, rye, barley and oats, in the United Kingdom, in terms of the equivalent per bushel in Germany; contradictions in the prices alleged to be paid the farmer for his beets between Table on Page 22, and Chart No. 31, and variance between these prices and the Government Report; of the latter, the Retail Prices of Europe and the United States for July, 1911, represented in Chart No. 8, the attempt to apply deductions based upon the Per Capita Consumption in 1901, of 69.7 pounds, to 1910, when the Per Capita Consumption had reached 81.6 pounds, as in Charts Nos. 6, 7 and 10; computations of the annual cost of the tariff to the consumer in Chart No. 7; the cost of production of beet sugar alleged in Table on Page 22; the juggling of statistics and selection of special prices within convenient periods for the purpose of "proving anything by statistics," rather than of emphasizing an actual or average condition as in Charts Nos. 10, 18 and 19; combining the Import and Excise Taxes, as in Chart No. 7, and Table on Page 63, so as to convey the impression that the sum of the two represents the degree of protection accorded abroad, instead of the import duties alone, in contrast with our import rates of duty; the failure to make use of the Statistics for the Year 1911, especially with regard to the Average Wholesale and Retail Prices in the United States, for Sugar; the approximation of beet sugar company capitalization as $71,000,000 for the Year 1909, in Table on Page 22, when it had already reached $130,000,000, and failure to state that this capitalization had reached $142,000,000 in 1911, though all sources of information were available, as the work itself bears date of July 27th, 1912.

The purposes of the present volume are to meet remote, speculative theories with practical common sense explanations and deductions; to controvert the "various conversions" that have been based upon the "substantial error" that has "crept into the work," and expose the evasions and many misrepresentations attempted, by facts and statistics, founded upon both experience and authority. Unmasked, "SUGAR AT A GLANCE" will appear as an attempt to distract the minds of Congress with a graphic, moving-picture exhibition of remote "indirect benefits," in the hope of deluding them into focusing their attention upon this *latest discovery,* and of drawing it entirely away from the main consideration of the effect of our present high tariff upon the ultimate price to 94,000,000 of consumers, so that the beet sugar manufacturers and land promoters may continue to prosper and plunder, through maintenance of a high rate of duty, at the expense of the public. In our endeavor to expose this latest desperate expedient of the beet sugar interests, we hope to impress Congress with the advantages to be derived from "a second glance" at the subject of sugar, especially from a *legislative standpoint.* If the question of revision of the sugar schedule is approached in this deliberate frame of mind, we have no fears of the ultimate decision to be reached between the merits of the high tariff, as depicted in "SUGAR AT A GLANCE," and the removal of the duties, or a reduction in rates, so that they will not exceed ½c per pound on 96° raw sugar (equivalent to 20% ad valorem), as revealed in "SUGAR AT A SECOND GLANCE."

Analysis of Charts and Data Presented by Mr. Truman G. Palmer in "Sugar at a Glance."

This Work Is Intended To Be Read in Connection With, So as To Be Compared With, "Sugar at a Glance"—The Charts and Subjects Referred to Are Contained in That Volume—They Are Designated by Number and Page in This Work, So as to Correspond With the Number and Page in "Sugar at a Glance."

CHART No. 1 (Page 17).

Statistics are given in metric tons instead of in long tons, contrary to the custom of the trade; and figures are given for 1910-11, instead of 1911-12, though the latter were available since this work bears date of July, 1912. The Chart merely emphasizes how fortunate is the United States in its sources of cane-sugar supply as distinguished from other large nations.

Hawaii, Porto Rico and the Philippines are referred to as "insular United States," while Cuba is classed as "foreign." Bringing this up to date, we find that the United States is not dependent upon "foreign" countries for its supply of sugar, in the general acceptance of this term.

The consumption of sugar in the United States for 1912, according to Messrs. Willett & Gray, was 3,504,182 long tons. The estimates for the following crops in 1912-13 are:

Cuba	2,328,000 long tons
Domestic Beet	625,000 long tons
Hawaiian Islands	500,000 long tons
Louisiana (1912)	160,000 long tons
Philippine Islands	200,000 long tons
Porto Rico	340,000 long tons
Texas	10,000 long tons
Total	4,163,000 long tons

By which it will be seen that the production of sugar inside our tariff wall now fully equals consumption. All of these producers have the advantage of the full height of our tariff wall, with the exception of Cuba, which is inside this wall to the extent of the 20% reduction, as a result of the reciprocity treaty of 1903. This island, adjacent to our shores, with interests so closely allied with those of the United States, has been favorably equipped by nature for the economical production of sugar, and is able and willing to supply the United States with this sugar at a low cost, if it were not for the high tariff which enhances the price.

CHART No. 2 (Page 17).

This forcibly illustrates how little the United States is dependent upon beet sugar, as compared with cane, for the year in question 462,500 tons of beet sugar being consumed, as compared with 2,851,000 tons of cane; and shows how utterly hopeless would be the situation and how high the price were its consumers dependent upon beet-sugar production in the United States.

A comparative argument is therefore presented for a lowering of the duty in the interests of the consumers.

CHART No. 3 (Page 17).

Has little relevancy to the situation in the United States. Here we are mainly dependent upon cane-sugar, the ratio in 1910, the year adopted, being seven pounds of cane to one of beet. Hence a world comparison of the production of cane and beet sugar has little relation to the United States. The production of beet sugar is fostered where they are wholly dependent upon this source of supply, and cane is not available and its consumption confined to these countries unfortunately isolated from cane supply. Hence the relative production of the two kinds is entirely immaterial, so far as throwing any light upon conditions in the United States is concerned.

CHART No. 4 (Page 18).

Again based on Metric tons instead of long tons, for the purpose of affording a proper comparison with actual conditions in the United States. This again forcibly illustrates how favorably situated is the United States for obtaining cane-sugar supplies both from its insular possessions and from Cuba, which is dependent upon us for a market. These are the supplies that the beet-sugar interests have always been anxious that Congress should discriminate against for their special benefit.

In the past we have seen the fights which the domestic interests have made at various times against the free admission of sugar from Porto Rico, Hawaii and the Philippines and the 20% concession made to Cuba. As someone remarked when the Free Sugar Bill was passed by the House and the cry went up from the domestic industry that "ruination stared them in the face," "we thought it *was* ruined." "We understood it was ruined when in 1898 Porto Rico sugars were admitted free of duty, and again when Hawaii sugars were admitted free and again in 1903 when the 20% concession was made on imports from Cuba, and again in 1909 when Philippine sugars were admitted free up to 300,000 tons annually."

In spite of these dire predictions, there has been a steady increase in the beet-sugar production in this country, and factory profits have been very high, in some cases dividends of 100% having been declared. Other companies are now paying dividends on an enormous amount of watered stock representing "capitalization of the tariff."

CHART No. 5 (Page 18).

In order to make as good a showing as possible, Mr. Palmer now resorts to short tons in illustrating the growth of the beet-sugar industry in the United States.

As an indication of what this means, let us point out that the domestic beet production in 1911 was 506,825 long tons, but this grows to 606,000 short tons under Mr. Palmer's method of treatment. Let us also point out that in spite of the very heavy tariff subsidy enjoyed by the beet-sugar industry its growth has fallen far short of equalling the increase in consumption. For our figures, we will adopt long tons, the basis of estimate employed by Willett & Gray:

	Consumption.	Beet Sugar Production.
1898	2,002,902 tons	32,471 tons
1911	3,351,391 tons	506,825 tons
Increase in consumption............		1,348,489 tons
Increase beet sugar production......		474,354 tons

Let us now estimate what the maintenance of the beet-sugar industry, up to a point where it supplies us with 15.51% of our total requirements, has cost the American people. On page 13 we show that since 1903 when the Cuban reciprocity treaty went into effect the refiners' wholesale price has been increased, by reason of the duty, 1.603c per pound. Previous to that date the increase was greater, and it is clear that if the wholesale price is enhanced to this extent, the retail price is increased by a greater amount; nevertheless, let us accept this figure, which can be regarded as a minimum, and we find that from 1898 to 1911 the price of sugar to consumers has been increased $1,368,774,292, and the total value of the domestic beet-sugar, produced during this period was $431,962,749.

We might add that the revenue derived by the Government during this period from the tax on imported sugars amounted to $747,776,094.

CHART No. 6 (Page 19.)

Although Mr. Palmer does not see fit to give the figures, statistics appear to show that sugar prices in the United States have reached a point where they begin to pinch, as the per capita consumption is not showing the increase that it should.

According to Messrs. Willett & Gray, Sugar Statisticians, the per capita consumption in 1909 was 81.8; 1910, 81.6; 1911, 79.2, and 1912, 81.3. For the six years previous (1903 to 1908 inclusive) the average increase in consumption was 3.80 lbs.

A further reference to the figures for the per capita consumption in the United States forcibly illustrates the advantages to the consumers resulting from free trade on sugar. For example, in 1891, when the price of sugar declined in one week 1¾c per pound, as a result of the removal of the duty on sugar, consumption for that year increased 22.96% over the preceding year. An increase of 20% in our present consumption would be 700,836 tons. Consider what this increased business would mean to dealers, both wholesale and retail, canners, preservers, manufacturers, transportation companies, warehouses, etc.; in fact all those who handle sugar in any way.

Mr. Palmer's figures serve to illustrate that the consumption of sugar is almost universally governed by the price and that the per capita consumption of a nation is in proportion to the alternate price in thickly populated districts. For example, in Spain and Italy the per capita consumption is very low, owing to the internal taxes, and other conditions imposed. While in the United Kingdom, where all sugar is imported, and a duty of 40c per hundred pounds assessed with no internal revenue taxes imposed, the per capita consumption is relatively the highest, being 92 pounds. When the United Kingdom admitted sugar free the per capita consumption just prior to the Boer War was 110 pounds. England imports her fruits and sugar and supplied the world with preserves, jellies, etc. The relatively high price of sugar in the United States operates to prevent its more general use in the manufacture of fruits and preserves of all kinds, and by adding to the cost of these articles, limits their consumption.

While this is the greatest fruit growing country in the world, our exports of jams, jellies, etc., are comparatively small, as we cannot compete in neutral markets with countries like Great Britain, which has the advantage of cheap sugar. The removal of the tariff would greatly increase the consumption of these articles in many cases and canners would be able to purchase and preserve fruits that are now being wasted for lack of a market.

Mr. Palmer is guilty of "substantial error" in representing the per capita consumption of sugar in the United States for the year 1910 to be 79.2 pounds. According to Willett & Gray the authority recognized and followed by the Government, it was 81.6.

Mr. Palmer's statement that, of the per capita consumption of sugar in the United States for 1910, only 53.7 pounds were consumed *directly* by the individual and the balance of 25.5 pounds *indirectly* in products of manufacture, constitutes a most wilful misrepresentation.

The Eighteenth Annual Report of the Commissioner of Labor for the year 1903, under the heading of "Cost of Living and Retail Prices of Food," contains a computation on page 647 based upon statistics gathered in 1901 regarding the amount of sugar consumed by 2,567 families scattered throughout the United States, *whose average size was 5.31 persons and whose highest income was $891.82, and lowest $715.46.* The average amount consumed annually by such a family was found to be 268.5 pounds. For the sake of convenience Mr. Palmer *assumes* the average size to be five instead of 5.31 persons, and by dividing 268.5 pounds, the amount consumed by the entire family, by five, the assumed average size, he arrives at his magic figure of 53.7 pounds, as the amount of direct consumption. Having made this discovery in this manner, *he assumes that it is to be the same for all time to come and attempts to apply it to the year 1910.*

Now the per capita consumption in the United States in 1901 was 69.7 pounds and had reached 81.6 pounds in 1910. If 53.7 pounds, or 77%, went into direct consumption in 1901, then but 16 pounds, or but 23%, remained for indirect consumption. Applying the same percentage basis to 1910 we find that the direct consumption would be 62.83 pounds, instead of 53.7, and the indirect 18.77 pounds, instead of 25.5 pounds, and the amount consumed by a family of five persons 314.15 pounds, instead of 268.5 pounds. But these estimates of direct and indirect consumption for either 1901 or 1910 are necessarily unsatisfactory and inconclusive, inasmuch as they are confined to families of the most moderate means and exclude the well-to-do and wealthy families who consume relatively more directly.

We wish to call particular attention to the insidious nature of this misrepresentation as it is applied frequently throughout the volume and forms the very keystone in the construction of all Mr. Palmer's calculations regarding the unimportance of the annual cost of the tariff to the consumer.

It even misled no less a personage than the keen and circumspect Senator Lodge, who accepted this basis as conclusive in estimating the annual cost of the tariff to the consumer in his memorable speech on the sugar tariff, though he makes the following surprising assurance in connection with the acceptance of this basis. "Thus taking the figures of the Bureau of Labor as correct, *and my own personal investigation made before I knew them, confirms the official statistics.*" In the light of the actual statistics as quoted by the Bureau of Labor and the application made of them by Mr. Palmer, we are curious about the nature of the "personal investigation" conducted by the Senator that resulted in "confirmation" of such obviously erroneous deductions.

As an example of the extremes to which the advocates of a high tariff will strain in order to minimize the importance of the cost of the tariff to the consumer, wish to call further attention to the testimony of Fred R. Hathaway, Secretary of the Michigan Sugar Company, at the last hearings on the Sugar Schedule before the Senate Finance Committee. He testified that of the 81 pounds of our annual per capita consumption of sugar but 30 pounds went into direct consumption and the balance of 51 pounds into indirect, in such products of manufacture as condensed milk, crackers, confectionery and chewing gum, and cited statistics attempting to account for the use of the entire 51 pounds in these products of manufacture. While working towards the same end, these two notable "authorities" seem to be very much apart. According to Mr. Hathaway's figures, assimilated to Mr. Palmer's methods of calculating the annual cost of the tariff to the consumer on the basis of 53.7 pounds per capita and a tariff cost of 1.346c per pound, the tariff would cost the individual 17.33c less per annum than nothing at all, as the total cost would be but 41c, of which 58.33c would be the amount paid out in revenue, in accordance with Mr. Palmer's calculations in Chart No. 7. For the future we suggest that two such celebrated "authorities" should compare notes so as to be more in accord in presenting the merits of their common cause. Mr. Hathaway's testimony will be found at page 675 of the printed volume of these hearings.

But all of such calculations and deductions only serve to emphasize the futility of trying to separate the direct from the indirect consumption or estimate the relative cost of each. As the beet sugar factories do not make any distinction between the individual and the trade in carrying on their business, conducting their sales, in estimating their average price and year's profits, why should any be attempted with the design of obscuring the actual cost of the tariff to the consumer? After all it is not the *form* in which sugar is consumed, but *the amount consumed*, that controls in this later respect. So when our annual per capita consumption of sugar is 81.6 pounds and the annual cost of the tariff is 1.60c per pound, the total annual cost to the consumer in revenue to the Government and tribute paid to the domestic and tariff-favored sugar interests is $1.30 and to a family of five amounts to $6.50, instead of 13.95c, or 69.75c to a family of five in accordance with the calculations of Mr. Palmer in Chart No. 7, and amounts in pounds per family to 408 instead of 268.5.

Mr. Palmer seems to concede that there might be some impropriety in taxing the consumer for the benefit of the beet-sugar industry, but contends that none of the manufacturing industries in the United States should complain because they are forced to pay tribute to the beet sugar industry through the high price they must pay for their sugar and are thus badly handicapped. We do not agree with this theory that other industries should be handicapped for the special benefit of the beet-sugar industry.

Furthermore, Mr. Palmer's claim that the reduction in the price of sugar, resulting from a reduction in the tariff, would not be reflected in the price to consumers of articles in which sugar is consumed indirectly, is erroneous. While this might be true of a slight reduction of the duty, it could not be true if a material reduction were made, because it is impossible to cut manufacturers' first cost without competition entering into the situation and taking care of a reduction in the price of the finished product. We do not have to resort to theory on this point, and will quote a letter received from a manufacturer of condensed milk, reading as follows:

Philadelphia, Pa., November 27, 1912.

Mr. F. C. Lowry, Sec'y,
138 Front St., New York City.

Dear Sir: Replying to yours of Nov. 26th, we beg to advise that approximately 17 pounds of refined sugar enters into the manufacture of an average case of condensed milk. This, figured at 1⅝c per pound, increases the cost of condensed milk per case by 27⅝c. There are 48 cans to a case, and the cost to the manufacturer is therefore increased by more than one-half cent per can. This one-half cent could be saved to consumers were the sugar duty abolished Yours very truly,

HIRES CONDENSED MILK CO.
H. C. Hooks, Secretary.

Inquiries were also made among the candy manufacturers and it was found that those who handled bulk candies were in favor of free sugar, or a material reduction in the present rate of duty, while those who handled package goods were not so keen for it. This was not easily comprehensible at first, but when questioned further the package goods men said in substance:

"Well, our industry is at present standardized. We have certain sizes of packages recognized all through the industry, we will say, to sell for 5 cents or 10 cents each. If you reduce the price of sugar we will have to give a larger package for 5 cents or give our present five-cent package for less money. That would mean a reorganization of our business and a lot of trouble."

Thus you will readily see that the consumer would get all the benefit from a reduction in the duty on sugar.

On this point, we would like to refer to the testimony of Mr. Willett, of Willett & Gray, before the Hardwick Committee (pages 3554 and 3547).

> Mr. Willett: "I would like to have the Committee satisfied that any reduction of duty goes to the consumer and any addition of duty is paid by the consumer in any year under any duty which differs from any other duty, making necessary allowances for market fluctuations affected by supply and demand."

and on page 3547 we find this statement:

> Mr. Willett: "All the analyses of changing from duty to free sugar show that whenever duty is taken off the cost of refining decreases and when the duty is added the cost of refining increases, but these analyses also show that whenever duty is taken off the consumer gets the full benefit of the amount of duty taken off and also a part of the lower cost of refining, and whenever the duty is increased the refiners bear a certain portion of the increase and the consumer does not pay the full addition of the duty."

Mr. Willett further made some calculations to prove the correctness of his statements.

CHART No. 7.

This presents a striking example of the desire of the beneficiaries of the present high tariff on sugar to mislead the public, in order that they may continue to reap, at the expense of the consumer, the benefits of this special-privilege legislation.

The import duties and excise tax, or internal revenue tax, are lumped together instead of given separately. This is for the purpose of conveying the impression that the total of the two taxes represents the degree of protection accorded to the beet sugar industry abroad, and by such subterfuges attempt to prove that sugar in the United States is neither subjected to a heavy tax nor is accorded an unusually amount of protection. This is not a fact. The import duties, prevailing in Germany, France, Belgium and Austria, the largest beet-sugar producing countries in the world, according to the terms of the Brussels Convention, are 52c per hundred pounds on refined and 47c per hundred pounds on raw sugar, and these duties represent the extent of protection accorded that industry. This is in contrast to an import and protective duty in the United States of $1.90 per hundred pounds upon refined sugar, $1.685 upon imported 96° raw sugar and $1.348 upon Cuban raw sugar of 96° test, in the United States, where no internal revenue taxes on sugar are in effect. In Europe both the imported and domestic sugars must respond to the payment of the excise tax, which is assessed in addition to the import duty, as mentioned above.

So as to make this point clear, we will take Germany as an example. Mr. Palmer has compared the total tax on refined sugar, $2.03 per hundred pounds, with the protective rate in the United States upon refined sugar of $1.90. Refined sugar entering Germany is required to pay a duty of 53c per hundred pounds. (This is the protective rate.) In addition it is required to pay $1.50 per hundred pounds internal revenue tax, making the total tax paid before going into consumption $2.03 per hundred pounds. But this is not the protective rate, as all the sugar, produced in Germany, before going into consumption must also pay this internal revenue tax of $1.50 per hundred pounds, so as to contribute to the public revenue. It is therefore apparent that the protective rate is represented only by the difference between the two taxes.

German tax on imported sugars....	$2.03 per 100 lbs.
German tax on domestic sugars....	1.50 per 100 lbs.
Difference, or protective rate......	.53 per 100 lbs.

in contrast to $1.90 in the United States.

Similar conditions exist in other European countries, the import tax showing little or no variation, with the exception of Russia, Spain and Italy, the difference being in the internal revenue taxes, which run as high as $3.50 per hundred pounds in Austria-Hungary.

It will be noted that our beet sugar factories now have about 3½ times as much protection as those of Germany, France and Austria-Hungary, the largest beet-sugar producing countries in the world, outside of

Russia. The domestic beet-sugar producers make much of the fact that at one time the countries of Europe gave a direct bounty to beet-sugar manufacturers. In the old days when this was done the bounty only amounted to 25.9c per hundred pounds in Germany, 13.7c in France and 20.3 in Austria, so it will be seen that if, in addition to the protective tariff the European countries were still giving direct bounties similar to the above, the total subsidy, direct and indirect, would be less than half that now granted by the United States.

With reference to the note appearing on page 20, quoting from the Finance Committee's Report (Republican), on the House Free Sugar Bill, let us point out that this calculation on saving to consumers is based on false assumption. In the first place, they assume an individual consumption of 53.7 pounds and are pleased to take for granted that the saving to the consumer would only be this amount multiplied by 1.34c, the alleged average rate of duty paid in 1911 on importations of raw sugar. The amount of revenue collected from sugar in 1911 was $52,496,559. If we multiply the amount of duty paying imported sugar, to wit, 1,608,318 long tons, by 1.34c per pound, the alleged average rate, we get about four and a quarter million dollars less than the amount actually collected on sugar during that year, which proves that the assumption is intrinsically wrong. There is no such rate, as an "average rate of 1.34c per pound." The minimum rate of duty in the United States is on importations of sugar from Cuba and is 1.348c per pound for 96° test raw sugar, which is the standard basis of test.

We can find out exactly the extent to which refiners' prices have been advanced, as a result of the tariff.

In recognition of our moral obligations to Cuba, a reciprocity agreement with that island was concluded on December 28, 1903, by which in return for concessions made to our imports we agreed to allow the entry of Cuban sugar at 20% under the full tariff rates, or upon the basis of 1.348c per pound for 96° test raw sugar.

This was done for the purpose of stimulating in Cuba the development of their principal product by affording a certain market and thus assisting her towards the establishment of a settled form of Government founded upon a sound financial basis. Any intention of lowering the price to the American consumer was not involved.

Since this reciprocity agreement, however, an impression has been spread abroad by opponents of tariff reduction that the real basis of protection to be considered is now the Cuban rate of 1.348c instead of the full rate of 1.685c per pound on raw sugar, or 1.90c on refined. What gives rise to this supposition is the fact that almost all of the duty paying raw sugars which comprise half of our importations come from Cuba and since they are allowed to enter upon the basis of 1.348c per pound they must be sold at a lower duty paid price than the in bond price of foreign sugar, plus the full duty. Let us show how this does not necessarily follow.

Taking the record of the Department of Commerce and Labor, Bureau of Statistics, No. 240, page 517, it shows that the average cost per pound, free on board in foreign countries of the raw sugar imported 1905-1911, inclusive, was 2.378c per pound. To this we must add the freight to get the average cost laid down at United States ports, .14c, making the in bond price at United States ports 2.518c. During these seven years the margin between the price paid by refiners for their raw material, and the selling price on refined was .859c per pound. If refiners did not have to pay any duty and added this margin to the in bond price of the raw material, 2.518c per pound, it would have made their average selling price for these seven years 3.377c per pound. Willet & Gray show that the average New York refiner's price for these years was 4.98c, *or an increase by the tariff of 1.603c per pound,* for which the tariff is alone responsible.

The following is Mr. Palmer's method of arriving at "The Gross Annual Saving," "The Annual Loss in Revenue" and "The Net Annual Gain," Per Capita, in this Chart. The direct per capita consumption of sugar is assumed to be 53.7 pounds, (though on page 51 it is assumed to be 59.92 pounds). Then the average cost to the consumer, by reason of the Tariff, is assumed to be 1.346c per pound, which is lower even than the very lowest rate collected upon our imports of sugar, namely, the Cuban Rate of 1.348c per pound. Then this 53.7 pounds is multiplied by 1.346c in order to arrive at the total cost to the consumer, which results in 72.28c. But, from this, the amount collected in revenue is to be deducted, so Mr. Palmer divides $52,445,000, the amount of revenue collected on sugar in 1910, by 90,000,000, the total population of the United States, though 53.7 pounds represents only 68% of the total per capita consumption, and ascertains, by this manner of division, that the revenue collected costs the consumer 58.33c per annum, which he deducts from 72.28c, thus leaving a net annual cost to the consumer of only 13.95c, by reason of the Tariff on sugar.

Now, this method is faulty and subject to criticism in many respects, but, principally, because the cost of the Tariff to the consumer annually is more than double the amount collected in revenue, because less than one-half of the sugar we consume pays any duty and the domestic and tariff-favored interests, inside our Tariff Wall, take advantage of the duty levied upon the imported half to increase their price to the full extent of the amount levied upon the duty-paying imported sugars. Hence, even upon Mr. Palmer's method of calculation, the cost to the consumer should be twice the amount assessed against the consumer for revenue or $1.17, plus the 13.95c, which would amount to $1.31 in all, instead of 72.28c, which amount corresponds with our views regarding the Annual Cost of the Tariff to the Consumer.

CHART No. 8 (Page 21).

The purpose of this comparison of Mr. Palmer's is doubtless to convey the impression that the producer in the United States receives less for his product than the producer abroad. If this is true, then it is apparent that the producer in the United States needs no protection from his foreign competitor. But Mr. Palmer knows that this is not a fact, and so in a concluding note he refers to an internal revenue tax (that increases the price) of one to eight cents a pound which is levied abroad, both on domestic and imported sugar.

This is the tax he failed to mention when compiling Chart No. 7, where he attempted to show that the protection afforded to the industry in the United States, as compared with other countries, was not particularly high. We are, however, glad to see that Mr. Palmer now considers that the protective tariff abroad is "sufficiently large to protect the domestic sugar from competition with tropical sugar." This is in accord with our ideas. The writer recommended a tariff of 60c a hundred on raw sugar of 96° test in contrast to the present "pork-barrel" rate of $1.685 per hundred. In other words our recommendation was nearly 29% higher than the rate of 47c charged by the countries of Europe, the protective rate that Mr. Palmer terms "sufficiently large."

In order to raise sufficient revenue to support a large standing army and other expenses that do not fall on the Government of the United States, European governments have seen fit to require their producers to pay a heavy internal revenue tax on sugar. This, of course, advances the price to the consumer to the extent of the tax, which for example is in Germany 1.51c per pound, Austria 3.50c per pound, and France 2.53c per pound.

And so if we are to compare the position of the domestic producer in the United States with the domestic producer in these foreign countries the internal revenue tax should first be deducted from the price at which sugar is sold. If this is done we find that in July, 1911, the retail price abroad was the following.

City.	Retail Price July, 1911.	Excise Tax.	Retail Price Less Excise Tax.
Berlin	4.90c	1.51c	3.39c
Magdeburg	4.90c	1.51c	3.39c
Paris	5.90c	2.53c	3.37c
Marseilles	6.10c	2.53c	3.57c

while the retail price in the United States where the domestic producers did not have to pay any internal revenue taxes was fully 6.35c based on the average refiner's quotation in New York for July of 5.35c.

The theory of the domestic producer in the United States seems to be that if consumers are getting their sugar at as low a price as consumers in Europe they should not complain—even if it is true that the high price abroad is due to taxes levied and collected by the Government, whereas in the United States the high price is due to the tax levied only on the imported half of our sugar by the Government, but collected by the domestic producer, or tariff-favored interests, on the balance. In other words, when the internal revenue tax is placed on sugar in Europe the Government receives all the benefit. When a high import tax is placed on sugar in the United States the Government derives revenue only from that half of the sugar we consume that is imported and the domestic producer profits to the same extent on the half of our consumption that is produced inside our tariff wall.

Now let us see how Mr. Palmer's figures misrepresented the situation abroad:

These prices purport to be taken from "Quotations gathered by the State Department from American Consuls in Europe." We herewith submit the exact list of prices so gathered, in order to show not only that some of these prices are incorrectly quoted, but also that the prices of the various countries are misrepresented, and that, with few exceptions, the very highest quoted are adopted for the European countries, and the very lowest, New York, for the United States. Also, that the price of loaf sugar is quoted in some instances, instead of granulated, to be compared with refined granulated in the United States where loaf sugar sells ¼c to 2c per pound above granulated.

STATEMENT SHOWING THE COMPARATIVE RETAIL PRICES OF SUGAR PER POUND IN FOREIGN COUNTRIES, JULY, 1911.

(Compiled by the Bureau of Trade Relations, Department of State, from Consular Reports.)

Countries (and Cities)	July, 1911 Cents	Description of grades of sugar to which prices apply.
Great Britain		
London	4.0	Granulated
Liverpool	4.0	Granulated
Manchester	3.8	Granulated
Leeds	4.1	English Cane (Granulated)
Glasgow	4.5	Granulated
Dublin	4.1	Crystals (Tate's twos, etc.)
Germany		
Berlin	4.9	Fine Soft White, 2nd quality
Hamburg	5.9	Granulated (refined)
Magdeburg	4.9	Granulated (refined)
Nuremburg	5.0	Crystal Powdered
Cologne	4.7	Grade in general use
Frankfort on the Main	5.2	Loaf (Brode)
Breslau	5.2	Refined I coarse grain
France		
Paris	5.9	No. 3 White Crystallized
Marseilles	6.1	No. 3 White Crystallized
Bordeaux	6.8	No. 3 White Crystallized
Nantes	5.9	Loaf
Lyons	6.5	Granulated
Roubaix	6.6	Granulated
Italy		
Rome	14.0	Centrifugal (refined)
Naples	14.0	Centrifugal (refined)
Genoa	14.5	Centrifugal (refined)
Venice	14.5	Refined
Milan	11.7	Refined
Austria-Hungary		
Vienna	6.5	Crystal
Budapest	6.8	Granulated
Carlsbad	8.4	Granulated
Prague	7.3	Cones (refined)
Trieste	8.9	Squares and Cubes
Russia		
Moscow	8.3	Refined in Loaves
Odessa	7.4	Refined in Loaves
Riga	8.6	Loaf
Warsaw	7.2	White Crystal
Switzerland		
Geneva	4.4	Pounded Refined
Zurich	5.1	Loaf Granulated
St. Gall	4.9	Best White
Berne	4.2	Loaf in Sacks

The Netherlands		
Rotterdam	8.2	Refined
Amsterdam	8.7	White Refined Superior
Belgium		
Brussels	5.4	Refined in grains
Antwerp	7.0	White powdered
Liege	4.8	Crystallized in bags
Denmark		
Copenhagen	5.0	White Granulated
Sweden		
Stockholm	8.0	Refined Granulated
Gothenburg	7.7	White Household Granulated
Norway		
Christiana	6.3	Granulated glebe white
Bergen	6.3	Granulated glebe white
Spain		
Valencia	8.7	Refined lump
Madrid	12.2	Loaf
Malaga	9.4	Refined white cane blocks
Jerez de la Frontera	11.9	Cane Loaf
Seville	10.5	Cut Loaf
Turkey		
Constantinople	5.1	Trieste Square Sugar
Romania		
Bucharest	10.1	Loaf and Granulated
Greece		
Athens	11.4	Austrian Lump
Patrias	12.3	A 1 Fine White
Servia		
Belgrade	8.7	Grade in general use

In contrast the average retail price for July in the United States was not less than 6.35c per pound.

Differences in grades make comparisons difficult, but from the above list of prices it will be seen that the retail price of sugar is 3.8c per lb. in Manchester, 4c per lb. in both London and Liverpool, 4.1c per lb. in Dublin and Leeds and only 4.5c per lb. in Glasgow. These constitute all the cities quoted in the above list. At no place in the United Kingdom was the retail price of granulated sugar as high as 5c per lb. as represented by Mr. Palmer; the average retail price for all six places being but 4.08c per lb.

The price for Germany is represented to be 5.9c per pound. This is the quotation for Hamburg, the very highest reported out of seven cities in Germany. Berlin and Magdeburg were each a cent a pound below this quotation, namely, 4.9c, and Cologne 4.7c per pound. The Average Retail Price of all German cities was 5.14c per lb. as compared with 5.9c per pound, represented here. The Retail price for Switzerland is represented to be 5.1c per pound, which is the price quoted for loaf sugar at Zurich and is the very highest reported out of four cities, Geneva being 4.4c per pound, and Berne, 4.2c, with an Average Retail Price for Switzerland of 4.65c per pound, despite two quotations for loaf sugar. In the United States, loaf sugar is quoted ¼ to 2c per pound above granulated and in Europe the price for loaf above granulated varies from ⅛ to ¾ of a cent per pound. The Retail Price for the Netherlands is given as 8.7c per pound, this being the Amsterdam quotation, while Rotterdam is 8.2c per pound, showing an average for the Netherlands of 8.45c per pound instead of 8.7c per pound. The retail price for Belgium is represented to be 5.4c per lb. Brussels, while Liege is 4.8c, the quotation of Antwerp being for powdered sugar which is more expensive than granulated. The price for Sweden is represented to be 8c per lb., this being the Stockholm quotation, while Gothenberg is 7.7c per pound. The price for Spain is represented to be 12.2c per pound, this being the extreme price for that country at Madrid, Valencia being 8.7c per pound, Malaga 9.4c per pound, while the other two cities quoted are lower than Madrid. The Retail Price for the United States is alleged to be 5.7c per pound. This is arrived at by assuming that the New York Wholesale Price for July, 1911, was 4.90c per pound, to which was to be added .79c per pound ascertained as the average cost of distribution in New York between 1890 and 1907 by the Bureau of Labor. Now the period between the last day of June and the first day of October in 1911 was an abnormal one in the history of the sugar trade. The New York Wholesale Price for granulated started at 5c per pound on June 29, and reached 5.65c per pound by July 31st. The average for the whole month was 5.35c per pound. To this it is customary to add fully one cent per pound to allow for cost of distribution including Wholesalers and Retailers profits, in order to arrive at an Average Retail Price for the whole of the United States. If we follow out this method the Retail Price for the month of July, 1911, would be 6.35c per pound instead of 5.69c per pound as represented here. In contrast to an allowance of .79 per pound for cost of distribution in arriving at the representative retail price for the whole United States in this Chart, in Chart No. 24 Mr. Palmer makes an allowance of .875c per pound, and in Chart No. 13 he admits to a New York Wholesale Price for granulated of 5c per pound on June 29th, 5.10c per pound on July 6th, and 5.45c per pound on July 27th, 1911, but he now chooses to assume a price of 4.90c per pound for July, 1911, in arriving at this alleged Retail Price of 5.7c per pound for the whole United States during July, 1911.

It is only by selecting these very highest prices and including such countries as Italy where the Retail Price is 14c per pound of which 8.67c represents taxes, Spain 12.20c per pound of which 7c represents taxes, Greece 11.04c of which 7.90c is taxes, Portugal 10.3c of which 7.26c is taxes, and Bulgaria 10.1c of which 6.56c is taxes that he arrives at his average retail price for all Europe 7.8c per pound and alleges an average for the whole United States 5.69c per pound. Now the only fair way to arrive at a proper comparison is to deduct the combined taxes of these various countries from the Retail Price and then compare the result with the average American Price less 1.60c per pound, the amount by which it is increased by reason of the tariff according to our calculations or by 1.34c per pound, the amount claimed by Mr. Palmer that the American price is increased by reason of the tariff. By such a method of comparison we would have an American Average Retail Price for July, 1911, of 4.75c per pound in accordance with our contention and 5.01c per pound in accordance with Mr. Palmer's view, to compare with the following European retail prices:

EUROPEAN AND AMERICAN RETAIL PRICES FOR SUGAR DURING JULY, 1911.

	Retail Price Per Pound.	Import and Internal Revenue Taxes Levied Per Pound.	Retail Price Less Taxes Levied Per Pound.
London	4.00c	.40c	3.60c
Liverpool	4 00c	.40c	3.60c
Manchester	3.80c	.40c	3.40c
Berlin	4.90c	2.03c	2.87c
Hamburg	5.90c	2.03c	3.87c
Magdeburg	4.90c	2.03c	2.87c
Cologne	4.70c	2.03c	2.67c
Paris	5.90c	2.89c	3.01c
Marseilles	6.10c	2.89c	3.21c
Bordeaux	6.80c	2.89c	3.91c
Lyons	6.50c	2.89c	3.61c
Rome	14.00c	8.67c	5.33c
Vienna	6.50c	4.02c	2.48c
Budapest	6.80c	4.02c	2.78c
Geneva	4.4 c	.79c	3.61c
Zurich—(Loaf)	5.10c	.79c	4.31c
Berne	4.20c	.79c	3.41c
Rotterdam	8.20c	4.92c	3.28c
Amsterdam	8.70c	4.92c	3.78c
Brussels	5.40c	2.27c	3.13c
Liege	4.80c	2.27c	2.53c
Copenhagen	5.00c	1.71c	3.29c
Madrid (Loaf)	12.20c	7 c	5.20c
Stockholm	8 c	3.70c	4.30c
Gothenberg	7.7 c	3.70c	4 c

Constantinople (Loaf)	5.1 c	.25c		4.85c
Lisbon	10.3 c	7.40c		2.90c
Athens (Loaf)	11.4 c	7.90c		2.50c
Bucharest	10.1 c	6.56c		3.45c
Belgrade	8.7 c	5.26c		3.44c
Christiana	6.3 c	2.43c		3.87c
Sofia (Loaf)	7.2 c	4.69c		2.51c
United States	6.35c	1.60c	(Lowry)	4.75c
United States	6.35c	1.34c	(Palmer)	5.01c
United States	6.35c	1.44c	(Willett)	4.91c

Of course the deductions made for the United States do not apply to domestic sugar.

By such a method of comparison it appears that the Retail Price in the United States, despite the advantage it possesses of abundant sources of cane and beet-sugar supplies, was the highest of any place in the world except Rome and Madrid, where sugar is regarded as a luxury and where the general use of it is almost prohibitive on account of the price and where the per capita consumption is lower than any other country in the world.

These prices were based upon the Retail Prices of granulated sugar abroad, and Mr. Palmer's deductions are based solely upon quotations for granulated. Hence, a discussion about loaf sugar in connection with such comparisons is entirely beside the question.

CHART No. 9 (Page 22).

According to Willett & Gray, the per capita consumption in 1890 was 54.56 lbs. instead of 50.7 lbs. as represented in this Chart, and in 1900, 66.6 lbs. instead of 58.9 lbs., and in 1910, 81.6 lbs. instead of 79.9 lbs., as here represented.

In 1891 it was 67.46 lbs. This was the first year of free raw sugar and shows an increase of 22.96% over 1890, the year that Mr. Palmer selected for his purposes. Seven years later, in 1898, it had dropped to 60.3 lbs. during which year the effect of the present tariff rates began to be felt. In 1899 it was 61 lbs. In 1894 it was 66.64 lbs.; 1895, 64.23 lbs., the effect of the rate fixed in the Wilson bill of 40% advalorem was then beginning to be reflected in the consumption. This was more noticeable in 1896 when the per capita consumption had fallen to 60.9 lbs. In 1897, the year the present rates went into effect, the annual per capita consumption was 63.5 lbs., which in 1898 had dropped to 60.3 lbs. All of these figures illustrate to what extent the consumption of sugar is effected by the tariff. As a matter of fact the per capita consumption in 1900 was .86 of a pound less than in 1891, when the period of free raw sugar went into effect, thus showing that an increase in consumption during a period of nine years was altogether negatived by increases in the tariff.

Mr. Palmer did not make use of the reliable figures of Willett & Gray, though they were available, and are the authority in the United States. He was also careful to select convenient periods so as to show contrasts that would support his argument without taking into consideration the various tariff changes.

CHART No. 10 (Page 22).

We call your attention to the fact that the prices quoted are not the prices consumers pay for their sugar. They are the New York Wholesale Prices as quoted by Refiners. As the New York Price now is the lowest price of anywhere in the United States, and has been for the last 25 years, to arrive at an average price to the consumer fully one cent per pound would have to be added to this figure. The periods of 1870 and 1880 are too remote to afford any correct basis of comparison with prices of the present day. Those prices were largely governed by tariff conditions and supply and demand.

Mr. Palmer selects convenient ten-year periods in order to mislead. Now in 1890 there was a duty of 2.24c per pound upon 96° test raw sugars, which was entirely eliminated in 1891. Hence the price in 1890 was affected to the extent of 2.24c per pound by the duty. To illustrate the effect of the removal of the tariff the wholesale price in 1891 declined 1¾c per pound in one week. As the effects of the removal became apparent the price dropped to 4.346c per pound in 1892, 4.12c in 1894 and 4.15c in 1895 as the immediate result of the removal of the duty. The price in 1900 selected for comparison is the very highest in the 20 years' period between 1890 and 1910 and is only exceeded by the average wholesale New York price for the year 1911 which was 5.345c per pound which Mr. Palmer was careful not to mention though the data was available, for fear he might upset his argument and charts. Now the average price for the 20 years between 1891 and 1910, inclusive, was 4.718c per pound, which shows that in 1910 the cost of sugar was 28c per 100 lbs. above the average price for 20 years and rather explodes the claim for reduction due to domestic production. We print herewith the New York Wholesale prices for Granulated Sugar from 1891 to 1911, inclusive, showing that the price in 1911 was the highest during that period and that the price used by Mr. Palmer for his purposes of comparison in order to illustrate a reduction, was the highest during that 20-year period with the exception of 1900, 5.32c, 1901 5.05c, 1905 5.256c, and 1911 5.345c. The following are the New York Wholesale Prices: 1891 4.641c, 1892 4.346c, 1893 4.842c, 1894 4.12c, 1895 4.152c, 1896 4.532c, 1897 4.503c, 1898 4.965c, 1899 4.919c, 1900 5.32c, 1901 5.05c, 1902 4.455c, 1903 4.638c, 1904 4.772c, 1905 5.256c, 1906 4.515c, 1907 4.649c, 1908 4.957c, 1909 4.765c, 1910 4.972c, 1911 5.345c, and 1912 5.04c.

TABLE PAGE 22.

Here we have another example of the desire to present misleading figures. Perhaps no one knows better than Mr. Palmer that the average price per ton of beets in 1909 was not $6.00 as here represented. According to the Department of Statistics, the average price was $5.35 per ton. This represents an increase between 1899 and 1909 of 22% instead of 36% as here represented. It is interesting to note that Mr. Palmer now claims that in 1899 the cost of production of beet sugar was 4.25c per pound. In contrast to this, reference to the record shows that when the beet sugar men were trying to interest capital the claim was freely made that beet sugar could be produced under 3c per pound, some figures being as low as 2½c per pound. We see here the difference between claims made when looking for financial assistance and when looking for tariff assistance. We would call your attention to the fact that in Germany the average price per long ton paid for sugar beets in 1900 was $4.76; in 1911-1912, it had advanced to $6.07, so it will be seen that prices in the United States have not advanced to the same extent as in Europe. In addition the German farmer received the beet seed free from the factory and had returned to them 40% to 60% pulp. In the United States the farmer buys his beet seed from the factory and none of the pulp is returned to him for feeding purposes, but it is sold as a by-product by the factory at a nice profit.

Now let us see whether the factories in the United States really did pay more in 1909 than in 1899 for what the farmer delivered to them. In the first place, our beet sugar factories do not buy beets, in a strict sense, as the beet is only a "container." They do buy the sugar in the beets. Now the amount of beet sugar extracted per ton of beets in this country increased from 199.6 in 1899 to 252.8 pounds in 1909, or 26%. So, as a matter of fact, the American farmer was delivering the factory 26% more sugar in 1909 than in 1899 and only receiving an increase in price of 22%, or 4% less on the basis of sugar content.

The Hardwick Committee, in an unanimous report, taking good, bad and indifferent factories, showed an average cost to produce beet sugar of 3.54c per pound. Mr. Palmer now tries to stretch this to 3.67c per pound. None of these prices represents a "proper cost" for producing beet sugar in the United States. Where a factory is properly located, thoroughly equipped and competently run, as was the case with the Spreckles Sugar Co. of California, the cost of producing beet granulated is reduced to 2.70c per pound, as their returns show. It is well known that around 3c per pound should be the "proper cost" of production in the United States, and when the figures are stretched, even to 3½c, it moves into the "illegitimate industry" class.

In this connection it strikes us as significant that the domestic beet sugar factories who are asking Congress for the privilege of taxing American consumers are reluctant to show an honest statement of the cost of production. With the exception of the American Beet Sugar Co. no yearly statements are issued, and every effort is made to conceal profits. Not in the entire record of testimony will be found an itemized statement of cost in a well-equipped and properly located factory, and nowhere is the admission made that beet sugar is being produced at a low cost in this country, although it is well known that this is a fact. The idea seems to be that the higher they can make their cost appear, the higher Congress must make the tariff bounty.

Before the Hardwick Committee the American Beet Sugar Co., in order to make their cost appear high, even went so far as to include as a part of their cost of production the freight which they paid on sugar from the factory to destination. This freight, of course, was charged to the customer, the shipment being "prepaid" instead of being sent "collect" for convenience.

Perhaps the nearest thing we have to an itemized statement of cost was that given by Mr. Combs for six factories of the Great Western Sugar Co. of Colorado. This showed a stripped cost of 2.59c Mr. Combs stated that his figures were authentic and were obtained from an inside man. They appear reasonable and were never contradicted by the factory. He was representing the farmers, who complained that the beet sugar factories of Colorado were not treating them fairly in the matter of prices paid for sugar beets. On his return to Colorado the farmers got the advance asked.

Mr. Palmer also misrepresents in his attempt to conceal the overcapitalization of the beet sugar factories. His data was prepared in 1912. He goes back to 1909 and "approximates" the capitalization at $71,275,000. Reference to the Commercial Agencies will show that the beet sugar companies were capitalized in 1910 at $130,000,000 and produced 457,000 long tons of sugar; in 1911 capitalization, $142,000,000, production, 541,000 long tons of sugar. Based on their present capitalization the beet sugar factories sufficient to produce all the sugar we consume would be capitalized at $852,000,000. How could dividends be earned on this enormous capitalization and the price of sugar be reduced at the same time? The cane sugar refiners, with a capitalization of $110,000,000 invested in cane refining, produced in 1912 2,922,957 tons. The contract cost of a beet sugar factory is $1,000 per ton of daily slicing capacity and in 1889 the capitalization was on the normal basis $1,097 per ton, but by 1909 this had been extended to $2,458 per ton, or about 2½ times their cost, the increase representing "capitalization of the tariff."

CHART No. 11 (Page 23).

Mr. Palmer refers to "four sea-board refineries." The cane sugar refiners are: The American Sugar Refining Company, New York, Boston, Philadelphia and New Orleans; Arbuckle Bros., New York; National Sugar Refining Co., three refineries in New York (formerly controlled by the American Sugar Refining Company but stock is now being sold by the latter because it cannot be held under the law); the Federal Sugar Refining Company, of New York; the Warner Sugar Refining Company, of New York; the W. J. McCahan Sugar Refining Co., of Philadelphia; the Pennsylvania Sugar Refining Company, of Philadelphia; the Revere Sugar Refining Company, of Boston; the Colonial Sugar Refining Company, of Gramercy, Louisiana; the Henderson Sugar Refining Company, of New Orleans, and the Cunningham Sugar Company of Sugar Lands, Tex.; the Western Sugar Refining Company, of San Francisco, and the California and Hawaiian Sugar Refining Co., Crocket, California.

Mr. Palmer's experience must show him that there is ample competition in the refining business and that there is no "fixing of prices." If not, we refer him to the United States District Attorney.

In the suit to dissolve the American Sugar Refining Company the Government states, among other things, that it has an interest in the beet sugar factories that produce 64% of the total beet sugar production.

Now beet sugar is produced between August and January 1st. Mr. Palmer makes the claim that prices are lower while the beet sugar factories are in operation. To test the accuracy of this statement we will refer to the following table prepared by Messrs. Willett & Gray, showing the average price of refined sugar during the first and last six months for six years:

QUOTATIONS FOR GRANULATED SUGAR AT NEW YORK.

Cents per pound net cash.

	1911.	1910.	1909.	1908.	1907.	1906.
Average Jan. 1 to July 1	4.720	5.015	4.653	5.036	4.646	4.405
Average July 1 to Dec. 31	5.969	4.929	4.874	4.878	4.650	4.619
Average for year	5.345	4.972	4.765	4.957	4.649	4.515

This shows that the beet sugar manufacturer is human enough to get as much as possible for his product and that his prices are based on world's values. For example, he was very glad in 1911 to sell sugar that cost him around 3c a pound to produce at "basis" 6½c, which meant over 7c per pound in our Western States where this sugar was produced. All this because "there was a drought in Europe which reduced the European crop nearly 2,000,000 tons." This shortage advanced world's values so that refiners' first cost of raw sugar was increased from June 1st to October 1st 2.10c per pound. The advance was then checked by the new crop European beet sugars coming in the market. The cost to the domestic beet sugar manufacturers was not increased, but this did not prevent them from taking advantage of the higher price, and feeling very well satisfied that there was a shortage in Germany which enabled them to reap this additional profit.

The testimony before the Hardwick Committee has clearly shown that the domestic producers' price is based on the in-bond value of foreign sugars, plus the duty and cost of refining. In addition to these charges the beet sugar factories add the freight from New York or San Francisco to distributing market as well. In the sale of the domestic producer's product, the cost of production has no relation to the selling price. We have a clear example of this in the price of sugar in our Western States. Take March 15 as an example, and we find the following quotations made by the Cane Refiners and Beet Factories:

PRICES QUOTED ON BEET AND CANE SUGAR AT VARIOUS WESTERN POINTS ON MARCH 15, 1913.

	Beet	Cane
Guthrie, Okla.	4.56c	4.76c
Omaha, Neb.	4.48c	4.58c
Denver, Colo.	4.80c	5.00c
Kansas City, Mo.	4.48c	4.58c
Salt Lake City, Utah	4.95c	5.15c
Seattle, Wash.	4.61¼c	4.81¼c
Tacoma, Wash.	4.61¼c	4.81¼c
Helena, Mont.	5.25c	5.45c
Boise City, Idaho	5.25c	5.45c
Carson, City, Nev.	5.25c	5.45c
Los Angeles, Cal.	4.61¼c	4.81¼c
Phoenix, Ariz.	5.59c	5.79c
St. Paul, Minn.	4.47½c	4.57½c
Chicago, Ill.	4.38½c	4.48½c
Milwaukee, Wis.	4.38½c	4.48½c
Topeka, Kan.	4.56c	4.66c
Atchison, Kan.	4.48c	4.58c
Kansas City, Mo.	4.48c	4.58c
Louisville, Ky.	4.38½c	4.43½c
Cleveland, O.	4.37¼c	4.42¼c
Bay City, Mich.	4.43½c	4.48½c
Saginaw, Mich.	4.43½c	4.48½c
Detroit, Mich.	4.37¼c	4.42¼c
Pittsburg, Pa.	4.35c	4.40c
Buffalo, N. Y.	4.35c	4.40c
New York, N. Y.	4.25c	4.30c

At this point I would call your attention to the manner in which the New York price for refined sugar is arrived at.

Raw sugars coming from Cuba cost refiners, basis 96° test, cost and freight, not less than	2.22
Insurance, ½%, or	.012
Duty	1.348
	3.580
Refiners' first cost, duty paid	3.58c
Deducting usual discount of 2% from their price of 4.30c on refined, this leaves a margin to cover the cost of refining, packing and marketing of the difference between 4.22c and 3.58c, or	.64c

That shows you that the domestic producer bases his price on the New York price, and the New York price is based on the foreign price plus the duty.

The trade will not pay the same price for beet as for cane sugar, which accounts for the differential.

Notwithstanding the fact that all the sugar used in our Western States is of domestic production, either being Hawaiian cane or domestic beet, and pays no duty, the price is always higher than in the East, where the sugar imported pays a high duty. As a result of the tariff the consumers in these Western States are receiving no benefit whatever from the fact that in their immediate locality refined sugar is being produced at a cost of around three cents a pound. The price only recedes as we approach the Eastern Coast, where the domestic producers come into competition with the refiners using imported sugar. The lowest price for sugar in the United States is in New York.

Mr. Palmer reiterates the shop-worn argument of the protective tariff beneficiaries: "Keep the tariff where it is and let us reduce the price of sugar by producing all of our supply at home." The weakness of this argument has been shown time and again in other articles, but fortunately in the case of sugar we do not have to resort to theory, as the above example shows. Colorado produces more sugar than the people of Colorado consume, and the cost of beet sugar production in Colorado is as low, if not lower than any other State in the Union; yet the consumers of Colorado pay a higher price for their sugar than the consumers of almost any other State in the Union. The price of sugar in Colorado is arrived at in this way: Take the in-bond price of raw sugar, add the duty, add refiners' cost of production, add refiners' profit as reflected in the selling price; add the freight from sea-board to Colorado points and you get the price on which the domestic producer in Colorado bases his selling quotation to the Colorado trade. Similar conditions exist wherever beet sugar is produced.

The beet sugar producers are endeavoring to have Congress retain the present rates of duty which advance the price of sugar to consumers *all the year around nearly* 2c per pound because they make the claim that the domestic production lowers the price of sugar a trifle for the *two or three months* that it comes most freely on the market, which, of course, makes their position appear ridiculous.

Mr. Palmer and others who wish the present high rates maintained make the charge that "the American refiners of foreign raw sugar are expending large sums of money in an effort to obtain free raw sugar, which would destroy their only competitor," after which they could, at any time, advance their prices beyond world's values, or, as Mr. Palmer puts it, "raise the price of sugar at will." This is absurd. Does Mr. Palmer believe that it would be easier for our refiners to compete with the 16,000,000 tons of sugar, produced outside of the United States, which in the case of free sugar would have unrestricted entry, than with the 600,000 tons of beet sugar produced in the United States, 64% of which, according to the allegations in the Government's suit, is controlled by the American Sugar Refining Company?

The independent sugar refining companies, of whom the Federal Sugar Refining Company has probably been the most aggressive, have for years advocated either free sugar or a material reduction in the tariff. Not only would they quite naturally like to see their chief competitor, the "Sugar Trust," deprived of some of the Government "pap" now being received through the indirect subsidy paid to their beet sugar plants, but they would also like to have a chance at the increased business resulting from an increased consumption which would follow either a material reduction or free trade and which could be handled at a reduced expense. In other words, their position in this important matter is identical with that of the consumer, who is anxious to handle more sugar at a reduced expense.

In order to prejudice legislators, Mr. Palmer tries to show that it is the American Sugar Refining Company, or Sugar Trust, that wants free trade in order to crush out the domestic industry. This comes with rather bad grace when it is considered that the beet sugar companies, in which the American Sugar Refining Company is interested, are contributing to Mr. Palmer's annual salary of $10,000. The American Sugar Refining Company is clearly on record in 1909 as desiring that the present tariff on sugar be retained, as reference to the Payne-Aldrich Tariff Hearings, pages 3430 to 3440 shows a brief filed by this company to this effect; but seeing the hand-writing on the wall, they now state they would be willing to see a nominal reduction, and in this they express the sentiment of a considerable portion of the beet sugar producers, who, among themselves, for some months have contended that the time had come when it was better for them to admit that they could stand some reduction than to continue the hopeless task (hopeless because of the facts that have been arrayed against them) of trying to defend the present "pork-barrel" rate. This element, however, has been steadily voted down by the followers of those who, by their system of political jugglery in Washington, have been able to retain this special privilege legislation. But Mr. Palmer quotes on page 23 some testimony of Mr. Atkins, which would tend to prejudice Congress against free sugar. That neither Mr. Atkins nor the company he represents is in favor of free sugar, is clearly shown by his testimony before the Ways and Means Committee, reading as follows:

Mr. Harrison: I would like to ask the witness a question. Mr. Atkins, you are vice-president of the American Sugar Refining Company, which is popularly known as the Sugar Trust?

Mr. Atkins: It is sometimes referred to as that.

Mr. Harrison: Do you appear here representing the sentiment of the directors of that company?

Mr. Atkins: Yes, sir; with their authority.

Mr. Harrison: Are you in favor of free sugar?

Mr. Atkins: I am not, and my company is not.

Mr. Harrison: I wish to ask you further whether you know of the campaign which has been conducted by Mr. Frank C. Lowry, as Secretary of the Wholesale Grocers' Committee, in favor of a reduction in the duty on sugar?

Mr. Atkins: I have occasionally received a pamphlet expressing Mr. Lowry's views on the subject.

Mr. Harrison: It has been suggested, also, that the campaign conducted by Mr. Lowry was at the instigation of the American Sugar Refining Company; is that true?

Mr. Atkins: It is untrue. One reason why I appear before this committee is to clear that matter up, not only with your committee, but with the whole country. We are opposed to free sugar for the reasons that are given here. We are, however, desirous of a reduction in the tariff.

Mr. Harrison: What is the extent of the interest of the American Sugar Refining Company in the beet sugar plants of the United States?

Mr. Atkins: We hold not so much as we had at one time. At present I think it is——

Mr. Atkins' Secretary: It is given at page 100 of the hearing before. Would you like to have it?

Mr. Harrison: No, I will not trouble you for that.

Mr. Atkins: It was $23,000,000, the par value; it is since somewhat reduced. It is approximately $22,000,000, the par value now. We have disposed of some holdings.

CHARTS Nos. 12 and 13.

For the first time in his treatise, Mr. Palmer recognizes the peculiar conditions that existed in 1911, an exceptional year in the sugar market. Such a sensational rise in the price of sugar had not been seen in fifty years, and is not likely to be seen again. Up until July, 1911, conditions had been about normal, but then it became known that drought was seriously injuring the growing beet crop in Europe and prices began to advance. As a result of this drought the European crop was reduced from 8,113,000 tons to 1910-11 to 6,340,000 tons in the campaign of 1911-12, a shortage of 1,773,000 tons. When in the summer it became known that such irreparable injury had been done that it would affect the world's supply of sugar, prices abroad advanced sharply, the London market on June 1st being 10s 5¼d and reached 17s 9d on September 28th, or 7s 3¾d, nearly 2c per pound.

The new crop sugars began to be harvested in October and of course everyone in the sugar world recognized that, notwithstanding the shortage in supplies, as soon as these new crop sugars began to be available prices abroad would recede and that our market would do the same; also that, as far as the United States market was concerned, the market would recede further as soon as the new crop Cuban sugars became available in January, 1912. Although their cost of production had not increased the domestic beet sugar interests quite naturally took full advantage of the high prices that prevailed because of the European shortage and were anxious to dispose of as much of their sugar as possible before the lower prices which were certain to come after the first of the year when Cuban sugars would be in full supply, and as consumption in their regular territory would only take care of a certain amount of their sugars they were forced to extend their territory in order to more rapidly dispose of their product on the high market. They found it better business to absorb something in freights in order to reach remote markets and in that way dispose of their sugars before the approaching declines became effective than to carry their sugars in their own markets and sell them at lower prices later in the year.

By February, 1912, refiners' price had dropped to 5.35c as a result of their ability to get their raw sugar supplies from Cuba at 1¼c under the high point. From this it will be seen that the beet sugar producers' ideas were quite right and that it was better for them to sell in the fall of 1911 at 6.50c and absorb freights to remote markets than to carry these sugars into 1912 and sell on the lower prices quoted above. The same conditions would prevail in any year when prices were relatively high in these four months and the prospects favored a decline after the first of the year because of the large Cuba crop coming on the market. Such a condition is not the result of any virtue on the part of the beet sugar producers, but is simply a situation that would be recognized and taken advantage of by any business man.

Mr. Palmer also quotes certain testimony of independent refiners which shows that they are willing to meet the trust or foreign competition on equal terms but that they are not disposed to regard the "bounty fed" competition of the trust's beet sugar plants as fair competition.

CHART No. 14 (Page 26).

Presents rather a striking illustration of why the tariff on sugar should be removed, or materially reduced. Mr. Palmer well knows that the 600,000 short tons of domestic beet sugar produced in 1911 did not cost on the average 3¾c per pound to the manufacturer, as he now claims, or even the 3.67c that he claimed in table on page 22. Nevertheless he adopts this fictitiously high figure and arrives at the conclusion that the cost of producing this crop was $45,000,000. The average price of sugar during the last six months of 1911, when the major portion of this beet sugar was sold was 5.969c per pound. So that even taking the fanciful basis which Mr. Palmer selects for his calculations, it would appear that this beet sugar must have realized in the neighborhood of $71,-000,000, or 57 per cent. more than the cost of production.

But as a matter of fact, the average stripped cost of producing this 600,000 tons of sugar was, no doubt, nearer 3c per pound than 3¾c per pound, as stated by Mr. Palmer.

Now let us take a look at Mr. Palmer's charts and see how he misrepresents the relative returns to the people in the production of beet and cane sugar. In the first place he makes the claim that the cost of refining including labor, office help, fuel, bone-black, packages and all other supplies is $6.72 per ton, or 30c a hundred pounds, and represents this to be the cost to our refiners of taking raw sugar and placing it on the market in the shape of refined sugar.

It hardly seems possible that Mr. Palmer does not know that this figure is not correct. The barrel alone in which this sugar is packed is worth 15c per hundred pounds; the brokerage is 3c a hundred, leaving but 12c per hundred pounds from Mr. Palmer's figures to cover all other expenses. In contrast to this, we find that when figuring the cost of refining beet sugar, Mr. Palmer says they pay 2.373c per pound for their (raw material) beets, yet their finished cost is 3.75c and it will be noted that he leaves 1.38c per pound for the operation of refining and putting on the market, which after deducting the package and brokerage charges mentioned above leaves the beet sugar factory 1.20c per pound in contrast to the .12c per pound he leaves for the cane sugar refiner to cover very much the same operation.

If Mr. Palmer will look at the record he will find that it has been testified to, over and over again, that the cost of refining cane sugar and putting it on the market is about ⅝c per pound. In some factories, the cost is without doubt higher than this. But accepting this as a basis we find that the 1,801,319 short tons of Cuban sugar refined in 1911, which Mr. Palmer is pleased to refer to as "imported foreign sugar" returned to American industries $25,219,265 instead of the $12,104,863 as represented by Mr. Palmer. But this figure only represents a part of the return to American industries from the consumption of cane sugar in the United States in 1911. We find that Louisiana in that year produced 288,074 tons of raw sugar, on which they claim the average return to American industries was 3¾c per pound, or $24,198,216. To this must be added the cost of refining, .625c per pound or $4,033,036, making a total of $28,231,252. Porto Rico produced 280,622 tons of raw sugar on which they claim a cost to produce of 3c per pound and return to industries of $18,857,798; the cost of refining makes $3,928,708 or total of $22,786,506. Hawaii produced 482,231 tons at an alleged cost of 2.96c per pound on which the return to industries was claimed to be $31,973,844. Add the cost of refining and we get $6,813,734 or total of $39,083,578. In addition there were 168,408 tons of Philippine sugars refined at an estimated cost of 1¾c per pound on which the return to American industries was claimed to be $6,601,593. Add the cost of refining, $2,357,712, and we get a total of $8,959,305. All of this makes a grand total of $123,983,906 returned from cane sugar consumed in the United States, in contrast to the $12,104,863 represented by Mr. Palmer.

Thus we have an example of how Mr. Palmer has permitted his enthusiasm to disregard facts.

If the 1,800,000 tons of sugar imported in 1911 from the "foreign country" of Cuba were replaced, as Mr. Palmer suggests, by the domestic beet production, Cuba would be deprived of its natural market and the United States would be deprived of its natural source of supply. The Island of Cuba, adjacent to our shores, has been favorably equipped by nature for the economical production of sugar and it is proper that the people of the United States should enjoy the benefits of this natural advantage. For many years to come they can get all the sugar they want from these sources of cane supply, Cuba, Porto Rico, Hawaii and the Philippines, and secure this sugar at a low cost if it were not for the high tariff that enhances the price. Mr. Palmer urges that, instead of taking advantage of this, we should continue our present high tariff rate and thus enable the beet sugar companies to overcapitalize, until (on the present basis of capitalization) they reach a capitalization of $852,000,000 and we have an added production of 1,801,319 tons. Upon this enormous capitalization, the American people will be called upon to pay dividends, and the only way this can be accomplished is by a relative increase in price to consumers.

CHART No. 15.

If the farmer is to reap the indirect benefits claimed by rotating sugar beets with other crops once in every four years, it is clear that one-fourth of the available area, 274,000,000 acres, must be cultivated each years to sugar beets. This amounts to 68,500,000 acres. If 1,670,000 acres will produce all the sugar we require, it is also clear that this is such a small percentage of the amount necessary in order that the farmer may reap the indirect benefits that the real advantage to the farmer will be negligible.

Mr. Palmer doesn't pretend to explain where th labor supply, sufficient to cultivate this land in the proper manner, is to come from, or where the enormous capital necessary to the erection of so many beet sugar factories is to be acquired. It has never been a question of the amount of land available for growing sugar beets, or for that matter, any other crop.

Then, too, what is to become of the cane sugar produced in Porto Rico, the Philippines, Hawaii and Cuba. Of course the beet sugar interests know that the sugar industry in Louisiana is an unnatural one and cannot increase. All available lands in Porto Rico and Hawaii are now under cultivation, so there can be no increases from this quarter. The beet sugar men succeeded in having written in our tariff law a clause limiting the free entry of Philippine sugars to 300,000 tons annually and as Cuba is handicapped by the high tariff rate they feel they have the cane situation pretty well tied up, so far as the lowering of the price of sugar to consumers from these sources of supply is concerned.

But, as previously stated, it is not proposed to interfere with the legitimate growth of the beet sugar industry and a reduction to the rate which we urge, 60c a hundred on 96° Centrifugals will certainly not do so, as the farmer who grows sugar beets does not receive the benefit of the present high tariff on sugar.

AMERICAN AND EUROPEAN PRICES FOR BEETS COMPARED.

It will be seen that sugar beets are cultivated under vastly different labor conditions than our other farm products.

Let us see how *the position of our beet growing farmer,* who acts to a great extent in the capacity of an overseer, *compares with the beet grower of Europe.*

Quite naturally the beet sugar factories in America desire to purchase their sugar beets from the farmer at the lowest possible price. They began by paying the farmer $4.50 per ton for beets, without reference to the sugar contents. Finding the farmers would not grow sufficient quantities at this figure, the price has slowly advanced.

In some Western States a flat price per ton is still paid, but the *highest* basis that is paid anywhere in this country for sugar beets, is on the following scale: "$4.50 per ton for beets when the sugar contents is 12%, and 33 1-3 cents per ton advance for each 1% increase in the sugar content."

The average sugar content of beets in the United States is between 15% and 16%, which is nearly the same as in Europe.

In some of our far Western States the test frequently runs up to 18% and 19% or more, probably higher than in any other country in the world.

Take as a basis 15% beets, for which test the *highest price paid in the United States* would be (short ton). $5.50

Mr. F. O. Licht who is recognized all over the world as the leading statistician of Europe, gives the average price paid the farmer for sugar beets in Germany (where the tariff on raw sugar is 47c per hundred against our rate of $1.685, and on refined sugar 52c against our rate of $1.90) per long ton, as follows:

1909-10....................	$5.30
1910-11....................	5.44
1911-12....................	6.07

He also states that "conditions in the other European beet sugar countries do not differ much from those in Germany, and adds, "except that the average beet price per long ton in Russia is about".......... $9.42

L. Behrens & Sohne, for Belgium and Holland, season 1911, fixed the price per long ton at........... $5.79

These prices, however, do not tell the whole story.

F. O. Licht states: "We might add, for your information, that the beet growers of Europe receive other returns for their beets, besides the cash, viz., they are furnished with beet seed *free of charge*, (in the United States the farmer buys his beet seed from the factory), they receive allowances for freight, *and get from 40% to 60% of the pulp returned to them, without charge.*"

In the United States no beet pulp is returned to the farmer without charge, but this by-product of the factory is sold to the farmers, and nets the factory a very nice return. (Senate Hearings, page 404.)

A ton of 15% beets contains a possible 300 pounds of sugar.

We now desire to amplify and reiterate this point by quoting from the "Balance Sheet and Trade Report of the Dirschau (Germany) Sugar Factory, for the Season 1911-1912," as follows:

"We have followed the example of other factories and have increased beet prices M.—.40 per 100 kilos for 1912-1913, viz.:

"$5.80 per long ton—shipment by end of October.

"$6.04 per long ton—shipment by first half November.

"$6.28 per long ton—shipment from November 16th to closing down of factory.

"Rebates for freight will be paid as usual. The beet growers will receive additional payments if the profits 'of the stockholders amount to more than 6%.' (Our factories that have pait as much as 100% dividends would regard this as 'confiscation of property.') During the past year, 1911-1912, we have made additional payments to beet growers, *as per contract*, at the rate of 89c per ton, and we have voluntarily paid our regular shippers an additional rate of 79c per ton."

ANALYSIS OF PRICE PAID AMERICAN FARMERS.

Mr. F. O. Licht also says in regard to the position of the beet grower in Europe:

"In answer to your question whether the beet growers are interested in high sugar prices, we must say that some of them do profit by them. In Germany beets are procured in the following manner: about half of the beets are grown either by the factories on fields which they own or lease, or by individual partners, and stockholders of the factories. The other half of the beets are grown by independent farmers and sold to the factories by contracts which are renewed annually. A fixed price is agreed upon for these beets when the contracts are made and the growers of these beets naturally neither gain nor lose by any subsequent changes in the price of sugar. On the other hand conditions that govern the sale of beets that are grown by the factories or their stockholders are entirely different. As a rule a minimum price, which is always very low (this accounts for some of the low prices that have been given), is fixed and the *growers receive further payments out of the factories' profits.* At the end of each year the net profits are proportioned and distributed among the beet-growing stockholders according to the quantity of beets that each one furnished.

"It is evident, therefore, that the growers of about one-half of the beets grown in Germany are vitally interested in the movements of sugar prices."

Our beet sugar factories delight in dilating upon what wonderful things they do for the farmer, and at times boast that they "pay the farmer as much as $6.50 per ton for beets."

Let us analyze this statement, and ascertain exactly *what it is they pay for their raw material, before it enters the factory*:

First, the factories are *not buying beets,* they *are buying sugar.* When they buy a ton of beets, they are buying the sugar that is contained in those beets, and they pay on the basis of sugar contents.

When they pay the farmer:

$4.50 per ton for 12% beets containing 240 lbs. sugar they pay the farmer for the sugar that is in the beets at the rate of .... 1.87c per lb.

$5.50 per ton for 15% beets containing 300 lbs. of sugar they pay the farmer for the sugar that is in those beets at the rate of.......................... 1.83c per lb.

$6 50 per ton for 18% beets containing 360 lbs. of sugar they pay the farmer for the sugar that is in those beets at the rate of.......................... 1.80 per lb.

When they pay $6.50 for 18% beets, *they are actually paying less* for the sugar in the beets (which is what they are buying), than if they paid $4.50 for 12% beets or $5.50 for 15% beets. It is clear that the reverse should be true because of the greater value to the factory of the higher test beets.

If the factories were honest with the farmer and paid for the 18% beets (which are of greater value because they are easier to work) the same basis as on the lower test they would pay $6.73 per ton instead of $6.50 per ton.

In this way the factories take from the farmer, who they "love," a part of the benefit derived from the fact that the beets have been properly cultivated and the Lord has sent His rain and sunshine at the proper time and in sufficient quantity to produce the best results.

FACTORY POSITION TOWARD FARMERS.

The beet sugar factories have for many years paid particular attention to our tariff laws, maintaining at all times in Washington what is credited as being the strongest "lobby" there. The American Beet Sugar Association has an office in Washington, and their name appears in the telephone directory, although they do no sugar business in Washington. What kind of tariff law is it that meets with their approval?

As a further indication of the *beet factories'* lack of regard for *the beet farmer,* let us refer to the fact that for years they have been trying to get the Government to allow *sugar beets* to come in *free of duty.* They did succeed in the Payne-Aldrich tariff, in having the duty on sugar beets (in which the farmer is interested), reduced from 25% to 10% ad valorem. The rate on the ordinary garden beet remained unchanged, at 25%.

The rate on sugar beets was reduced, so as to permit the Michigan factories to import sugar beets from Canada, in competition with the Michigan farmer.

The Treasury Department's figures show that importations of sugar beets from Canada, through Detroit and Port Huron, in 1909, were 30,731 tons; in 1910, 56,950 tons. These importations paid a tariff rate of 45c per ton. The sugar contents of the beets in 1909 was about 16%, 1910 15½%, an average of 15¾%, which means that each ton of beets imported contained 315 lbs. of sugar, on which the duty was 45c, *making the tariff rate on sugar in the beets* at about 14c per hundred pounds.

SUGAR BEET SEED, which the farmer in this country might grow, but which, as a matter of fact, is all imported by the factories from Europe............*Duty Free*

SUGAR BEETS, in which the farmer is also interested, pays per 100 lbs. for the sugar in beets a duty equivalent to .... .14c

SUGAR IN THE SACK, in which the factory is interested, pays a duty per 100 lbs. on refined sugar..... $1.90

and if it is 96° test raw sugar....................... $1.685

and 20% less if imported from Cuba.

The fact that the factories "protection" is all out of proportion makes it perfectly clear that the "lobbyists" who have had so much to do with our tariff laws, and who have been paid by the sugar factories to look out for their interests, have earned their money. Yet they still go to our legislators and insist that they "want the present tariff for the benefit of the farmer." Such rot!

It is the beet sugar factory that gets the great benefit from the present high tariff rate and not the sugar beet grower.

Reduce the tariff to the rates we propose and the farmer will find his position unchanged and there is ample testimony to show that he is now reasonably well satisfied!

The beet factory proposed and put through a 10% tariff for the farmer who grows sugar beets. We now propose approximately a 24% rate for the factory, but the latter cries "ruination!"

Mr. Palmer refers to the $100,000,000 sent abroad to "foreign countries" for the purchase of sugar which we should preferably produce at home. Seventy-eight million dollars' worth of sugar is bought by the people of the United States in their insular possessions, Porto Rico, Hawaii and the Philippines, and in return the United States furnishes these islands with other commodities of about the same value. We buy about $76,000,000 worth of sugar annually from Cuba and in return our industries sell in Cuba other commodities valued at $63,-000,000, all of which promotes a larger market for our products. The promoters of our domestic beet sugar factories and land companies, however, are not interested in reciprocal trade of this kind, but desire to check it so that they may reap the benefits of the present high tariff to the exclusion of everything else.

CHART No. 16 (Page 28).

Are further attempts at misrepresentation. An attempt is made to convey the impression that it is the typical American farmer who is engaged in the cultivation of sugar beets, but this is not a fact. Let us see what the Department of Agriculture has to say about this phase of the industry. "As a rule the farmer, if he grows beets to any extent, does not have on his farm sufficient labor to take care of the work of thinning, bunching, hoeing, and harvesting the sugar beets." (Report on Progress 1901, p. 19.)

"Not only does the typical American farm and farm community lack the number of laborers required, but the labor itself is of a kind distasteful to our farmers." (Ibid., 1906, p. 24.)

The manner in which this need of extra labor has been met is instructive, not only as regards the beet-sugar situation itself, but also as regards the general trend of industry in the United States during the last generation.

Almost everywhere in the beet-sugar districts we find laborers who are employed or contracted for in gangs—an inferior class utilized and perhaps exploited by a superior class. The agricultural laborers in the beet fields are usually a very different set from the farmers. On the Pacific coast they are Chinese or Mexicans. Except in southern California, where the Mexicans are near at hand, most of the work is done by Japanese under contract, there being usually a head contractor—a sort of "sweater"—who undertakes to furnish the men. In very recent years Hindus (brought down from British Columbia) also have appeared in the beet fields of California. In Colorado, "immigrants from old Mexico compete with New Mexicans (*i. e.,* born in New Mexico), Russians, and Japanese." Indians from the reservation have been employed in Colorado, and boys have been sent out under supervisors from the juvenile cour of Denver. At one time convict labor was used in Nebraska.

In some parts of Colorado, in Montana, and the beet fields of the single factory in Kansas, Russian Germans are employed. These curious and interesting people are Germans who were imported into Russia by the Empress Catherine. They persistently maintained their race and language and religion. In recent years they have been driven from Russia by persecution. They now center about Lincoln, Nebraska, and are shipped under contract to the beet fields, where they are assiduous and much-prized workers. They are much more welcome than the fickle Indians and Mexicans; more welcome even than the Japanese, who are quick and capable, but often break their contracts. The German-Russians camp in whole families at the beet region for the summer; men, women, and children toil in the fields. In Michigan the main labor supply comes from the Polish and Bohemian population of Cleveland, Buffalo, and Pittsburgh. The circulars issued by the Department of Agriculture and by the State boards and bureaus repeatedly call the attention of the beet farmers to the possibility of employing cheap immigrants. The troublesome labor problems, it is said, need not cause worry; here is a large supply of just the persons wanted. "Living in cities there is a class of foreigners—Germans, French, Russians, Hollanders, Austrians, Bohemians—who had more or less experience in beet-growing in their native countries. * * * Every spring see large colonies of this class of workmen moving out from our cities into the beet fields." (Report on Progress, 1904, p. 37. Compare the report of the Kansas State Board of Agriculture cited above, p. 19).

Thus we see that so far as the cultivation of sugar beets is concerned, the high-class American laboring man, who must be protected, is a myth.

The expense of this field labor referred to in Chart No. 16 must be borne by the farmer and is calculated, allowed for and covered by the factory in the price they pay the farmer for his beets. Naturally, the beet-sugar factories in America desire to pay as low a price as possible for their sugar beets. They began by paying the farmer $4.50 per ton for his beets, without reference to the sugar contents. Finding the farmers would not grow sufficient quantities at this figure the price has slowly advanced. The Department of Agriculture shows that the average price for sugar beets in the United States for 1911- 1912 was $5.50 per short ton.

In Germany, where the protective tariff on raw sugar is 47c a hundred pounds (in contrast to our rate of $1.685 on foreign raw sugar and $1.348 on Cuban raw sugar of 96° test) and 52c a hundred on refined (as compared with our rate of $1.90 per hundred pounds) the average price per long ton of beets in 1909-1910 was $5.30, 1910-1911 $5.44, and 1911-1912 $6.07. In addition, the farmer in the United States is required to buy his beet seed from the factory, but in Germany, besides the money for his beets, he receives the beet seed free and has 40 to 60% of the beet pulp returned to him for feeding purposes; in the United States the pulp is sold by the factory at a nice profit.

In order to divert attention from their disposition to overcapitalize and their ability to make excessive profits on watered stock, the beet sugar interests lay much stress on the agricultural phase of their industry. The beet sugar factories themselves recognize that the farmer who grows sugar beets does not require a high protective tariff, as it has been shown above that they pay the farmer no more, and if anything, less, than is paid by the factories in Germany, where the protective tariff is about the same as we have urged for adoption in the United States.

Ample evidence has been presented by the beet sugar companies to show that the farmer is well satisfied with his present condition. The Republican party fully recognized that from an agricultural point of view no protection to the beet sugar industry was necessary and none was given. Sugar beet seed is admitted free of duty and sugar beets (both products of the farm) pay only a nominal rate of 10%. The Washington representatives of the beet sugar factories arranged for this. While retaining the high rate of duty on sugar, the product of the factory, in the Payne-Aldrich Bill, they arranged to have the tariff on sugar beets, the product of the farm, reduced from 25% to 10% ad valorem. The rate on ordinary garden beets remained unchanged at 25%.

House of Japanese Beet Field Laborer, California.

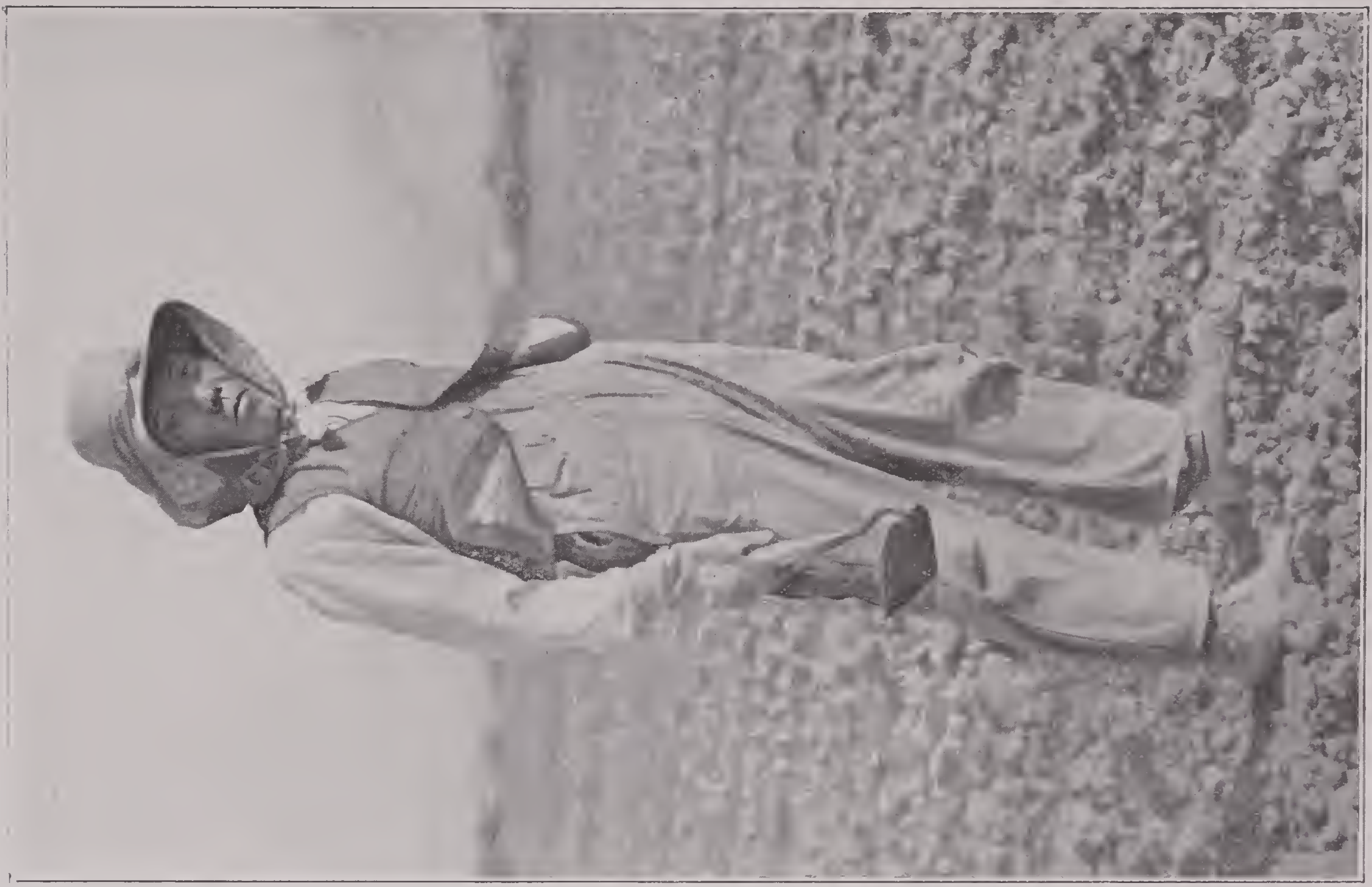
Japanese Thinning Beets, Ross Mission Ranch, Salinas, California.

Typical Hindoo Beet Field Laborers, Saledad, California.

Types of so-called "high-class American labor" employed in the Sugar Beet Fields of the West for whose benefit and protection the present Tariff is sought to be maintained.

Japanese Thinning Beets, Jas. P. Struve Ranch, Salinas Valley, California.
(Note woman and child.)

Types of Japanese Laborers in Beet Fields, Salinas Valley, California.



Typical Japanese Laborers Employed in Western Sugar Beet Fields.

CHART No. 17.

The factory process is entirely a mechanical one as evidenced by the claim of beet sugar companies who boast that "the beet is not touched by human hand from the moment it enters the factory until it emerges as refined sugar." Moreover witnesses before the Hardwick Committee estimated the labor cost in the beet sugar factory at 14c per 100 lbs. The difference in labor cost between here and abroad is equalized by other elements of economy in the operation of the American factories. The cost of fuel is less, the efficiency of the factory is greater, the sugar is refined directly at the factory instead of produced as raw sugar at one factory and refined in another, and the factories are conducted on a larger scale in America than abroad and thus the cost of operation reduced. Hence there is no justification for a high rate of duty on the basis of protecting the labor employed in the beet sugar factory.

The tariff rate we propose is equal to $10 to $12 per ton.

Let us now consider how our domestic beet sugar industry would fare *under the rate which we propose.*

It is well known in the trade that where factories are properly located and thoroughly equipped, there should be no difficulty in producing beet sugar at 3c per pound (see Hardwick Hearings), and the beet men themselves boast of this when seeking financial assistance.

Taking their own figures, the cost of *producing and selling in good, bad and indifferent factories,* the Hardwick Committee shows that the average cost was only	3.54c per lb.
Messrs. Willett & Gray show that the average New York refiner's price for the past seven years on refined sugar has been	4.98c per lb.
The Department of Commerce and Labor, Bureau of Statistics, No. 240, page 517, shows that the average cost per pound, free on board in foreign countries, of the raw sugar imported, 1905-1911, inclusive, was	2.378c per lb.
Add the freight, to get the average cost laid down at U. S. ports, say	.14c per lb.
Making the in-bond price delivered at U. S. ports...	2.518c per lb.
Add the duty which we propose on 96° test, 60c on full duty sugar, and 48c on Cuban importations, making average rate actually paid, say..	.53c per lb.
Making refiners' first cost, duty paid...	3.04c per lb.
Add the margin between price paid by refiners for raw sugar and their selling price on refined, the past seven years	.859c per lb.
Making refiners' average selling price, under proposed new rate	3.907c per lb. New York.

The beet sugar factories are located in the interior and sell their sugar above the New York price (see Bulletin No. 12), but, as this advantage is partly offset by the fact that the trade will not pay as much for beet sugar as for cane, we have not taken this advantage in price into consideration in this calculation.

We find that the rate we propose would give beet sugar factories who produce at 3½c per lb. a profit, as a direct result of the tariff, of .407c per lb., or $8.14 per ton.

And those properly located and equipped, and who produce sugar at 3c, a profit of .907c per lb., or $18 per ton.

A cane refinery in New York is very glad to make an average profit of ⅛c to 3-16c per lb.

As the average price of granulated, under the present tariff, has been 4.98c per pound, the saving to the American people, under the proposed rate, would be over 1c per pound, or over seventy-five million dollars on the amount of sugar consumed in 1911.

It is, therefore, apparent that the rate we propose will amply protect, for all legitimate purposes, the sugar industry of Porto Rico, Hawaii, Philippines, and also our domestic beets. It will only prevent the over-capitalization of beet sugar plants, and the improper location of factories, where natural conditions are not such as to produce the best results. The industry would be on a much better footing if the tariff were revised so as to prevent both of these conditions, which are fundamentally so unsound.

IN ALL OUR CALCULATIONS WE HAVE PROVIDED FOR THE BEET GROWER TO RECEIVE THE SAME PRICE THAT HE NOW RECEIVES FOR HIS SUGAR BEETS. So that, while there is ample room for disputing some of the statements regarding the farmers' "indirect benefits" for the purpose of this argument, we can admit all that is claimed by the beet sugar factories.

CHART No. 18.

Mr. Palmer's claim that a material reduction in or the removal of the tariff on sugar "would enable the seaboard refiners of imported raw sugar so to reduce the price of refined sugar as to destroy the domestic sugar-producing industry, after which, with a complete monopoly of the sugar business, the refiners could fix at will the price American consumers would be compelled to pay for their product" is pure evasion.

First he claims that the American industry is to be destroyed if the tariff is removed, because of importations from foreign countries. Thus he recognizes that prices to the consumer will be lowered. We do not subscribe to the belief that free sugar would destroy the domestic beet sugar industry, because our lands are as fertile, our farmers as intelligent, and our factories as efficient as anywhere in the world, but for the purpose of this argument accept Mr. Palmer's theory, and we find that he now claims that because 541,000 tons of sugar, or approximately one-seventh of our consumption, is done away with, the world's production of 17,000,000 tons, which will have free access to our markets, will combine to put the price up on the American consumer. To assume such an attitude is little short of ridiculous. We must not lose sight of the fact that according to the Government's suit 64% of our beet sugar production is produced in factories in which the sugar trust is interested.

Where does Mr. Palmer get average rate of 1.346c per lb.? This is even lower than the lowest rate imposed, to wit, the Cuban rate of 1.348c per lb. on 96°. Notice that he here estimates the average American family at 5 persons instead of 5.31 persons in accordance with the report of the Bureau of Labor. Nor is it so that this tax if removed would fall upon the laboring class of people in some other form as is evident by the disposition of the House shown to substitute the Income Tax for it and this tax is to be levied upon individuals and corporations and copartnerships with incomes of more than $5,000 per year, so that the poorer classes would be absolutely relieved of the burdens of this duty and would reap the full benefit of the reduction by reason of the removal of the duty, as was the case between 1891 and 1895 when the price of sugar fell, by reason of the removal of the duty on raw sugar. But if a reduction would not affect the ultimate price to the consumer why should the domestic interests oppose it?

CHART No. 19 (Page 31).

The average price of sugar in 1900, 5.32c per lb., was the highest average reached in all the years between 1891 and 1911. Mr. Palmer seems to have been careful to select this particular price for the purposes of his comparison. A fairer way would have been to have taken the average price for all the years between 1900 and 1910, which would be 4.83c per pound, and compare such a price with the average price of 1900, to wit, 4.972c per pound, which would show an increase in price over the 10-year average of 3% instead of a decrease, as compared with the price in 1900 of 7%, as represented here, or a total difference of 10% between Mr. Palmer's representations and actual conditions. Mr. Palmer was careful not to trespass upon 1911, during which time the average price was 5.345c per pound, or .013c per pound above 1900, and .515c per pound, or 10½% above the average rate of 4.83c per pound between 1900 and 1910.

According to the Government statistics the price of sugar beets per ton in 1900 was $4.50, and in 1910 was $5.35 instead of $6.00 per ton even in 1909, as claimed by Mr. Palmer in Table on page 22 of this volume. Such a difference in price represents an increase of but 18½% between 1900 and 1910, instead of 26.8% as represented by him in this Chart.

The reason for the small increase in the price of sugar as compared with other commodities is the natural operation of the law of supply and demand. Moreover, the sugar industry is so vastly diversified and so widely distributed over the world that it would be impossible to form an organization that would be able to monopolize the industry or control the ultimate price to the consumer. The in-bond price of sugar depends upon world-wide conditions. It would require billions of capital to bring the industry under one organization as well as the co-operation of all governments engaged in the production of sugar. Both of which achievements would be impossible. Such a condition of affairs does not apply to any other commodity in such general use.

CHARTS Nos. 20-21-22-23 (Page 32).

Emphasize the point we have previously made; that the price of sugar the world over is to a great extent governed by world's conditions, and as the supply has kept pace with the demand there has not been a general advance in price. This, however, does not seem to have any great bearing on our tariff situation, considered either from a tariff-for-revenue standpoint or from the Republican doctrine or a tariff to equal the difference in cost of production between here and abroad.

Wholesale prices are given from 1900-1910 in Germany and Great Britain, while United States for 1890 to 1911. In the United States in 1890 was a tariff of 2.24c per pound upon 96° test raw sugar and 3½c per pound upon refined. In 1891 raw sugar admitted free of duty and the duty on refined reduced to ½c per pound. Price in 1890 was 6.27c per pound and in 1891 was 4.64c; price in 1910 was 4.972c per pound, which shows an increase in price between 1891 and 1911 of .332c per pound, or 7⅛% instead of decrease of 14.7%. Price in 1911 was 5.345c, or .705c per pound above 1891, being over 15% increase instead of 14.7% decrease in 20 years in the United States. As there is no specific reference to the trend of the price of sugar in Canada, why was it mentioned at all?

In Chart No. 19 comparison is given for United States wholesale prices for period 1900-1910, showing a decrease in the United States of only 7% instead of 14.7% between 1890 and 1910, as opposed to a reduction of 15.8% in Germany and 9.6% in Great Britain. United States price in 1900, 5.32c, next highest to 1890 between 1890 and 1911. Price in 1911, 5.345c, which shows an increase even over high price of 1900 instead of decrease, and is the highest point between 1891 and 1912.

CHART No. 24 (Page 33).

We are at a loss to appreciate what the cost of distribution of tea, coffee and sugar has to do with the tariff on sugar, from either a revenue or a tariff-equalling-the-difference-in-cost-between-here-and-abroad standpoint, and we can only assume that this chart, like a great many others, has been prepared for the purpose of diverting attention from the real question at issue.

It is a recognized fact that sugar has always been regarded by the wholesale and retail grocers as a "leader" and on this account has been sold at a narrow margin of profit in order to attract other trade. Sugar is a heavy staple and while it is not generally known, it is a fact that it constitutes about one-third of a grocer's business. That is, a grocer who does, say, a $300,000 business a year, $100,000 of it is in sugar. It is clear that on such a large volume of business the cost of distribution must necessarily be less than on tea or coffee.

How absurd it is in a tariff discussion to compare the cost of distribution of sugar, the per capita consumption of which is 81.6 pounds with tea and coffee, the per capita consumption of which is .96 of a pound and 9.84 pounds, respectively.

CHARTS Nos. 25-26-27-28-29 (Pages 34 to 38).

Why did Mr. Palmer conveniently single out the United States in order to make a comparison with Germany of the relative yields per acre of wheat, rye, barley and oats, and the percentage of increase over a period of years instead of the United Kingdom? It is well known that in the United States, on account of the unlimited area available for agriculture and the comparative scarcity of labor, only extensive cultivation of the soil is indulged in; while in the United Kingdom and Germany, on account of the limited agricultural area available and the abundance of labor at hand, the exact opposite, or intensified farming methods, are practised.

England cultivates no sugar beets, but by the application of intensified methods of farming forces her soils to yield 35 bushels of wheat, 30.8 bushels of rye, 38.9 bushels of barley and 45.9 bushels of oats per acre, in contrast to a German yield of wheat 30.5, rye 27.9, barley 39.5, and oats 59. In accomplishing this England indulges in the use of hoed-root crops in rotation, but does not find the sugar beet either necessary or indispensable to these results. England for fifty years and more has far exceeded Germany in yields per acre without the assistance of the sugar beet. If the sugar beet is responsible to the extent claimed, how does Mr. Palmer account for the superiority of the United kingdom in the yields per acre of wheat and rye over Germany, where the sugar beet is said to be used so extensively in an intensified way? Would the summary of advantages and percentage of increases in favor of Germany be so marked in Chart No. 29 had Mr. Palmer selected the United Kingdom for the sake of illustration and comparison instead of the United States?

Is it not rather a question of intensified farming than the use of the sugar beet that solves the problem of increased yields per acre?

CHART No. 30 (Page 39).

It is the custom of beet sugar factories when locating in territory to make some special arrangements with certain farmers (usually one or more in number) who agree to grow a relatively large amount of sugar beets, so as to insure the factory obtaining a certain supply. These were referred to by the beet growers who appeared before the Hardwick Committee as "decoy farmers," the explanation being the factories would go to the other farmers in the vicinity and say "now that so and so has agreed to grow so many acres at a certain price; you should come in on this and grow five or ten acres (as the case may be) at the same price." The so-called "decoy farmer" was naturally well versed in intensive cultivation and secured the best results from his land and if the crop of the ordinary farmer did not produce such satisfactory results he was referred to the returns secured by the "decoy farmer" and was told that the fault was with him.

It is clear that it is from this class of farmer that Mr. Palmer has secured the statistics that are presented in Chart No. 30 as the yields of 26.9 bushels of wheat, 41.6 of corn and 40.9 of oats and 38.97 of barley are *above the United States average,* so that the soils themselves or the manner in which the crops were cultivated must have been exceptional and by no means representative of the average.

There never has been any question but that intensified farming produces more to the acre than the extensive farming generally employed in the United States. The difficulty is that we have not yet reached a point where intensified farming is entirely practical because we have not the labor supply; gradually this will come, but no reasons have been presented to show why beet-sugar production by horticultural methods should be forced at the expense of other and equally desirable crops.

There is no desire on the part of anyone to interfere with the legitimate growth of the industry. Moreover, were the average yield per acre of wheat in the United States 26.9 bushels, in accordance with Mr. Palmer's selection in order to illustrate the effect of beet rotation in the United States, our average would be 5 bushels per acre above the average of France. Hence there would not be the occasion for that dreadful contrast between France and the United States in Chart No. 37, wherein it is shown that France on 16,253,000 acres raises 381,-227,000 bushels of wheat in contrast to a yield in Minnesota, North Dakota and Kansas of 178,339,000 bushels from 16,672,000 acres. If Mr. Palmer's selection is representative then these States would raise 448,376,800 bushels of wheat instead of 178,339,000.

CHART No. 31 (Page 40).

Mr. Palmer's figures do not seem to agree with the figures he gave on page 22, or with those of the Department of Agriculture. It would have been much better if in both cases he had adopted the figures of the United States Department of Agriculture, Bulletin 260, where we find the price paid for sugar beets in the United States from 1901 to 1912 to be as follows:

1901-2	$4.50
1902-3	5.03
1903-4	4.97
1904-5	4.95
1905-6	5.00
1906-7	5.10
1907-8	5.20
1908-9	5.35
1909-10	....*
1910-11	....*
1911-12	5.50

*No figures given.

We have previously referred to the fictitious price of $6.00 per ton for 1909-1910 adopted by Mr. Palmer. It will be noted that the Department of Agriculture's statistics show that the price in 1911-1912 had only reached $5.50 per ton.

In speaking of this increase in the price paid for sugar beets Mr. Palmer is careful not to mention the increase in the sugar content of the beets, which is the basis of its value. It is the sugar in the beet that the factories are buying, and not the beets themselves. A comparison of prices and sugar content in 1898 with 1911 will show that when the factory now buys a ton of beets it is paying 4 per cent. less for the sugar that is in those beets than it did in 1898, because the sugar content has increased to a greater extent than the price.

A comparison of the fluctuating values of potatoes and sugar beets made in Chart No. 31 has nothing to do with the question of whether or not any tariff on sugar should be maintained and is undoubtedly introduied with the idea of diverting attention from the real question at issue.

Mr. Palmer shows that there has been no sharp advance in the price of sugar beets as has been the case with potatoes in certain years, demonstrating the superior ability of the beet-sugar factories to hold in check the ever-present demand of the farmer for higher prices for his sugar beets.

CHART No. 32 (Page 41).

The United Kingdom, where intensified farming is indulged in, but no sugar beets grown, yields 38.9 bushels of barley per acre, as compared with Germany's 39.5. As barley is used extensively in the production of the malt from which is brewed the celebrated German beers, more than usual care is exercised in its cultivation. As contrasted with a United States average of 24.3 bushels per acre, other countries where the sugar beet is cultivated on relatively as large a scale as Germany, display the following yields per acre: Hungary 25.1, France 26.2, Austria 28.2.

The yield of wheat in England, where no sugar beets are grown, is 35 bushels per acre, in contrast to a German yield of 30.5. Yield in the United States 15.8, in contrast to 14.1 in Hungary, 19.9 in Austria and 21.9 in France. What comfort does Mr. Palmer derive from these figures and comparisons? If the sugar beet is responsible for the results, why do not France, Austria and Hungary show relatively as large yields as Germany, and why should England, where no sugar beets are grown, produce five bushels to the acre more of wheat and about the same number of bushels of barley to the acre as Germany? Why should not the German average equal the Belgian, if the sugar beet alone is responsible? As a matter of fact Belgium has to resort to intensified methods of farming over her limited, crowded agricultural area in order to provide for her population, which averages 300 persons per square mile. She has the labor, the lack of which is the main drawback in the United States to intensified methods of farming.

CHART No. 33 (Page 42).

The German average of 59 bushels of oats to the acre is taken for the year 1909, *the highest ever attained in Germany*, to be compared with an average in the United Kingdom for that year of 45 9 bushels per acre. Now the average in Germany between 1902 and 1911 was 51.5 bushels, of England 44.7 bushels. The German yield of rye was 27.9 bushels and United Kingdom 30.8. Since Hungary, France and Austria are considerably below the average yield in Germany in both instances, does not the comparison between the United Kingdom and Germany tend to prove that something more than the cultivation or rotation of the sugar beet crop in connection with these cereals is responsible for the yield and that it is rather a question of intensified methods of farming than the presence of sugar beets? In this and the preceding chart Belgium without particular regard to the use of the sugar beet shows what can be accomplished by intensified methods of farming. Her yields far exceed Germany or even England. This is due to the fact that she is populated to the extent of 300 people per square mile and hence is compelled to force the maximum yields by intensified methods of farming over her limited area in order to support and feed her population.

CHART No. 34 (Page 43).

Why not take the United Kingdom where the same methods of agriculture are practiced for the sake of comparison with Germany instead of the United States, where these methods are impossible, and then make a comparison of the results? It is not very likely upon a relative basis of comparison the discrepancy would have seemed so pronounced in favor of beet culture.

It is here stated "Wherever possible the farmers of Germany grow sugar beets in rotation with cereal crops." Yet these comparisons assume that the whole acreage of Germany planted to cereals and potatoes has been rotated (one year in four) in connection with the cultivation of sugar beets, instead of "wherever possible."

If 42,776,000 acres rotated in sugar beets one year in four, then at least one-fourth of this area, or 10,694,000 acres, are yearly cultivated to sugar beets. But as a matter of fact less than 1,250,000 acres are devoted to the cultivation of sugar beets in Germany, so it is apparent that Mr. Palmer's claim that the high yields of other crops in Germany is due solely to rotation with sugar beets one year in four is entirely without foundation, in fact.

Mr. Palmer calls attention to the fact that the combined acreage of wheat, rye, barley, oats and potatoes in the United States in 1907 was 88,546,000 acres and states that one-fourth of this land should be devoted to sugar beets each year in order to "double the yield of cereal crops in the United States, double the stock-carrying capacity of farms, and check the rise in prices." One-quarter of this area in the United States would be 22,136,500 acres, which, based on our present production would produce 26,563,800 tons, as compared with the world's present production of beet and cane sugar of 15,863,589 tons.

To cultivate sugar beets requires a great deal of hand labor and there is not sufficient labor in the United States for our present requirements. Aside from other considerations, where does Mr. Palmer expect to get the necessary labor to put his theories into practice and where will he find a market for this immense amount of sugar?

These points, however, are of minor importance. Mr. Palmer's main object is to impress Congress with the advisability of maintaining the present "pork-barrel" rates on sugar, so that the promoters of the beet-sugar factories and land companies may continue to reap excessive profits at the expense of the American consumer.

CHART No. 35 (Page 44).

Again we suggest a comparison between the crop averages of the United Kingdom, where no sugar beets are raised and Germany where sugar beets are extensively and intensively cultivated, in order to arrive at a fairer comparison than with the United States. Such a comparison will explode the theory here advanced that sugar beets are necessary in order that increased yields of other crops may be secured. On account of the limited area for cultivation in proportion to population, as compared with the United States, the United Kingdom, like Germany, indulges in intensified methods of farming that are not resorted to in the United States.

CHARTS Nos. 36, 37 and 38 (Page 45).

As there is no beet sugar factory in North Dakota and but one in both Minnesota and Kansas, how many factories would it require to produce result claimed? It now requires 76 factories to take care of the production from 474,000 acres. If rational beet sugar rotation in connection with sugar beets means planting to sugar beets one year in four, one-fourth of the area of Minnesota (5,200,000 acres), or 1,300,000 acres would have to be cultivated to sugar beets annually. This would be 2.74 times the present area now cultivated to sugar beets in the whole United States, and would require 200 beet sugar factories in Minnesota alone. Upon the same basis for Minnesota, North Dakota and Kansas, one-fourth of 16,672,000 acres, or 4,143,000 acres annually would have to be cultivated to sugar beets, which would require 639 beet sugar factories in these States alone, in contrast to only two that now exist. Could these States or the United States support this number of factories? According to the representations made by Mr. Palmer this must be accomplished before the "indirect benefits" accrue to the farmer.

CHART No. 39 (Page 46).

The total area now cultivated to sugar beets in the United States is 474,000 acres. In order to equal or exceed the crop yields of Germany, which Mr. Palmer claims are due to the rotation with sugar beets one year in four, he advocates cultivating to sugar beets upon the same theory of rotation the 85,546,000 acres now planted to cereals and potatoes in the United States. This would mean that every year one-fourth of this area should be cultivated to sugar beets, or 21,386,500 acres. The 474,000 acres now cultivated to sugar beets produce over 600,000 tons of beet sugar. Were the cultivation increased to 21,386,500 acres upon the same basis of increase in production it would amount to 27,000,000 tons of beet sugar per annum, or over 45 times as much. To take care of this increase in production 45 times the number of the present factories (76) would have to be erected, or 3,420 factories, and upon the present basis the capitalization of the beet sugar companies necessary to erect these factories and take care of the increase in production of sugar beets would be $6,390,000,000, or 45 times $142,000,000. In his "vision" Mr. Palmer is not troubled by the practical question of how the above mentioned details would be taken care of, or how this increased production, amounting to 27,000,000 Tons, or

1¾ times the present world's production of both cane and beet sugar, would be marketed. Certainly under these conditions beets would be worth so little that we presume the farmer would have to rely entirely on "indirect benefits" for his gain? Of course, there would be no trouble in disposing of this increase in production and the farmer would receive the same price for his beets that he does now? Neither would the farmer have the least difficulty in procuring the necessary help or be under any additional expense? All he would have to do would be to sit back and collect $1,376,915,000 more a year than now, according to this "dream"?

Now, if Mr. Palmer's theory is correct that Germany owes her increase in crop yields to the extensive cultivation of the sugar beet in rotation every fourth year with other cereals, it must be true that her 42,776,-000 acres scattered over the whole empire have at some time or another been grown to sugar beets and that factories have been erected in the vicinity of all these lands, in order to take care of the product. In order to carry out the rotation theory one year in four, at least one-fourth of this area would have to be grown in sugar beets each year or lose the benefits of the rotation process. Upon the basis of production in the United States, this would mean 12,825,000 tons of beet sugar in Germany per year, as against their present maximum production of 2,800,000 tons. It would be impossible to account for beet sugar cultivation or rotation one year in four as responsible for the increased yield of crops without the above results. This not being the actual case in Germany, is it not more sensible and logical to ascribe these increased yields rather to intensified methods of farming and cultivation in general than solely to beet sugar cultivation which only extends over 1,247,000 acres in 1912 and not the necessary 10,694,000 acres of Germany so as to be rotated one year in four in connection with other crops? According to the testimony of Fred. R. Hathaway at the hearings on the Sugar Schedule before the last Senate Finance Committee, the actual area planted to sugar beets in Germany averaged 1,107,000 acres for the years 1909, 1910 and 1911. According to the statistics of the German Empire it was 1,247,213 acres for the year 1912.

CHART No. 40 (Page 48).

The possibilities of accomplishment seem too remote and the benefits too "indirect" for even our imagination to follow, along the lines of the workings of Mr. Palmer's mind in this Chart.

CHART No. 41.

Mr. Palmer would like to have us infer from the fact that we exported less food stuffs, beef and pork in 1910 than we did in 1900 that therefore the production of food stuffs and the supply of cattle and swine had decreased. This falling off is mainly due to increase in home consumption, due to the natural law of supply and demand. We have increased in population 15,000,000 in these ten years. Also there has been a large increase in the domestic price in comparison with the export that keeps these commodities at home. Besides, in consequence of the high prices at home the farmers have shown a tendency to increase the stock carrying capacity of their farms, as will be demonstrated by the following comparisons between the two years. In 1900 there were in the farmers' hands 44,002,000 cattle valued at $1,204,298,000 and 37,079,000 swine valued at $185,472,000. In 1910 there were 69,080,000 cattle valued at $1,697,771,000 and 47,782,000 swine valued at $436,603,000. The average price per head of cattle in 1900 was $28.28 and in 1910 $27.60; for swine $5.00 in 1900 and $9.14 in 1910. So there was an increase in the stock carrying capacity of farms in the United States in 1910 over 1900 in the number of cattle of 25,078,000 valued at $493,473,000 and an increase in the number of swine of 10,703,000 valued at $251,131,000. Our yield of wheat in 1900 was 522,230,000 bushels valued at $323,515,000, and in 1910 635,121,000 bushels valued at $561,051,000, an increase in production of 112,891,000 bushels and an increase in value of $237,546,000, though there was a falling off in exports of 30.5%, due more than likely to a difference in the farm value of 61.9c per bushel in 1900 as against 88.3c in 1910. Our yield of corn in 1900 2,105,300,000 bushels valued at $751,220,000 and in 1910 was 2,-886,260,000 valued at $1,348,817,000, or an increase in production in 1910 over 1900 of 780,960,000 bushels valued at $633,597,000 and a falling off in exports of 4.3%, due perhaps to a difference in price of 35.7 in 1900 as against 48c in 1910. The secret is that the United States no longer has a surplus for export due to the increased domestic demand and the attractive domestic price, as compared with export. The mere fact that there is a falling off in exports proves nothing. As a matter of fact there has been an increase in everything, including the stock carrying capacity of farms; yet there has been no decrease in prices, but a steady increase. Moreover, there has been an increase in the production of beet sugar in the United States between 1898 and 1913 of 600,000 tons and during that same period of growth and extension of the beet sugar industry there has been an increase in the price of wheat of 30c per bushel, an increase in the price of cattle $2.50 per head and $4 per head in swine. If the cultivation of the sugar beet is to contribute to the solution of the high cost of living by reducing prices by increasing crops and stock carrying capacity of farms, it seems to have failed so far in the United States.

PAGE 50.

"THE BLIGHTING EFFECT OF CUBAN RECIPROCITY ON THE DEVELOPMENT OF THE AMERICAN BEET SUGAR INDUSTRY."

We submit herewith a complete list of the beet sugar factories in the United States, together with their daily slicing capacity and the capitalization of the various companies who operate them.

Name of company.	Location of plants.	Capitalization (including bonded debt).	Daily slicing capacity. Tons.
Alameda Sugar Co.	Alvarado, Cal.	$1,500,000	750
Anaheim Sugar Co.	Anaheim, Cal.	850,000	750
American Beet Sugar Co.	Oxnard, Cal.	20,000,000	2,000
	Chino, Cal.		700
	Lamar, Colo.		400
	Las Animas, Colo.		800
	Rocky Ford, Colo.		1,000
	Grand Island, Neb.		400
Amalgamated Sugar Co.	Ogden, Utah	4,000,000	500
	Logan, Utah		500
	Burley, Idaho		500
Billings Sugar Co.	Billings, Mont.	1,250,000	1,650
Continental Sugar Co.	Fremont, Ohio	2,400,000	500
	Findlay, Ohio		600
	Blissfield, Mich.		700
Corcoran Sugar Co.	Corcoran, Cal.	1,200,000	600
Great Western Sugar Co.	Loveland, Colo.	30,000,000	1,800
	Greely, Colo.		900
	Eaton, Colo.		1,000
	Fort Collins, Colo.		1,800
	Longmont, Colo.		1,800
	Windsor, Colo.		900
	Sterling, Colo.		800
	Brush, Colo.		900
	Fort Morgan, Colo.		700
German-American Sugar Co.	Paulding, Ohio	2,000,000	900
	Bay City, Mich.		1,400
Holland-St. Louis Sugar Co.	Holland, Mich.	3,300,000	500
	St. Louis, Mich.		600
	Decatur, Ind.		1,000
Holly Sugar Co.	Swink, Colo.	5,500,000	1,200
	Holly, Colo.		600
	Huntington Beach, Cal.		600
Iowa Sugar Co.	Waverly, Iowa	550,000	500
Lewiston Sugar Co.	Lewiston, Utah	1,200,000	650
Los Alamitos	Los Alamitos, Cal.	1,000,000	900
Michigan Sugar Co.	Bay City, Mich.	$12,500,000	1,300
	Caro, Mich.		1,200
	Alma, Mich.		850
	Sebewaing, Mich.		600
	Carrollton, Mich.		900
	Crosswell, Mich.		600
Menominee River Sugar Co.	Menominee, Mich.	825,000	1,000
Minnesota Sugar Co.	Chaska, Minn.	1,200,000	600
Mount Clemens Sugar Co.	Mount Clemens, Mich.	600,000	600
Chippewa Sugar Co.	Chippewa Falls, Wis.	700,000	600
Nevada Sugar Co.	Fallon, Nev.	1,000,000	600
Owosso Sugar Co.	Owosso, Mich.	2,300,000	1,000
	Lansing, Mich.		600
Pope, Charles	Riverdale, Ill.	500,000	600
Rock Country Sugar Co.	Janesville, Wis.	800,000	600
Sacramento Valley Sugar Co.	Hamilton City, Cal.	2,210,000	700
Santa Ana Cooperative	Dyer, Cal.	1,000,000	600

Name of Company.	Location of plants.	Capitalization (including bonded debt).	Daily slicing capacity. Tons
San Joachim Valley Sugar Co.	Visalia, Cal.	1,225,000	350
Scottsbluff Sugar Co.	Scottsbluff, Neb.	1,200,000	1,200
National Sugar Manufacturing Co.	Sugar City, Colo.	1,500,000	500
San Luis Valley Sugar Co.	Monte Vista, Colo.	1,500,000	600
Southern California Sugar Co.	Santa Ana, Cal.	1,000,000	750
Spreckels Sugar Co.	Spreckels, Cal.	5,000,000	3,000
Toledo Sugar Co.	Rossford, Ohio	1,000,000	1,200
Union Sugar Co.	Betteravia, Cal.	3,000,000	800
United Sugar & Land Co.	Garden City, Kans.	8,000,000	900
Utah-Idaho Sugar Co.	Lehigh, Utah	11,000,000	1,200
	Garland, Utah		750
	Austin, Utah		500
	Idaho Falls, Idaho		750
	Sugar, Idaho		800
	Blackfoot, Idaho		650
	Nampa, Idaho		600
Southwestern Sugar & Land Co.	Glendale, Ariz.	3,400,000	600
United States Sugar Co.	Madison, Wis.	550,000	600
Washington State Sugar Co.	Waverly, Wash.	500,000	500
West Bay City Sugar Co.	West Bay City, Mich.	200,000	900
West Michigan Sugar Co.	Charlevoix, Mich.	350,000	600
Western Sugar & Land Co.	Grand Junction, Colo.	2,000,000	500
Wisconsin Sugar Co.	Menominee Falls, Wis.	1,500,000	600
Western Sugar Refining Co.	Marine City, Mich.	100,000	550
Total		$141,410,000	63,550

From this list it will be seen that the total number of beet sugar factories is seventy-six, of which seventeen are located in Colorado, sixteen in Michigan, thirteen in California, six in Utah, five in both Idaho and Ohio, four in Wisconsin, two in Nebraska and one each in Montana, Minnesota, Kansas, Iowa, Illinois, Indiana, Arizona and Nevada. Were this number augmented to the extent of the plants said to be abandoned in the list submitted on this page then there would be located altogether in the above states the following number of factories: Michigan, 40; Colorado, 22; California, 18; Wisconsin, 17; Utah, 9; Ohio and Iowa, 7 each; Idaho and Minnesota 6 each; Arizona, Nebraska, North Dakota, Montana, New York, South Dakota, Indiana and Wyoming 2 each, and one in each of the states of New Jersey, Oregon, Nevada and Pennsylvania, making 152 beet sugar factories in all. If all of these projected factories had been realized, $58,000,000 would be added to our present beet sugar capitalization of $142,000,000, making a total beet sugar capitalization of $200,000,000. However, did they capitalize on the basis of the beet sugar companies now in existence, to wit, $2,458 per ton of daily slicing capacity, instead of on the normal basis of $1000 per ton the total capitalization of the new factories would be $120,422,000, which would make a total beet sugar capitalization of $262,442,000. Except for these 152 factories we have no data for the balance of the 355 factories, said to be projected and abandoned between 1898 and 1911. Suffice to observe that if they were realized and put in operation Michigan, Colorado, California, Utah and Idaho, where the desirable, profitable and easily irrigated beet sugar lands are located would be called upon to bear the brunt of the increase, and the beet sugar companies located in these various states in which the trust is so heavily interested would be called upon to meet the demoralizing competition of such an increase. Instead of an annual beet sugar production of 700,000 tons there would be an increase to 3,500,000 tons, which would be about sufficient to supply the whole of the United States without taking into consideration the 1,200,000 tons of cane sugar now supplied by Louisiana, Hawaii, Porto Rico and the Philippines. Upon the present basis of capitalization the 419 projects spoken of by Mr. Palmer would be capitalized at $781,000,000. Even in the absence of "tariff agitation and enactments," some difficulty would be experienced in attempting to make profits sufficient to pay dividends upon such an amount. We desire to observe that instead of 419 factories that Mr. Palmer speaks of as projected between 1898 and 1911, according to his representations in Chart No. 42 under the heading of "New Factory Projects," the total number appears to be 728 instead of 419. Surmounting all difficulties, and for the sake of argument admitting the possibility of this accomplishment we find that the farmer's hope of "indirect benefits" so graphically depicted by Mr. Palmer have no chance of realization as these projects would utterly fail to take care of rotation of available lands to sugar beets one year in four in these respective States.

But aside from "tariff agitation and enactments" and the so-called "blight of Cuban Reciprocity," let us see whether or not the realization of these factories has not been circumvented by other and more probable means.

In the suit now pending by the Government to dissolve the American Sugar Refg. Co., as a trust and monopoly in restraint of trade, Mr. Chester S. Morey, President of the Great Western Sugar Co., of Colorado, gave the following testimony, regarding the erection of more sugar beet factories in Colorado, in answer to this question by Mr. Knapp:

Mr. Knapp: What I am asking you is whether prior to the commencement of this suit and the present tariff agitation you had not already taken the position that you are opposed generally to the investment of any more money in beet sugar in Colorado?

Answer by Mr. Morey: I think *I have taken the position that we have all the factories in Colorado we ought to have—all that the country would support.*

Volume 2, page 874 of testimony in United States V. The American Sugar Refining Company, et al.

(As the acreage of Colorado is not now grown to sugar beets one year in four, it appears that the farmers can never realize the indirect benefits so alluringly pictured by Mr. Palmer.)

In order to show the disposition of the American Sugar Refining Company, of Trust, toward the erection of independent beet sugar factories in their exclusive territory and to illustrate how its attitude has been responsible for the abandonment of a great many projects we submit the following letters from the records of the testimony in the above case.

THE GREAT WESTERN SUGAR COMPANY

Denver, Colo., June 8th, 1906.

Mr. H. O. Havemeyer,
New York,

Dear Sir: The enclosed letter from Mr. Boettcher explains itself. Would like to know if you see any way to check this kind of competition. I sometimes think it is a mistake not listing our stock and offering it for sale; *if people want to buy common stock we ought to give them a chance to come in.* This is simply a suggestion. We are doing everything we can to discourage the building of any more factories until the matter of tariff legislation is more settled than it is at present. We are using that as a basis of argument against the building of any more factories.

Promoters like the Garden City and the Sheridan people are claiming that trusts have made great profits out of the business and in that way selling their stock.

Respectfully yours,

C. S. MOREY.

The letter of Mr. Boettcher referred to above:

THE GREAT WESTERN SUGAR CO.

Denver, Colo., June 27th, 1906.

My dear Mr. Morey: I had an interview today with the Colorado Springs people in reference to their contemplated factory to be built at Sheridan, Wyoming.

Sheridan is situated on the Burlington route, a distance of 140 miles from Billings. If this factory is built, of course, they will come in direct competition with our local points of the Billings factory. I was in hopes that I would be able to have these Colorado Springs people take an interest in our Billings factory and keep them from building this contemplated plant, but I fear I will not be able to do anything with them, as they tell me they have sold their common stock of the Garden City plant, which they are now building at $50 per share and upwards. They frankly admit that this common stock is all water and does not represent anything, that is the way they are making their money. They feel they can do the same thing in Sheridan and claim they have a ready sale for their common stock. Most of their stock is sold. They also expect to make a large profit on land they have purchased and expect to build a number of ditches and sell out the land at a large profit.

There is nothing I can say to them that would be attractive enough for them to discontinue their building the Sheridan factory and I fear they will build a plant to be ready for the crop of 1907. The promoters of the scheme put in very little money of their own as they seem to have the faculty of having their people put up the money and they are getting the benefit of the common stock for themselves.

I understand Mr. McKinnie is going to Sheridan latter part of next week and as I expect to go to Billings about the fifth of next month will stop off at Sheridan and look over the territory and if there is anything more I can do with these people to keep them from building a factory I will do so, although I have very little hopes.

I am just calling your attention to these items so you will know they raise the money for their new factories.

Very truly yours,

C. BOETTCHER.

Mr. C. S. Morey,
Denver, Colo.

The Mr. McKinnie referred to in the above letter is J. R. McKinnie of Colorado Springs, Colo., who promoted the United States Sugar and Land Co., with a beet sugar factory at Garden City, Kansas, with a daily slicing capacity of 900 tons. The company itself is capitalized for $8,000,000, though this factory represents an investment of but $900,000, which indicates that its main purpose is to promote and speculate in the sale of so-called beet sugar lands. Mr. McKinnie was the original promoter and first president of this Company and had associated with him a number of capitalists from Colorado Springs, Colo., in whose control this company now is, though Mr. McKinnie is not active in this particular one, as he has organized two other beet sugar land companies, and is president of the Western Sugar and Land Co., with a capital of $2,000,000, and a beet sugar factory at Grand Junction, Colo., of 500 tons daily slicing capacity and Vice-President of the Southwestern Sugar and Land Company, with a capital of $3,000,000, a bonded indebtedness of $400,000, and a beet sugar factory at Glendale, Arizona, with a daily slicing capacity of 600 tons. Mr. McKinnie has been the moving spirit and promoter of all of these beet sugar and land companies and has at one time or another been president of all of them and has had associated with him in these enterprises practically the same group of capitalists from Colorado Springs, including such names as C. M. MacNeil, president of the United Sugar and Land Co.; R. P. Davie, President of the Southwestern and Vice-President of the Western Sugar and Land Co.; C. C. Hamlin, Vice-President of the United States Sugar and Land Co., and H. D. Haskins, second Vice-President; Kieth Steward, third Vice-President; F. A. Gillespie, Secretary and Treasurer, and Spencer Penrose, Secretary of the United States Sugar and Land Company; Chester M. Curtis, Secretary of the Southwestern, and a Mr. Sharer, Secretary and Treasurer of the Western Sugar and Land Company. Mr. C. Boettcher, who is responsible for this letter and expressed the opinion about the value of common stock and the speculative nature of the enterprises in which Mr. McKinnie was interested, is now Vice-President of the Great Western Sugar Co., of Colorado.

We submit here another letter which explains itself:

February 27, 1905.

Mr. T. R. Cutler,
Salt Lake City, Utah.

Dear Sir: Referring to yours of February 21st, bearing upon Boutelle and his projects I wired you to buy a tract of land in any town where Boutelle or his crowd buys one with a view and determination of building a competing factory. Boutelle is a very unreliable man; he represents a very unreliable crowd and he is in it for the commission which the promotion gives him. He can be very easily knocked out.

If any territory about us is suitable and ready for a factory we should be on the alert and provide it and if you find any company having bought a tract of land in view of building a factory, do not hesitate to buy a tract in the same place and let the people understand that we are in earnest.

You should have an active man following him and his crowd up. Outside of the promotion feature they have no interest whatever, and so many of their enterprises have proved unsuccessful that it would be an advantage to the community to knock them out.

Yours truly

H. O. HAVEMEYER.

What chance of success would an independent factory have in attempting to prevail against such methods of retaliation for trespassing upon Trust territory in Utah?

Extract from letter of C. Boettcher to C. S. Morey:

THE BILLINGS SUGAR CO.

Mr. C. S. Morey,
Harbor Springs, Mich. Denver, Colo., Aug. 27th, 1906.

Dear Sir: * * * I tried to arrange with Mr. Cutler to have him agree to stay out of Montana points and we will stay out of Idaho, but he seems to think there are so few places in Idaho that we can reach that he would not agree to that, but they have agreed to stay out of places where our rate is less than theirs. I have also called on Mr. Eccles, in reference to his building a factory in Bozeman. Mr. Eccles, however, did not return to meet my appointment, but I met Mr. Rolapp and we talked the matter over and they seem to calculate to build a factory at Bozeman. I explained our side of the case very fully, stating that everything was very high in Montana, that labor was exceptionally high and if we had to make sugar at the Montana points to be shipped to Missouri River it certainly would be a losing scheme as it would cost considerably more to make sugar in Montana than it would in Utah or Colorado, and our factory was large enough to supply all the local territory. He seemed to realize that fact and made a statement that they had not looked at it in that light and it was a new point to be brought up and agreed that as soon as Mr. Eccles returned he would take it up with him and would probably see us before they would do any work.

Now it seems to me foolish for our people in New York to agree to take a half interest with Mr. Eccles and come into direct competition with the Billings factory. Our people in New York should take the stand and stay with it, not to put a dollar into these factories and I feel satisfied that Mr. Eccles will not build this factory if our New York people take that stand. * * *

Very truly yours,
C. BOETTCHER,
President.

David Eccles was the organizer and President of the Amalgamated and Lewiston Sugar Companies of Utah, in which the Trust owned a half interest. He was induced to abandon the Bozeman factory.

Extract of letter of Thomas R. Cutler to H. O. Havemeyer:

Thomas R. Cutler,
Salt Lake City, April 11, 1905.

H. O. Havemeyer, Esq.,
117 Wall St., New York, N. Y.

Dear Sir: * * * Referring now to the question of Western Idaho I informed you that Boutelle and Hoover had been operating in the vicinity of Payette and it was with extreme difficulty I was able to overcome their operations. After they decided to move their operations they went on to the vicinity of Nampa and tried to get in there, but I had forestalled them. There were also other parties operating in that field, and I have been working for the last thirty days to get these matters adjusted so that we could control the situation because these people were offering $5 for beets and it would have upset our entire Idaho operations. * * *

Yours very truly,
THOMAS R. CUTLER,
General Manager.

The testimony in this suit abounds in letters showing how the trust discouraged and forestalled the erection of beet sugar factories at Blackfoot, Idaho, Sheridan, Wyoming, Bozeman, Mont., and in numerous other places in Utah, Idaho, Colorado and Montana.

We submit that the companies already organized in the above beet sugar district would not welcome any further competition and are not so anxious for the development of the beet sugar industry at home by others as they appeared to be when in Washington.

CHART No. 42 (Page 49).

In this Chart, Mr. Palmer seeks to convey the impression that the beet sugar industry actually originated in the year 1896 so as to attribute its subsequent growth and development to the beneficent effects of the Dingley Bill of 1897, in which the present high rates of duty were fixed. As a matter of fact, the industry really began in 1890 and has never attempted to be self-supporting. As far back as 1890 it was subsidized by the Government to the extent of 2c per pound as well as paid a bounty in many of the States in which it operated. About the time these bounties and subsidies were abolished, a duty of 40% ad valorem was imposed for its benefit and protection. During the period between 1890 and 1896 seven factories sprung up.

During the fourteen years, between 1890, the time of its origin, and 1904, when "the blight of Cuban Reciprocity" went into effect, 43 factories had been erected, 40 of which survived. Between 1904 and 1913, a period of only nine years, 36 additional factories have been built, according to Willett & Gray, and not 27, as stated by Mr. Palmer. As a matter of fact his own figures total 33. This reflects, relatively, a greater growth than during the fourteen years preceding this so-called "blight" of Reciprocity. During the years preceding this "blight" the total annual production of beet sugar had only grown to 240,604 short tons; between 1904 and 1913 it has grown to 700,000 short tons, or nearly three times as much since Cuban Reciprocity, the so-called "blight." Such progress does not indicate that it is interfered with by either "anticipated legislation" or the "trend of events" to the extent claimed by Mr. Palmer.

Of the 76 beet sugar factories now in operation, the American Sugar Refining Co., or Trust, has been primarily responsible for the erection of 27. According to the opinion of Mr. Wallace P. Willett before the Hardwick Committee there would not be half the beet sugar factories in existence today were it not for the interest of the Trust in its development. This Trust is now interested in beet sugar companies that control and operate 36 factories. Since 1902, when it first began to invest in beet sugar companies, it has been responsible for 27 out of the 50 new ones erected in the United States.

It was stated before the Hardwick Committee by the Hon. Joseph L. Fordney, Congressman from Michigan, that the fight against this "blight of Cuban Reciprocity" had been called off by the domestic beet sugar interests because the Trust had agreed to take an interest in their companies in the event that they would permit of legislation that would be favorable to Cuban Reciprocity. So despite "real or anticipated legislation" and "the trend of National events" the beet sugar industry has expanded from an annual production of 240,604 short tons to 700,000 short tons in the nine years since this so-called "blight," which would be regarded as exceptional progress even under most favorable circumstances, and assuredly indicates a prosperity and expansion that no longer requires the encouragement of a high tariff.

Nor is it at all likely, in view of their low cost of production, that these beet sugar factories will be turned into "scrap piles." If it was it is apparent that we have been developing an "illegitimate industry." If so, it is certainly time to call a halt as the consumers should not be saddled with an industry that for all time must sell its product at high prices.

In 1898, Mr. William Bayard Cutting, one of the first in this country to engage in the production of beet sugar, stated over his signature "That the beet sugar industry is profitable under conditions of absolutely free trade, and that the United States, being an agricultural country, the industry has nothing to fear even from the annexation of Cuba."

PAGE 51.

THE HIGH COST OF LIVING.

In his calculations on this page, Mr. Palmer assumes the amount of sugar consumed by an average family of five persons in 1910 to be 299.6 *pounds, instead of* 268.5 *pounds, as maintained in Chart No.* 6, and, in his deductions regarding the annual cost of the Tariff to the consumer in Chart No. 7. Here the annual direct per capita consumption of sugar turns out to be 59.92 pounds instead of 53.7 pounds. Hence, adopting Mr. Palmer's revision of his former estimates, the cost per capita is increased from 72.28c, as stated in Chart No. 7, to 80.65c, and, with the same amount deducted for revenue purposes, as in Chart No. 7, namely, 58.33c, the *net annual cost* to the consumer, by reason of the tariff, amounts to 22.32c, *instead of* 13.95c, as represented in the latter Chart.

Light seems to be dawning upon Mr. Palmer towards the close of his treatise. Doubtless, further investigation and treatment of the subject would have resulted in further expansion and it is our hope that "SUGAR AT A SECOND GLANCE" will be of some assistance. But it does seem as though he should have corrected his first impressions and deductions so as to have them conform to his latest revelations on this page.

BASIS OF COST AND CAPITALIZATION OF BEET SUGAR COMPANIES.

We have searched in vain for a Chart showing how the present tariff has enabled the domestic sugar industry to overcapitalize and to reap excessive profits at the expense of the American consumer.

THE BASIS OF COST OF BEET-SUGAR FACTORIES.

At the tariff hearings, before the Payne committee of 1908-09, F. R. Hathaway, Secretary of the Michigan Sugar Company, estimated the cost of a beet-sugar factory investment on the basis of $1000 per ton, of daily slicing capacity. Tariff hearings, Ways and Means Committee, Page 3292. Henry T. Oxnard, of The American Beet Sugar Co., made the same basis of estimate before the Hardwick Committee. Hardwick Hearings, page 376. This was also the estimate of Charles W. Nibley, the promoter and organizer of the Amalgamated Sugar Co., of Utah. Hardwick Hearings, Page 1090.

E. U. Combs, of Colorado, testified before the Hardwick Committee, of an estimate of $367,000 submitted to him, for the erection of a beet sugar factory of 600 tons daily slicing capacity, which would be on the basis of less than $600 per ton, instead of $1000. Hardwick Hearings, Page 3283.

Before the Hardwick Committee, Hon. Joseph L. Fordney, Member of Congress from Michigan, and a most uncompromising beet sugar advocate, made this admission:

"I think, Mr. Chairman, we have it in evidence, over and over again, that the contract price is $1000 per ton." Hardwick Hearings, Page 3285. So the basis of cost of a beet sugar factory may, safely be said to be, no more than $1,000 per ton, of daily slicing capacity.

BASIS OF CAPITALIZATION OF BEET-SUGAR COMPANIES.

According to the Census Report of 1910, the combined daily slicing capacity of 68 beet-sugar factories in the United States was 52,750 tons. On a basis of average cost this would permit of a capitalization of $52,750,000. These factories, according to the same Census Report, were capitalized for $129,629,000, or 2½ times their cost. These factories produced 457,000 tons of sugar. See "The United States Beet Sugar Industry and the Tariff," by Professor Roy G. Blakely, of Columbia University, Table Page 51.

According to the same authority the capitalization per ton of daily slicing capacity has been INCREASED FROM THE NORMAL BASIS of $1,097 IN 1889 TO $2,458 IN 1909.

CANE-SUGAR CAPITALIZATION.

In contrast to this Beet-Sugar inflation, the total capitalization of all Cane-Sugar Refining Companies approximates $153,000,000, allowing a valuation of $12,000,000 for the Co-partnership of Arbuckle Bros. and $1,500,000 for the Henderson Refinery of New Orleans. See Table Pages 136-137-138 of "The Petition of the United States of America vs. The American Sugar Refining Company and Others," filed in the Circuit Court of the United States for the Southern District of New York. This total includes $3,500,000 of stock of the American Sugar Refining Company of *New York,* $5,000,000 of the Spreckels, and $5,000,000 of the Franklin of Philadelphia, and $5,128,000 of the National of New Jersey, all owned by the American Sugar Refining Company *of New Jersey,* or *Trust*, for the purchase of which, a portion of its $90,000,000 of stock was issued. It also includes $15,000,000 of this $90,000,000 capital stock, issued in 1902 for the purchase of over $23,000,000 worth of stock in Beet-Sugar Companies. Subtracting these amounts (in order to arrive at a fair relative comparison), we find:

	Capitalization	Production W. & G., 1911 Tons.	Period of Operation Months.
Total Cane, about	$120,000,000	2,745,000	12
Total Beet	143,000,000	506,000	3

These Cane Refining Companies produced over five times as much as the Beet Sugar Factories.

All of the larger Beet Sugar Companies now pay a dividend upon their common stock (which was originally added as a bonus). The Michigan Sugar Company now pays 7% upon their common as compared with 6% upon the preferred. In 1910 this Company had a surplus of $3,025,000, out of which it paid a stock dividend of $2,000,000, or 35%, and carried $1,025,000 to surplus. Its common stock was then quoted in Detroit at 121. It has a daily slicing capacity of 4,450 tons, and is capitalized for $12,500,000, or, approximately, three times its cost. The American Beet Sugar Company up to last year paid 6% upon $5,000,000 of preferred stock only, and last year started in to pay 5% on $15,000,000 common. The year before it earned sufficient to pay 13½% upon the common and the previous year 10½%. The total daily slicing capacity of its combined factories is 5200 tons. It is capitalized at $20,000,000, or at the rate of about four times its cost. Last year this company charged up over $751,000 to "depreciation," or about 8½% of its earnings. The Great Western Sugar Company, of Colorado, pays 7% upon its preferred stock and 5% upon its common. In 1910 it had a cash surplus of $5,500,000. It has a daily slicing capacity of 9,700 tons and is capitalized for $30,000,000, or at the usual rate of more than three times the cost of its factories.

This interesting and illuminating letter, in regard to the affairs of the above company, was written by its President, Chester S. Morey, on March 19, 1910, to Washington B. Thomas, who was then President of the American Sugar Refining Company;

"My dear Mr. Thomas: Enclosed herewith I hand you copy of the financial exhibit and income statement. This is the form in which we expect to publish these statements, and they will also be used when we make application to list our stock on the New York Exchange.

"You will notice that this year, in addition to the regular 2½% depreciation which we have been deducting for the last three years, we have set up $1,000,000 in depreciation reserve. *I do not want this year's earnings to appear as large as they would if we had not made this entry.* Of course, this can be changed if the board of directors does not approve of it.

"You will note that our total surplus is shown by these statements as a little over $5,000,000. This does not include any surplus from the Billings Co., the Great Western Railway Company and other corporations, which really add nearly $2,000,000.

"Our sugar is invoiced at 4 cents and judging from present market indications there is at least $1,000,000 profit that will show up in next year's business. The value of our real estate and railroads over and above the amount at which they are carried is at least $5,000,000, so that the actual surplus is nearer $9,000,000 than $5,000,000.

"Am pleased to say that at some of our factories the farmers are signing up acreage and feel more encouraged than I did a week ago.

"The details of these statements I will bring with me when I come to the stockholders' meeting."

Owing to the high price of sugar, the year following the date on which this letter was written was, unquestionably, even more profitable to the Great Western Sugar Co. than any of the preceding years, which seem to have yielded abnormal profits, as this company, only organized in January, 1905, had, by March 19, 1910, accumulated a surplus of $9,000,000, in addition to having paid regular yearly dividends. Yet these are the "interests" who whine at the doors of Congress in Washington that "ruination" stares them in the face if the Tariff on sugar is reduced!

The Beet Sugar Companies are enabled to do this, because they are not obliged to base their selling price, to the consumer, upon their cost of production (which is around 3c per pound) in contrast to Eastern Cane Refiners' average of more than 4½c per pound (a full 1½c of which is due to the tariff). Thus the beet sugar companies capitalize their cheaper cost of production, freight and Tariff protection, at the expense of the consumer, with no thought of sharing any advantage with the farmer. THE SUGAR BEET COMPANIES DEAL WITH THE LATTER UPON A FREE TRADE BASIS, FOR HIS BEETS, AND CHARGE THE CONSUMER UPON THE HIGHEST PROTECTIVE BASIS, FOR THEIR PRODUCT. Hence, little sympathy should be wasted upon this Tariff-favored element, on account of the disposition shown, to exploit the benefits, so generously conferred at the expense of the public at large, whom Congress represents.

We now propose to show that, the main use they make of Tariff concessions (which they should, in fairness, share with the farmer) is, to *float watered stock and promote over-capitalization,* in their several companies.

LOWRY TARIFF PLAN.

The present tariff on sugar enhances the price for the producers in Porto Rico, Hawaii and the Philippines, so that the owners of the mills (who as a rule live in the States), are making an enormous profit at the expense of the American consumer, but the sugar industry in these islands, before they became a part of the United States, flourished under conditions of absolute free trade.

It is, therefore, apparent that any tariff that we might have would enhance the value of the product of these islands *by the amount of the tariff*, so that it is clear that any tariff means just so much *extra profit* to those engaged in producing sugar in these islands.

The tariff rate we propose is equal to $10 to $12 per ton.

Let us now consider how our domestic beet sugar industry would fare *under the rate which we propose.*

It is well known in the trade that where factorie are properly located and thoroughly equipped, there should be no difficulty in producing beet sugar at 3c per pound (see Hardwick Hearings), and the beet men themselves boast of this when seeking financial assistance.

Taking their own figures, the cost of *producing and selling in good, bad and indifferent factories,* the Hardwick Committee shows that the average cost was only	3.54c per lb.
Messrs. Willett & Gray show that the average New York refiner's price for the past seven years on refined sugar has been	4.98c per lb.
The Department of Commerce and Labor, Bureau of Statistics, No. 240, page 517, shows that the average cost per pound, free on board in foreign countries, of the raw sugar imported, 1905-1911, inclusive, was	2.378c per lb.
Add the freight, to get the average cost laid down at U. S. ports, say	.14c per lb
Making the in-bond price delivered at U. S. Ports	2.518c per lb.
Add the duty which we propose on 96° test, 60c on full luty sugar, and 48c on Cuban importations, making average rate actually paid, say	.53c per lb.
Making refiners' first cost, duty paid	3.048c per lb.
Add the margin between price paid by refiners for raw sugar and their selling price on refined, the past seven years	.859c per lb.
Making refiners' average selling price, under proposed new rate	3.907c per lb. New York.

The beet sugar factories are located in the interior and sell their sugar above the New York price (see Bulletin No. 12), but, as this advantage is partly offset by the fact that the trade will not pay as much for beet sugar as for cane, we have not taken this advantage in price into consideration in this calculation.

We find that the rate we propose would give beet sugar factories who produce at 3½c per pound a profit, as a direct result of the tariff, of .407c per pound, or $8.14 per ton.

And those properly located and equipped, and who produce sugar at 3c, a profit of .907c per pound, or $18 per ton.

A cane refinery in New York is very glad to make an average profit of ⅛c to 3-16c per pound.

As the average price of granulated, under the present tariff, has been 4.98c per pound, the saving to the American people, under the proposed rate, would be over 1c per pound, or over seventy-five million dollars on the amount of sugar consumed in 1911.

It is therefore apparent that the rate we propose will amply protect, for all legitimate purposes, the sugar industry of Porto Rico, Hawaii, Philippines, and also our domestic beets. It will only prevent the over-capitalization of beet-sugar plants, and the improper location of factories, where natural conditions are not such as to produce the best results. The industry would be on a much better footing if the tariff were revised so as to prevent both of these conditions, which are fundamentally so unsound.

IN ALL OUR CALCULATIONS WE HAVE PROVIDED FOR THE BEET GROWER TO RECEIVE THE SAME PRICE THAT HE NOW RECEIVES FOR HIS SUGAR BEETS. So that, while there is ample room for disputing some of the statements regarding the farmers' "indirect benefits" for the purpose of this argument, we can admit all that is claimed by the beet sugar factories.

LOWRY REVENUE PLAN.

Another feature to be considered in connection with the sugar tariff is the revenue feature. In 1911 the high tariff, which we have on imported sugar, produced for the Government about 52 million dollars, but this money was collected on *only about 50% of the amount of sugar which we consumed,* as only this much was imported from foreign countries and paid duty. The balance comes from Hawaii, Porto Rico, the Philippines and our domestic beet and cane productions. The selling price of this sugar is based on the in-bond value of foreign sugar plus the duty and its value is enhanced, at least, to the extent of the tariff, so that a like amount (52 million dollars) to that collected by the Government is handed to these producers as an indirect subsidy.

Because the tariff rate on sugar is so high, the 52 million dollars collected by the Government as a revenue from *one-half of the sugar we use is* 17% of the entire customs revenue of the United States. Is it right that a single necessity of life should be called upon to bear such a heavy part of the burden?

There is a *great difference between a protective tariff and a revenue measure.* The protective rate which we propose would have produced for the Government in 1911 about $18,000,000 in revenue. It seems to us that in doing this sugar is producing its proper share, *but if our Legislature should determine that sugar alone must produce more revenue, then all the sugar which we consume should share in producing this revenue,* and we should adopt the revenue or "consumption tax" just as has been done all over Europe.

Every time a tax of ¼c per pound is placed on the *total amount* of sugar consumed in the United States, about $19,000,000 is produced. This is equal to the amount produced by placing a tax of ½c per pound on the imported sugar but it only increases the price of sugar to the consumer ¼c instead of ½c as when the latter method is followed.

If, in addition to the $18,000,000 or more collected on imports, $19,000,000 more revenue is needed from sugar, then *require the refiners of both cane and beet sugar in the United States to pay a tax of 25 cents per 100 pounds on their production.* This would be purely a revenue measure, like the countries of Europe have adopted as a proper way of raising revenue, but at a much lower rate, and would be levied purely from a revenue standpoint and could be dropped whenever the revenue was not required.

Under such a provision there need be no tax on *raw sugar* made in our insular possessions, Porto Rico, Hawaii, and the Philippines, or in Louisiana, as the tax of 25c per 100 pounds would be paid on these sugars by refiners before they were put on the market. It would, however, be necessary to have a provision in the law that any *refined sugar* they might make or any raw sugar imported *from any source for direct consumption* would have to pay the revenue or "consumption tax" of 25c a hundred pounds.

Allowing for a proper increase of, say, 10% in consumption such a revision of the sugar tariff would have produced in 1911, a revenue for the Government of about $39,000,000, and has the added advantage that *it will yield more revenue each year* as the consumption increases. Under the present ruling this is reversed; and, notwithstanding the fact that our consumption has increased over 25% in the last seven years, the Government derives less revenue from sugar now than it did seven years ago.

Such a readjustment as we propose would materially reduce the price of sugar to the consumer, give a greater protection to our domestic industry than is granted by Germany, Austria, France, Holland or Belgium, where beet sugar is produced so extensively, and afford the Government of the United States a very handsome revenue.

This method of producing revenue is the one followed by the various countries of Europe, where beet sugar is produced so extensively. These countries have adopted what is called a "consumption tax," which all sugar, whether of foreign or domestic origin, is required to pay. In Germany this tax amounts to 1.51c per pound, in France 2.36c per pound, Austria 2.39c per pound, Holland 4.82c per pound, and Belgium 1.75c per pound. Such heavy taxes as these would be entirely unnecessary in this country, but it would be perfectly feasible for us to collect all the revenue required from sugar in this way, and the rate could be reduced or increased as warranted by the situation.

A favorite plan of those who profit by our tariff is to add the duty and the consumption tax and hold this up as the "protection" given the beet sugar industry in Europe. They will say: "The tariff in Germany on raw sugar is 1.98c." They add to the 47c rate of duty the consumption tax of $1.51 and get $1.98 *but they do not say that all sugar produced in Germany must also pay the consumption tax of* $1.51 *so that the protection is only the tariff rate of .47c per pound.*

This is, of course, only one of the many ways of getting tariff favors by false information.

TARIFF HANDICAPS TO EXPORT BUSINESS.

Our domestic sugar industry contends that the tariff is not a handicap to a domestic manufacturer or preserver doing an export business. *This is not a fact; it is a serious handicap.* (Senate Hearings, pages 457-458).

The matter of collecting drawback is a serious proposition to the small manufacturer. He cannot afford to be without his money three, six or nine months as is required in getting settlements of drawbacks from the Government. These drawbacks are collected through the Customs House Brokers in New York, and a great deal of that business is done on the basis that the Customs House Brokers *shall be paid a percentage of the amount collected.*

The exporter is required to get certificates of origin from the refiner, and, of necessity, there is a great deal of red tape connected with these drawbacks.

Another serious difficulty is that when a manufacturer purchases sugar he does not know its origin. He may manufacture his product from that sugar, quote a price for export *based on the assumption that he is going* to receive drawback, secure the business and make the shipment, after which he makes application to the refiner for a certificate of origin only to find that the sugar has been manufactured from Porto Rican, Louisiana, Hawaiian or Philippine raw sugars, on which no duty has been paid, and therefore, *no drawback can be collected;* so that the manufacturer attempting to do this export business is simply out that much money.

To the knowledge of the writer this has often happened, and under such conditions it does not take long to discourage an export business.

These handicaps were impressed on the Ways and Means Committee by Ex-Governor Bert M. Fernald, President of the National Canners' Association, who, as a part of his argument for a material reduction in the tariff on sugar, presented the following letter from the Canners' League of California:

The Ways and Means Committee of Congress, San Francisco, Cal., January 9, 1913.

Washington, D. C.

Gentlemen: The Canners' League of California, an organization representing practically all the fruit and vegetable canners of this State, giving employment to nearly 30,000 people during the packing season, asks for a material reduction in the tariff on raw and refined sugar.

It is our opinion that the sugar industry, if conducted as a legitimate manufacturing enterprise, whether in Hawaii, Porto Rico, or on the mainland, requires no protection.

It is our opinion that as a revenue producer the present tariff lays a heavy and unreasonable burden upon the consumer, compelling him to pay an unnecessarily high price on domestic sugar, which yields no revenue to the Government.

It is our opinion that in our endeavor to extend our foreign markets we are seriously handicapped by the present duties on sugar, being at a serious disadvantage as compared with British exporters. If it be contended that the drawback law is an offset, it can be successfully maintained that the law is inadequate for the reason that our manufacturing must be done during the fruit season, before the nature and extent of foreign markets can be fairly estimated. The rules of the Treasury Department require us to file at the beginning of the packing season a notice of intent to manufacture, showing the exact quantity of each grade of each variety of fruit to be packed with imported materials. However carefully these estimates be made, they never fit the actual market conditions, and canners having paid the higher price for duty-paid material usually find themselves "long" on some grades and varieties for which there happens to be no export demand, and such goods must accordingly be sold to the domestic trade without benefit of drawback and at a loss. They also find themselves "short" of goods available for drawback on other grades and varieties for which there is demand, and for which there are no goods remaining in stock packed with imported materials.

In behalf of an industry of serious commercial importance to the laboring and the farming classes, as well as to the manufacturer, we respectfully urge this reduction, giving full assurance of our willingness to give up any measure of protection that the present tariff may afford to the canned-food industry if only we be given the opportunity to secure our sugar and our tin plate at the lower prices which we believe will prevail in the event of the reduction of the tariff.

We have the honor to be, very respectfully, yours,

CANNERS' LEAGUE OF CALIFORNIA,
HENRY P. DURAND, Secretary.

A reduction of the tariff on sugar would not end with the direct benefits derived by consumers and those handling sugar, such as jobbers, retailers, transportation companies, refiners, etc., but it would also widen the market for American canners, preservers, and other industries, in which sugar is an important factor, who are, at the present time, unable to do much in the way of an export business, because of the high prices they are forced to pay for their sugars.

A material reduction in the sugar tax would at once enable our canners to greatly increase their exports, thus creating a demand for the fruits, berries, etc., of our farmers, which now go to waste for lack of a market. It would likewise increase the demand for all products used in these industries, such as tin plate, glassware, labels, cases, etc. The advantages to our farmers and people generally from the increased markets for these products are certainly worthy of consideration.

Beet Sugar and the Tariff

By Prof. F. W. Taussig

Chair of Economics, Harvard University.

SUMMARY

Growth Since 1890—Concentration in the Far West—Climatic Advantages of the Arid Region—Intensive Cultivation Required—A Large Labor Supply Needed; an Agricultural Proletariat?—The Sugar Manufacturers Active in Procuring the Labor—Little Beet Sugar in the Central West—The Explanation Is in the Principle of Comparative Cost: Corn Is More Profitable—The Situation in Michigan—The Beet-Sugar Manufactories—Can the Argument for Protection to Young Industries Be Advanced?

The beginnings of this growth of beet-sugar making fall in the period during which the tariff act of 1890 was in effect. Barring a slight amount from one or two California enterprises, no beet sugar at all had been produced before that date. The act of 1890, it will be remembered, admitted sugar free of duty, but gave domestic sugar makers a bounty of two cents a pound. It would seem obvious that this put the domestic producers in no better position than before. The previous duty of two cents being abolished, their sugar fell in price by that sum; they simply got the bonus outright, instead of in the indirect form of an enhancement of price. Nevertheless the bounty of 1890 appears to have had a stimulating effect on the beet-sugar industry. There may be a psychological influence from the direct payment; just as there is a vast difference in the effect on people's state of mind between collecting taxes directly and collecting them through levy on producers of commodities, or merchants, who recoup themselves by higher prices. Probably no less effective than the bounty at the start, and more effective as time went on, was the propaganda of the Department of Agriculture. That Department has preached beet sugar in season and out of season; has spread broadcast pamphlets dilating on the advantages of beet-growing for the farmer and giving minute directions on methods of cultivation; has maintained a special agent, who kept in touch with the manufacturers and farmers, and annually reported on the progress of the industry. The result was familiarity with the possibilities throughout the country, the removal of all obstacles from inertia and ignorance, and a rapid development in all regions where there was a promise of profits.

What, now, are the regions in which the profit has been such as to lead to great development? The accompanying tabular statement shows what the situation has been since 1900—the period during which the growth has been most marked and its geographical distribution most easily followed.

Beet Sugar Product in the United States
(in million pounds of sugar)

	Total	California	Utah	Colorado	Michigan	Wisconsin	Other States
1899-00	163	85	19	2	33	..	24
1900-01	172	57	17	13	55	..	30
1901-02	365	140	28	45	105	6	41
1902-03	438	159	38	78	109	8	46
1903-04	466	136	46	89	128	11	56
1904-05	470	93	57	111	104	22	83
1905-06	635	144	48	209	122	27	85
1906-07	970	178	82	343	177	36	154
1907-08	852	180	93	245	171	37	126
1908-09	1,025	255	98	299	212	34	127
1909-10	1,120	280	77	206	278	36	243
1910-11	1,019	291	76	206	260	38	148

One fact is obvious on a cursory inspection of these figures. The beet-sugar industry is in the main massed in the far West—in California, Utah, Colorado, and the adjacent region. The agricultural belt of the Central States has a very slender share. Only one state in this part of the country, Michigan, makes a considerable contribution to the supply. Wisconsin adds a very little. No other state in the central region has more than one beet-sugar factory. Barring Michigan, the production of beet sugar may be said to be confined to the Rocky Mountain and Pacific States. In 1909 the four states of California, Colorado, Utah, and Idaho contained 250,000 acres out of a total of 420,000 used for beet culture, and produced nearly 700 million pounds of sugar out of a total of 1,000 millions.

The explanation of this geographical concentration does not lie in any obstacles from climate or soil in other parts of the country. The beet flourishes over a very wide area. An instructive pamphlet issued by the Department of Agriculture shows the zone in which the sugar beet may be expected to "attain its highest perfection." This zone or belt, two hundred miles wide, starts at the Hudson, and sweeps across the country to the Dakotas; turns southward through Colorado, New Mexico, and Arizona; and then, turning again, proceeds west and northwest through California, Utah, Idaho, and the Columbia valley. It includes a great part of the North Central region. Yet in this, the most important and productive agricultural region of the country, there is virtually no beet-growing or sugar-making, except, as just mentioned, in Michigan. The climatic and agricultural possibilities are not turned to account until the far West is reached.

Two circumstances are dwelt on by those well informed concerning the conditions favorable to beet-growing in this western region: the climate and the special advantages of irrigation.

The variety of the beet suitable for sugar-making flourishes in a cool climate; but it needs plenty of sun. "Abundance of sunshine is essential to the highest development of sugar in the beet. Other things being equal, it may be said that the richness of the beet will be proportional to the amount—not intensity—of the sunshine." Evidently the cool region of cloudless sky in the arid West, including the high-lying parts of Arizona and New Mexico, meets this condition perfectly.

Again: "in respect to moisture, the sugar beet is peculiar in some respects. . . . There are three periods in the life history of the sugar beet which demand entirely different treatment so far as moisture is concerned: (1) the germinating or plantlet period; (2) the growing period; (3) the sugar-storing period." During the first "the beet needs sufficient moisture and warmth to germinate and start it, but never an excess." During the second, "the beet needs little if any moisture." During the third, or sugar-storing period, "the plant should be given no water. The conditions desirable at this period are plenty of light and dry cool weather. If the beet is given moisture to any considerable extent, it will be at the expense of both sugar and purity."

It is clear that the irrigated regions of Colorado, Utah, Idaho, Montana, supply just the right combination of climate and moisture: cool temperature, abundant sunshine, moisture as needed, absence of moisture when harmful. Hence Colorado and Utah are described as the ideal beet-sugar states. "Considering everything, Utah is the ideal beet-sugar State. . . . Its natural conditions are quite similar to those of Colorado." In Colorado 12 to 25 tons of beets to the acre are readily secured; even in the early days 15 to 17½ tons were got on the average; whereas in European countries not only is the tonnage per acre less, but the sugar content smaller. Some of the districts of California have the required combination of soil and moisture without irrigation, or with little irrigation. California has some further advantages. Its equable climate enables the beet-sugar "campaign" to be spread over a longer period than elsewhere; and its beets have a very high sugar content.

Contrast these conditions with those of a state like Michigan, where the annual precipitation is considerable, and where the distribution of the precipitation depends on the accidents of the season. In 1909, for example, the agent of the Department of Agriculture reported that "On the whole the weather conditions in the state during the past year were rather unfavorable. The spring was cold, wet, and backward, but more favorable weather prevailed during the growing season, though there was considerable tendency to drought. The weather was especially favorable for harvesting beets. This is a critical period. Dry weather lessens the work and improves the beets." In 1901, 1902, and 1903 there were bad seasons in Michigan: "there was considerably more rain than was desirable, necessitating expensive work in weeding and cultivation. The cold wet rains of the fall delayed the harvesting and belated the work of the sugar factories." In 1904, on the other hand, the season happened to be favorable. Evidently the Michigan farmer is at a disadvantage because of the uncertainties of the weather. The farmer of the irrigated arid region can always count on abundant sunshine, and can apply moisture exactly as needed.

For all these reasons "Michigan farmers cannot grow as high a tonnage as they do in the Western States under irrigation; their beets are not naturally of as high a quality and probably they never will be." The same holds of other parts of the North Central region. "In Iowa, the beets have not been as high in quality as those grown in California, Colorado, or Idaho."

Turn now to another aspect of the problem—the kind of cultivation required for beet-raising. The situation is the same as I described it in 1889. Intensive culture and much hand labor are necessary. Professor Shaw, in his valuable reports on the industry in California, has more than once used the phrase: "The growing of beets is not agriculture, but horticulture." All the manuals and pamphlets insist on the need of elaborate preparation, minute care, much labor directly in the fields. The planting of the seed does indeed take place by drills, the plants coming up in continuous rows. But after this first operation, painstaking manual labor is called for. When the young shoots come up, they need first to be blocked, then thinned. "Blocking" means that all the beets in the rows are cut out by a hoe, except small bunches about ten inches apart. These bunches are then "thinned"; every plant is pulled out by hand except one, the largest and healthiest. "Great care should be exercised in this work, and by careful selection all the inferior plants should be removed. . . . When thinning, it is a good plan to give the ground a thorough hand hoeing." Throughout the growing period the beets must be cultivated, partly with a horse cultivator, partly with the hand hoe. "The cultivator and the hoe should be used alternately until the beets are too large for horse cultivation without injuring them. Hand laborers should continue to go over the beet field, pulling the weeds and grass that may have persisted."

Essentially the same situation appears when harvesting is reached. The beets may be first loosened by a plow and by a lifter; but each individual beet must be pulled out by hand. Then they are knocked together gently to remove the adhering dirt. Finally, they are "topped"; that is, the neck and leaves are cut off with a large knife. "The removal of the tops of the beets is a tedious process, which in Europe is performed by women and children. . . . Constant supervision is necessary in this work."

No machinery has been devised that serves to dispense with the large amount of hand labor called for. "Several attempts have been made to construct a mechanical device by which the beets can be topped, thus saving a large expense, and perhaps a successful device of this kind may some day be invented." So far as is known at the present time, however, this process has not been successfully accomplished by machinery, and the topping must still be done by hand. "Inventive ingenuity in Europe and especially in America," said the Special Agent of the Department of Agriculture in 1906, "has been directed to planning a harvester which will do away, as far as possible, with this expensive hand work. . . . It cannot be said that any of these newly devised implements works successfully in all soils." In 1909 he reported that "these machines are not now in general use, but their use is increasing"; and he still laid stress on the need of elaborate hand cultivation.

It follows that the successful growing of the sugar beet calls for a large amount of monotonous unskilled labor; no small part of it, labor that can be done by women and children, and that tempts to their utilization. In the documents of the Department of Agriculture there is constant reference to the peculiar labor problem confronting the farmer who sets out to raise sugar beets. "As a rule the farmer, if he grows beets to any extent, does not have on his farm sufficient labor to take care of the work of thinning, bunching, hoeing, and harvesting the sugar beets." Not only does the typical American farm and farm community lack the number of laborers required; the labor itself is of a kind distasteful to our farmers. "Thinning and weeding by hand while on one's knees is not a work or posture agreeable to the average American farmer. Bending over the rows and crawling along them on one's hands and knees all day long are things that the contracting farmer is sure to object to as drudgery. . . . Our farmers ride on their stirring plows, cultivators, and many implements." As was remarked by one of the witnesses before the Ways and Means Committee, at a tariff hearing: "the thinning and the topping of the beets it is pretty hard to get our American fellows to do, and they prefer to hire the labor and pay for it." The Kansas State Board of Agriculture informs its constituents: "if the American farmer is to realize all possibilities in raising sugar-beets he will do so through his ability as a superintendent and not as a drudge."

The manner in which this need of extra labor has been met is instructive not only as regards the beet-sugar situation itself, but also as regards the general trend of industry in the United States during the last generation.

Almost everywhere in the beet-sugar districts we find laborers who are employed or contracted for in gangs; an inferior class utilized and perhaps exploited by a superior class. The agricultural laborers in the beet fields are usually a very different set from the farmers. On the Pacific coast they are Chinese or Mexicans. Except in Southern California, where the Mexicans are near at hand, most of the work is done by Japanese under contract; there being usually a head contractor, a sort of sweater, who undertakes to furnish the men. In very recent years Hindoos (brought down from British Columbia) also have appeared in the beet fields of California. In Colorado "immigrants from Old Mexico compete with New Mexicans (*i. e.,* born in New Mexico), Russians, and Japanese." Indians from the reservation have been employed in Colorado; and boys have been sent out under supervisors from the Juvenile Court of Denver. At one time, convict labor was used in Nebraska.

In some parts of Colorado, in Montana, and at the beet fields of the single factory in Kansas, Russian Germans are employed. These curious and interesting people are Germans who were imported into Russia by the Empress Katherine; they persistently maintained their race and language and religion; in recent years they have been driven from Russia by persecution. They now center about Lincoln, Nebraska, and are shipped under contract to the beet fields, where they are assiduous and much-prized workers. They are much more welcome than the fickle Indians and Mexicans; more welcome even than the Japanese, who are quick and capable, but often break their contracts. The German Russians camp in whole families at the beet region for the summer; men, women, and children toil in the fields. In Michigan, the main labor supply comes from the Polish and Bohemian population of Cleveland, Buffalo, Pittsburgh. The circulars issued by the Department of Agriculture and by the state boards and bureaus repeatedly call the attention of the beet farmers to the possibility of employing cheap immigrants. The troublesome labor problems, it is said, need not cause worry: here is a large supply of just the persons wanted. "Living in cities there is a class of foreigners—Germans, French, Russians, Hollanders, Austrians, Bohemians—who have had more or less experience in beet-growing in their native countries. . . . Every spring sees large colonies of this class of workmen moving out from our cities into the beet fields."

The sugar manufacturers, who buy the beets and make the sugar in their factories, play a large part in bringing this labor to the fields. Indeed, they play a large part in every phase of the industry—on its agricultural side as well as on its manufacturing side. They supply seed; give the farmers elaborate directions on methods of cultivation; employ supervisors to visit and inspect the farms, and to spur the farmers to the needed minute care; of necessity they test the beets at the factory, and pay according to sugar content; and they often undertake to provide the labor. Sometimes the factories contract to attend to the field labor themselves, receiving from the farmers a specified price—so much for bunching and thinning, so much for each hoeing, so much for topping. The farmers then have nothing to do but supply "reasonable" living accommodations. More often farmers, not thus provided for, secure their laborers through contractors, at a fixed price of so much (varying from $15 to $20) per acre for all the work; these middlemen being hunted up or selected for the farmers by the factory managers. Such "sweaters" make a profit from their sub-contract with the field hands; the system being open to the possibilities of over-reaching which are too familiar under such arrangements.

All this is part of the transformation which has been wrought in so many parts of our social and economic structure during the last quarter of a century by the vast inflow of immigrants. Manufactures have been most obviously affected by it. Our textile trades, the iron and steel industry, the glass manufacture, have in greater or less degree adjusted their methods and machinery to the new labor supply. The tariff situation has been modified: not a few industries can maintain themselves without tariff aid, or with little aid, which formerly could allege more plausibly the need of high duties. Agriculture also is feeling the influence of the new conditions. Laborers from the congested foreign districts of the cities—Italians, Bohemians, "Huns," "Polaks," Russians—make their way to the market gardens surrounding the cities, to vegetable districts such as that of the Chesapeake peninsula, to the cranberry fields of New Jersey, and do the hard work for the shrewd Yankee farmers. Possibly these field hands are on the way to the acquisition of land through their savings. Such persons as the Russian Germans who work in the beet fields are not likely to remain long in their present semi-servile state. These are doubtless progressing toward land ownership. Possibly the same upward movement will be achieved by many members of the other races. But certainly for the time being the conditions are socially and industrially unwelcome. They are not dissimilar to those of the *Sachsengängerei*, of ill repute in eastern Germany. They are very different from the conditions which we think of as typical of agriculture in the United States. There is an agricultural proletariat in the beet fields.

As yet, however, the main agricultural region of the United States—the great Central region in which are the wheat and corn belts—has been little affected. Here we still find extensive cultivation, agricultural machinery, the one-family farm. It is true that during the harvest season there is a heavy demand for agricultural laborers, and that this is satisfied by laborers who may be said to constitute an agricultural proletariat. It is true also that the stage of pioneer farming has been passed or is rapidly being passed, that rotation is becoming more systematic and skilful, the land more valuable, cultivation more intensive. Nevertheless this remains the region of the one-family farm. The farmers "ride on their stirring-plows and cultivators" and in this way are able to do most of the work on their lands for themselves.

Throughout the corn belt there is no sugar-beet industry of any moment; yet the corn belt is largely the same as the potential beet-sugar zone. The explanation seems to me clear: it pays better to raise corn. In the language of the economists, there is a comparative advantage in corn-growing. This grain is peculiarly adapted to extensive agriculture. It also lends itself readily to the use of machinery; corn can be "cultivated" between the rows by horse power. It is a substitute for root crops, and can be rotated steadily with small-grain crops. It is a direct competitor with the sugar beet for cattle fattening. The advocates of beet-raising always lay stress on the value of the beet-pulp, the residue at the factory after the juice has been extracted, for cattle feeding. But corn is at least equally valuable for the purpose and the typical American farmer raises it by agricultural methods which he finds both profitable and congenial. One man can grow forty acres of corn. He can plant only twenty acres of beets; and these he cannot possibly thin and top. In Iowa "the farmers are progressive, successful, and satisfied. In fact, this has been the main obstacle to installing the sugar industry there. The farmers have not shown a disposition to grow the beets. When the farmers are advised that beet culture is accompanied with considerable hard work, factory propositions usually succumb to the inevitable. The farming class of the state is accustomed to the use of labor-saving implements in the fields." And yet Iowa "has the quality of soil and the climatic conditions necessary for producing a large tonnage of beets."

It is true that Michigan, and Wisconsin also, are outside the corn belt. Except along the southern edge of these states, the grain does not ordinarily mature. But corn still remains a formidable competitor of the sugar beet, in its use through ensilage. It is cut green, stored in the silos, and so is available for cattle feeding. It continues to be available in rotation with other grain and with grass. During the last two decades Wisconsin has become a great dairy state. "The pasture, hay, and corn lands of the state form the basis of the live-stock industry." Here there is a profitable system of agriculture in which there is no need of the minute attention, the elaborate cultivation, the concentrated labor, which are required for the sugar beet.

To sum up: beet-growing calls for highly intensive cultivation. As I stated in 1889, it is not adapted to the typical agricultural conditions of the United States. On the irrigated lands, where its development has been so surprising, the conditions are not typical. There is likely to be intensive cultivation in any case. The land is comparatively expensive—counting the cost of irrigation as part of the cost of the land. Hence the land must be called on for a larger gross product, through garden crops and the like. Add the special climatic advantages of the arid region, and it is easy to see why beet culture is found advantageous. But through the greater part of the theoretical beet-sugar belt, and especially in the corn belt, more extensive methods of using the soil pay better. Beet-growing finds no place in the region of the one-family farm.

No doubt it is true that agriculture in the North Central District and to some degree throughout the United States, is in a stage of transition. Corn and the small grains, though they remain the fundamental crops, are being supplemented by root crops, and there is more and more resort to dairying. How far this transition will be carried must depend on the pressure of demand for agricultural produce in consequence of the growth of population, and on the social forces which influence land ownership and land tenure. The conditions of labor supply are also important; and these may influence the development of agriculture as profoundly as they have that of manufactures. But as yet it is only under exceptional circumstances that the American farmer will find it profitable to carry on such intensive cultivation as beet-growing requires.

The relation of the beet-sugar industry to the tariff presents, on its agricultural side, one of the many cases of differing costs. If the formula is to be applied which is now so much in vogue—protect in proportion to the higher cost of production in the United States—the legislator must face the dilemma that the protection which suffices for one set of producers *more* than suffices for others, and in that sense is excessive. The situation, of course, is one familiar in the extractive industries, and in all industries in which there are permanent causes of variation in cost. It costs more to produce beets in Michigan and Wisconsin than it does in California and Colorado. The beet-sugar producers of the West can turn out sugar profitably at a price of somewhere near three cents per pound. Those of Michigan find it hard to extract a profit at four cents a pound. The beet-sugar industry of the far West, under the present tariff-raised price of sugar, is steadily reaching eastward with its product, and has become a formidable competitor both of the Michigan industry and of the imported and domestic cane sugar.

The Michigan sugar makers hence are uneasy about the future; and they plead strenuously for consideration to their vested interests. It must be admitted that the plea is in one regard of exceptional force. Not only has the general policy of protection been long maintained by Congress, and investment in accord with it encouraged; but, as one of the witnesses before the Ways and Means Committee said in 1909, "the investment which our company made in the sugar business was made on the invitation and urgent advice of the United States Government through its Department of Agriculture." It is a serious responsibility which the Department has thus taken on itself. Its zeal too often has been indiscriminate. Its propaganda has rested, in part at least, on a crudely mercantilist principle: on the assumption that it is desirable to produce within our own borders anything and everything that can possibly be produced there, and that a tariff policy based on this assumption will be maintained indefinitely.

A question in some respects different is presented by the beet-sugar factory, which buys the beets from the farmers and makes the sugar. Here there is what the business world calls "a straight manufacturing proposition." Whether the manufacturing of sugar can be done to advantage in the United States depends on the same conditions as in other manufactures. It is much affected by the opportunities for using machinery and for the exercise of American inventive and engineering capacity in improving machinery. Such evidence as I can get indicates that, so far as this branch of the industry is concerned, the conditions are not unfavorable to its successful prosecution, with little need, if any, of tariff support. When the first factories were built in California the machinery was imported from Germany. "The Yankee inventive genius of machinery men at once took hold of the matter, making so valuable improvements that both the above mentioned factories (at Watsonville and at Chino) were shortly refitted with machines of American make, and every factory in this country in the last few years has purchased American machines." So in the Department of Agricultures' pamphlet on the industry, it is stated that "in the early days of the beet-sugar industry in this country, Europe was called on to furnish all machinery. Now very little is imported, and in fact some of the foreign factories are using American-made machinery." The domestic making of machinery, the breaking loose from European tutelage, the introduction of technical improvements—these are significant indications of the successful adaptation of a new industry to American conditions and of ability to meet foreign competition unaided. It should be borne in mind, moreover, that the factory managers take an active part in directing and supervising the agricultural operations. In this regard there seems to be abundant and successful enterprise. The managers of the beet-sugar factories have been chiefly instrumental in bringing the indispensable labor supply to the farms. Through traction engines and the like, they have grappled with the difficulties of transporting the beets from the field to the factory. They have selected the seeds, and have assiduously spread information among the farmers on the best ways of getting a large tonnage of beets and a large content of sugar. In the far West especially, all this activity has been carried on with industrial and pecuniary success. Neither in the factory itself nor in the problems of organization arising from the interdependence of farm and factory has there been a lack of skill or energy.

It is, I think, another sign of successful adaptation to new conditions that the American beet-sugar factory carries its operation a stage farther than do the factories of Europe. The latter usually produce raw sugar only, which is sent to the refineries for the last stage of preparation; precisely as our cane sugar is imported in the "raw" form, and goes through the refineries before being marketed for consumption. The American beet-sugar factories, on the other hand, make refined (granulated) sugar, which is sold at once to the grocers. In Europe the greater geographical concentration of beet-growing and sugar-making, and the consequent ease of transportation to refineries near by, probably account for the practice there prevailing. The different American practice doubtless took its start because refining was controlled, during the earlier years of beet sugar, by the Sugar Trust and its affiliated concerns; but it has persisted because it fits the geographical and industrial conditions of the industry. Another reason is that in Continental Europe beet farming and sugar making constitute commonly one integrated enterprise, and are associated either with estate farming on a large scale or with direct co-operation between large-scale agriculturists and the factory owners. A different sort of co-operation between farm and factory was necessary under our conditions of land ownership, and this has been worked out successfully by the American manufacturers. Neither in the technical aspects of the manufacturing industry, nor in its appropriate organization, is there indication of any disadvantages in the United States.

On the agricultural side—to turn again to this, the real seat of difficulty—it is constantly said that sugar beet-growing has many and varied advantages. The high cultivation, it is said, improves the quality of the land; the general fertility of the land is enhanced; a better rotation is established; the by-products, especially the beet-cake, are valuable for cattle feeding, and this in turn provides manure and maintains fertility; the factory makes a market for local coal and lime; it "stimulates banking and almost all kinds of mercantile business." These advantages have been dwelt on almost *ad nauseam* in the publications of the Department of Agriculture. So far as the tariff question is concerned, they prove too much. If beet culture is so very advantageous for the farmer, why does he need a bonus or protective tariff to be induced to engage in it? The American farmer is not an ignorant or stolid person; he has access to a multitude of educational and propagandist agencies, and is even beset by them; he is a shrewd observer, a ready innovator. The agricultural methods of the central region have been revolutionized during the past generation, with the transition from pioneer farming to conserving agriculture. If beet culture were really so advantageous a part of the general change, we might expect its speedy and widespread adoption. I suspect the advocates of beet-growing have been making the same mistake as those English travellers who in the early part of the nineteenth century damned American agriculture as hopelessly inefficient. They suppose that the highest cultivation is necessarily the best cultivation. The agricultural expert is apt to be intent on the gross product, to search for the largest yield per acre. But the best agriculture is that which secures the largest yield not per unit of area but per unit of labor. Minute cultivation means a large product per acre but by no means necessarily a large product per man.

None the less, it may be argued, with show of reason, that the introduction of methods of cultivation so radically novel as those of beet-growing may be prevented from taking place even though in reality profitable. The young industries argument may be advanced. Ignorance, settled habits and prejudices, unaccustomed methods, the inevitable failures in first trials, all these obstacles, it is said, stood in the way of the beet-sugar industry in its first stages. Some sort of premium was necessary to give it a fair start. It is true that the argument for protection to young industries has not been supposed to apply to agriculture by List and his followers; since unalterable conditions of soil and climate are thought to determine once for all the geographical distribution of the extractive industries. But it would be hazardous to lay down an unqualified proposition of this sort. It is not impossible that the course of industry may be guided and diverted to advantage, in agriculture as well as in manufactures. The difference between the two cases would seem to be simply one of probability, of degree. It can doubtless be said that industry is more *likely* to pursue its "natural" course in the one case than in the other; since agriculture rests mainly on physical adaptation, while in manufactures much depends on acquired skill. In the contemporary German controversy, the young industries argument has been advanced in support of the existing grain duties of that country. It may be argued that, in the far West at least, beet-sugar making has proved its economic advantage. It certainly has passed the experimental stage; and it seems to have reached the stage where protection is no longer needed.

In general, the argument for nurturing protection remains of doubtful validity for agricultural products. In Germany, as in this country, education, experiment stations, diffusion of information adapted to the industrial conditions, are more promising means of promoting agriculture than tariff protection. There is quite as much weight in the counter argument that low prices and the need of facing a difficult situation are effective spurs to agricultural improvement—more effective than high prices and easy gains. The low prices of raw sugar which prevailed for a long period proved a blessing in disguise to our Louisiana sugar growers: their methods of cultivation and manufacture were immensely advanced in the effort to meet new conditions. It is difficult to give a conclusive or unqualified answer on the questions raised by the young industries argument; the whole problem of the causes of industrial progress is involved. Yet it remains true that acquired skill and established advantage count much more in manufactures than in agriculture, and that tariff protection is a very dubious device for spurring improvement in the use of the soil.

All this, however, has little bearing on the beet-sugar situation as it now stands. If protection to young industries was needed, it has been given. The initial stages of trial and unfamiliarity are certainly passed. The industry in the far West has quite passed the infant stage. Its difficulties in the farming region proper seem to be due to the competition of the other kinds of agriculture, which under the typical American conditions are more profitable. If this kind of agriculture needs protection, and if the familiar grain-growing, cattle-fattening and dairying, of the corn-wheat belt do not, the explanation is still to be found in the principle of comparative cost. —*Quarterly Journal of Economics, Harvard University, February*, 1912.

Testimony of Frank C. Lowry Before the Ways and Means Committee, January, 1913

The Chairman: All right. Mr. Lowry, you will proceed.

Mr. Lowry: Mr. Chairman and gentlemen of the Committee, I represent the Federal Sugar Refining Co., of New York, and the committee of wholesale grocers, formed about four years ago to assist in obtaining cheaper sugar for consumers through the reduction of duties on raw and refined sugars.

I fully appreciate that, so far as the tariff on sugar is concerned, little can be added to the information which is already a matter of public record, and at the disposal of the committee. Consequently, anything that is said at these hearings must necessarily be in the way of repetition.

I would first like to call the committee's attention to the fact that the United States is not dependent for its supply of sugar upon "foreign countries," in the general acceptance of this term. The consumption of sugar in the United States for 1912,, according to Messrs. Willett & Gray, was 3,504,182 long tons. The estimates for the following crops of 1912-13 are:

	Long tons.
Cuba	2,328,000
Louisiana (1912)	160,000
Texas	10,000
Porto Rico	340,000
Hawaiian Islands	500,000
Philippine Islands	200,000
Domestic beet	625,000
Total	4,163,000

By this it will be seen that the production of sugar inside our tariff wall more than equals consumption. All of these producers have the advantage of the full height of our tariff wall with the exception of Cuba, which is inside this wall to the extent of the 20 per cent. reduction, as a result of the reciprocity treaty of 1903. This island, adjacent to our shores, with interests so closely allied to those of the United States, has been favorably equipped by nature for the economical production of sugar and is able and willing to supply the United States with this sugar at a low cost if it were not for the high tariff which enhances the price. The testimony before this and the Hardwick committee has clearly shown that the domestic producer's price is always based on the in-bond value of foreign sugars plus the duty and cost of refining. In addition to these charges, the beet-sugar factories add the freight from New York or San Francisco to distributing market as well. In the sale of the domestic producer's product, the cost of production has no relation to the selling price. We have a clear example of this in the price of sugar in our Western States. Take January 6 as an example, and we find the following quotations made by the cane refiners and beet factories.

	Cents.
New York City:	
Cane	4.65—4.70
Colorado beet	4.60
San Francisco	
Cane	5.20
Beet	5.00
Denver, Colo:	
Cane	5.50
Beet	5.20
Chicago:	
Cane (N. Y. and San Fran. refined)	4.885
Beet	4.735

At this point I would call your attention to the manner in which the New York price for refined sugar is arrived at:

	Cents.
Raw sugars now being received from Cuba cost refiners, basis 96° test, cost and freight, not less than	2.375

Insurance, one-half per cent., or	.012
Duty	1.348
Refiners' first cost, duty paid	3.74
Deducting the usual discount of 2% from their price of 4.65c on refined, this leaves a margin to cover the cost of refining, packing, and marketing of the difference between 4.6c and 3.74c, or	.82
The average margin for 7 years is	.859

After these deductions have been made anything that is left is profit.

This calculation indicates that the price to the American consumer is being affected only to the extent of the tariff charged on Cuban sugars, and while this is true at the present time, when there is great pressure to sell in Cuba, it is not always the case, and during October, November, and part of December, 1912, sugar paying the Cuban rate of duty, free sugar and sugar paying the full rate of duty, was being sold at the same duty paid equivalent. During this period the price to the consumer was affected to the full height of our tariff wall. I cover this point more fully in my brief under the heading "The Effect of Our Tariff Wall and Cuban Reciprocity."

That, I think, shows you that the domestic producer bases his price on the New York price plus freight to interior markets, and the New York price is based on the foreign price, plus the duty.

The trade will not pay the same price for beet sugar as for cane sugar, which accounts for the differential.

Notwithstanding the fact that all the sugar used in our Western States is of domestic production, either being Hawaiian cane or domestic beet, and pays no duty, the price is always higher than in the East, where the sugar imported pays a high duty. As a result of the tariff the consumers in these Western States are receiving no benefit whatever from the fact that in their immediate locality refined sugar is being produced at a cost of around 3 cents a pound, the price only recedes as we approach the eastern coast, where the domestic producers come into competition with the refiners using imported sugar. The lowest price for sugar in the United States is in New York.

Let us now see how the price for sugar to the American consumer is affected by the duty. Taking the figures of the Department of Commerce and Labor, Bureau of Statistics, No. 240, page 517, we find the average cost per pound, free on board in foreign countries, of the raw sugar imported from 1905 to 1911, inclusive, was 2.378c per pound. To this we must add the freight to get the cost laid down at United States ports, say, 0.14c, making the in-bond price of sugar at United States ports 2.518c. During these seven years the margin between the price paid by refiners for their raw material and their selling price on refined has been 0.859c per pound. Had refiners not been required to pay any duty on this sugar, and this margin were added to the in-bond price of the raw material, it would have made the average selling price for these seven years 3.377c per pound. Messrs. Willett & Gray show that the average refiner's price, free on board New York, for these years was 4.98c per pound, showing clearly that, as a result of the tariff, the price was increased to the extent of 1.603c per pound. We can therefore take this figure as a fair indication of the indirect bounty that has been paid to the domestic sugar industry during these years. To give you an idea of what this amounted to, I would call your attention to the fact that, based on the consumption, during this period the American people have been required to pay $776,867,000 more for their sugar than they would have paid under free sugar. For this period the total value of the domestic beet and Louisiana cane sugar produced was less than $500,000,000.

During these seven years the Government collected in revenue from sugar the following amounts:

	Revenue.	Consumption. Long tons.
1905	$51,171,283	2,632,216
1906	52,440,228	2,864,013
1907	60,135,181	2,993,979
1908	49,984,995	3,185,789
1909	56,213,472	3,257,660
1910	52,810,995	3,350,355
1911	52,496,559	3,351,388

It has been said that the tariff on sugar is a revenue measure, but, strictly speaking, this is not a fact. The Government now receives revenue from only about 50 per cent. of the sugar that we consume. If we are to tax sugar for the purpose of producing revenue then we should adopt the method employed by all of the principal countries of Europe and require all the sugar consumed to share in producing this revenue. This has been done by the application of what is known as a "consumption tax," which is paid on all sugars, whether of foreign or domestic origin. Under this method our refiners of both beet and cane sugar would be required to pay a tax of so much per hundred pounds on the amount of sugar they produced, but there need be no taxes on raw sugars made in our insular possessions, Porto Rico, Hawaii, and the Philippines, or in Louisiana, as the tax on these sugars would be paid by refiners before they were put on the market. It would be necessary, however, to have a provision in the law that any refined sugar they might make or any raw sugar imported from any source for direct consumption would have to pay the "consumption tax" before the sugar could be sold to the trade. In this way, by taxing all sugar consumed, say 25c a hundred, the same amount of revenue can be raised for the Government as would be derived under an import rate of 50c a hundred on half the sugar consumed. It has the added advantage of only advancing the price to the consumer 25c a hundred instead of 50c, and increases as consumption increases. You will note that under the present arrangement the Government derived little more revenue from sugar in 1911 than in 1906, although consumption increased 17 per cent. I believe this demonstrates that from a purely revenue standpoint the present method of collecting revenue from sugar is faulty.

The beneficiaries of our high tariff on sugar are loud in their clamor that the present rate should be maintained for the purpose of revenue; in the next breath they make the claim that it will not be long before all the sugar which we consume will be of domestic origin, and overlook the fact that in this event the Government will receive no revenue at all from the tariff on imported sugar; so it is clear that they are not so much concerned about Uncle Sam's pocketbook as they are about their own.

Let us consider the domestic sugar producer's position. It is not my understanding that the people of the United States desire to be heavily taxed so that the sugar producers in Porto Rico, Hawaii, or the Philippines can make excessive profits.

If protection to infant industries were needed, it has been given. Porto Rico and Hawaii have practically reached their maximum production, all available cane lands now being under cultivation, so that little further progress can be made, with the possible exception of improvements in yields and efficiency in the mills. Both of these islands have, in the past, worked successfully under conditions of absolutely free trade. Hawaii boasts, and with reason, that the industry is run under more scientific conditions than any other sugar industry in the world. It was currently reported that the Hawaiian crop of 1911 was sold for about $52,000,000, with the planters' profits $20,000,000. I have not been able to ascertain what the profits were in 1912, but under date of November 21, 1912, the Kekahala mill declared a dividend of 87½ per cent.

I do not believe that the American people should be heavily taxed so as to produce these results.

Let us now consider Louisiana's position. This "infant industry" is over 100 years old and has always been directly or indirectly subsidized. In 1894-95 it produced 316,000 long tons; in 1911, 315,000 long tons, and the average for the last seven years is 316,500 tons.

Louisiana has in the past contended that it cost them on the average 3¾c per pound to produce raw sugar. In this statement they present the strongest possible indictment that can be drawn against their industry, as they clearly show that with Cuba, Porto Rico, and Hawaii producing the same grade of raw sugar at around 2c a pound the Louisiana industry is a highly artificial one.

I do not, however, think this cost should be taken seriously, as it appears the cost in good, bad, and indifferent factories was taken and averaged, without taking any standard as a basis for arriving at a proper cost, and their view seems to be the same as that taken by the beet-sugar factories, namely, that the higher they can make their cost appear, the higher you must make the tariff bounty. I believe that closer investigation will show that the most slipshod methods are employed in many of the Louisiana mills, and consequently any returns made from them should be ignored.

However, it is clear that this heavy indirect subsidy granted to the Louisiana industry by the United States Government has not tended to produce the best results. Messrs. Willett & Gray are the authority for the statement that there are now 210 mills in the State of Louisiana, of which 32 are the old open-kettle style of factory. So we find Louisiana, with 210 factories, producing 316,000 long tons of sugar, as compared with Cuba, with 174 mills, producing 2,328,000 long tons, and Porto Rico, with about 43 mills, producing 340,000 long tons.

These figures make it clear that, aside from all other reasons, the cost of producing sugar in Louisiana, must necessarily be very high. But the happy-go-lucky methods of the Louisiana planter have not been the only, or even the most serious, handicap with which the industry has had to contend. Nature herself rebels against any attempt to grow cane sugar, a tropical plant, in a temperate climate. The constant fear of frost requires the cutting of the cane in October before it is properly matured and the result is that the cane yields only from 6 to 7 per cent., as compared with 10 to 11 per cent. in Cuba, with an occasional yield of 14 per cent., and 14 to 15 per cent. in Hawaii.

After 100 years' work, Louisiana, under unnatural conditions, but with a heavy subsidy as an offset, managed to produce 316,000 long tons, while Cuba, under natural conditions and without subsidy, increases its crop in one year over 425,000 long tons. If a clear example were needed of the fallacy of attempting to foster an industry under unnatural conditions, we have it in Louisiana. One constantly hears that the sugar industry is a detriment to the State, and if the people would only give it up and devote themselves to the cultivation of other crops for which nature has especially favorably endowed them, all would be on a much better footing.

The industry has had its chance. Those engaged in it have had practically everything they wanted in the way of Government help, and they have no further claim on the American people if to-day they find themselves unable to meet their competitors, who are producing raw sugar under natural conditions at a cost of around 2c per pound and refined beet sugar at a cost of around 3c per pound.

I do not understand it to be the wish of the American people that an illegitimate industry be subsidized through the tariff.

The tariff, in its relation to the beet-sugar industry, is not nearly so complicated as the beneficiaries of the present tariff try to make it appear.

The industry is divided into two parts, agricultural and manufacturing. The beet-sugar factories themselves recognize that the farmer who grows sugar beets does not require a high protective tariff, and they pay no more—and, if anything, less—for sugar beets than is paid by the factories in Germany, where the protective tariff rate is only 52c per hundred on refined and 47c on raw, as compared with our rate of $1.90 on refined, $1.685 on full-duty-paying raw sugars and $1.348 on Cubas.

They have presented ample evidence tending to show that the farmer is well satisfied with his present position; so that all the testimony that the representatives of the beet-sugar factories give to show how the farming industry will suffer if the tariff is reduced is put forth with a view of diverting your attention. You will hear a great deal about the farmers' indirect benefits, and you will note in their arguments the beet-sugar factories conveniently appropriate for themselves all the benefits to the farmer which come from "intensive" instead of "extensive" cultivation of the soil. They will compare the cereal and grain yields of the United States with crops of Continental Europe and claim that the high figures of the latter are due entirely to the cultivation of the sugar beet. They will avoid telling you that in England, where sugar beets are not grown, the yields of these other crops compares favorably with Continental yields, as this would prove conclusively that it was the manner of farming, and not the sugar beets that was responsible for these results. Taking the other side of the question, we find that sugar-beet yields in the United States are nearly the same (some localities exceed) as in Germany, so that in this particular we are closer to the foreign yield than we are on cereals and grains. This would, of course, mean that less protection was needed by the farmer on sugar beets than on these other crops. All this, however, is aside from the issue; i. e., as the farmer now receives no benefit from our high tariff on sugar, he therefore should not be handicapped by its removal. I would also mention that even the stand-pat element of the Republican party recognized that from an agricultural point of view no protection is necessary, as sugar-beet seed is admitted free of duty, and sugar beets (which are the product of the farm) pay only a nominal rate of 10 per cent. This, on the beets imported, is equivalent to 0.14c per pound of sugar, based on the sugar content.

Having found that the agricultural phase of this business does not benefit from the present high tariff, let us now consider the beet-sugar factory's position.

I have never heard the contention made that a well-equipped beet-sugar factory in the United States could not operate as cheaply as anywhere else in the world. The cost of labor does not enter to any extent into the factory's cost of operation. One frequently hears the claim that beet sugar must be very pure, because it is not touched by a single human hand from the time the beets enter at one side of the factory until refined sugar is ready for delivery at the other side. So it is clear that the cost of labor does not play an important part in their process of manufacture. You will find in all their statements that the beet-sugar men confine their comparisons to statements along the following line: "We must have a high tariff because we pay our watchman $2 a day and in Germany he receives only 50 cents." This is immaterial; it is the labor cost per pound of sugar produced that counts. This does not exceed 0.14c per pound.

Fuel is an important item, and this, of course, is cheaper in the United States than abroad, particularly in our Western States, where oil is used. It is a well-recognized fact in the manufacturing business that the larger the production in a factory the lower the cost per unit, and the factories in the United States average considerably larger than those abroad.

The investigations of the Hardwick committee proved what everyone in the sugar business knew—that the tariff on sugar has in the past served the purpose of enabling those engaged in the domestic beet-sugar industry to overcapitalize their plants and to pay excessive dividends on watered stock. As an indication of how these interests have capitalized the tariff, I would call your attention to the fact that the combined capitalization of the beet-sugar plants in the United States is now $141,000,000, and these plants, working 3 months in the year, produce 625,000 long tons of sugar, while cane-sugar refiners, with approximately $110,000,000 invested in refining, working 12 months in the year, produce 2,900,000 long tons.

In closing I would like to call your attention to the fact that even the stand-pat element in the Republican party has admitted that the present tariff on sugar is indefensible. So all are agreed that some reduction must be made, and the question to be decided is how much, if any, of the present tariff should be retained?

If you find it impossible to place sugar on the free list, I urge you to consider as a maximum rate the rate I recommended to the Finance Committee, 62c per 100 pounds on refined sugar and 60c on raw sugar testing 96°, with the assessed differential per degree of 0.006c per pound. Importations from Cuba would, under our reciprocity treaty, pay 20 per cent. less than these rates, and as a result of this rate the price of refined sugar to the consumer would probably be advanced by the duty about 53c per 100 pounds instead of $1.60, as at present.

Be assured that any sugar industry that can not work profitably with a protection of a half a cent a pound (this being 20 per cent. to 25 per cent. of the cost of production under natural conditions) is artificial in the extreme.

Sugar is a large business and the margin of profit should be small in it and depending upon volume of business to carry you through.

Mr. Harrison: This is the protective rate suggested by you?

Mr. Lowry: Yes.

Mr. Harrison: You do not refer to the present rate?

Mr. Lowry: No. I am comparing the present "pork-barrel" protective tariff with a scientific protective tariff. This rate I suggest is a trifle higher than the rate which the countries of Europe have arrived at as a proper protective rate. This is purely from a protective standpoint, you understand.

I would call your attention to the fact that this protective rate is a trifle higher than that which the leading countries of Europe (where beet sugar is produced so extensively) have decided is a proper protective tariff. The rate of 0.47c on raw and 0.52c on refined was agreed upon at the convention of a number of countries of Europe, known as the Brussels Convention, and was adopted by Austria, Belgium, France, and Germany as a maximum protective rate to be charged. This is, perhaps, the nearest approach we have to a scientific conclusion as to what is a proper protective tariff for the beet-sugar industry. No evidence has been presented to show that on a protective basis this rate could not be adopted by the United States to advantage. I would also call your attention to the fact that, based on the in-bond price of sugar for the past seven years of 2.518c per pound, this tariff would be equivalent to an ad valorem rate of about 21 per cent. and would produce $19,330,000 in annual revenue, would subsidize the domestic sugar industry to a like amount, $19,330,000, and would result in a yearly saving on our present consumption of $83,988,234 to the American consumers.

It seems to me that in producing this much revenue a necessity of life like sugar is doing its full share, but if you should decide that sugar must produce more revenue, then I urge you to adopt in addition the consumption tax, which is strictly a revenue measure.

Mr. Shackleford: As a revenue tax it would be paid by the consumer?

Mr. Lowry: Oh, yes; just as the tariff tax is now paid by the consumer. You can not get revenue without having it paid by the consumer, I believe. The difference is if you tax all the sugars 25c a hundred pounds you get the same amount of revenue that you would by taxing half the sugar consumed, or that which is imported, at the rate of 50c a hundred pounds. The former method has the advantage of increasing the price to the consumer only a quarter of a cent a pound, while the latter increases the price a half a cent a pound.

Mr. Shackleford: Is it an example that might become contagious?

Mr. Lowry: In what way?

Mr. Shackleford: As a means of taxing other domestic products.

Mr. Lowry: If it reduced the price it might be an advantage to do that. I do not know whether it would become contagious or not.

Mr. Payne: That chance for contagion has had about 100 years to work, has it not?

Mr. Lowry: What did you say?

Mr. Payne: That chance for contagion with other products has had about 100 years to work, has it not?

Mr. Lowry: As I do not believe it to be the sentiment of our people that American industries should be compelled to compete with bounty-fed products of other nations, I would suggest that, whether or not sugar be placed on the free list, a countervailing-duty clause be enacted similar to that found in the tariff law of 1909, section 6, page 84.

Gentlemen, the United States, because of its proximity to Cuba and its insular possessions, Porto Rico, Hawaii and the Philippines, as well as from the fact that beet sugar can be produced in our Western States at a very low cost, should have cheaper sugar than any nation in the world. From these sources, with their natural advantages, we are assured not only of an ample supply of sugar, but that this supply could be obtained at a minimum cost, if it were not for the high duty which enhances the price.

No other nation in the world is so favorably situated, and the question is, Are the people to receive the benefit of our natural advantages, or are they to be exploited for the benefit of the promoters of our domestic beet and cane sugar industry? The present high tariff means the latter.

In amplification of this I desire to file the attached statements, one under the caption of "Our high tariff on sugar from the consumers' standpoint" and the other a "Protest," which directly refers to the majority report of the Senate Finance Committee.

Mr. Lowry: There has been some question raised by the domestic sugar industry as to a reduction in the tariff going to the consumer of articles wherein sugar was used in manufacture. Condensed milk was one of the points which they raised, and I made some inquiries on that question. It did not seem to me possible if you reduced the manufacturers' first cost that competition would not take care of a reduction in the sale price of his finished product. So, as I started out to say, I made some inquiries of condensed milk manufacturers, and the conclusion is—well, I will read this:

Mr. F. C. Lowry, Philadelphia, November 27, 1912.

Secretary and Treasurer, No. 138 Front St., New York City.

Dear Sir: Replying to yours of November 26, we beg to advise that approximately 17 pounds of refined sugar enters into the manufacture of an average case of condensed milk. This, figured at 1 5/8c a pound, increases the cost of condensed milk per case by 27 5/8 cents. There are 48 cans to a case, and the cost to the manufacturer is therefore increased by more than one-half cent per can. This one-half cent could be saved to consumers were the sugar duty abolished.

Yours, very truly,

HIRES CONDENSED MILK CO.,

H. C. HOOKS, Secretary.

Mr. Lowry: This one-half cent per can could be saved to the consumer, in the case of the condensed milk.

I also made some inquiries of candy manufacturers, and found those who handled bulk candies were in favor of free sugar or a material reduction in the present rate of duty, while those who handled package goods were not so keen for it. I did not understand that at first, and finally when I put it up to them they said:

Well, our industry is at present standardized. We have certain sizes of packages all through the industry, we will say, to sell for 5c or 10c or some other sum. If you reduce the price of sugar we will have to give a larger package for 5 cents or give a present 5c package for less money. That would mean a reorganization of our business and a lot of trouble.

From this you will readily see that the consumer would get the benefit from a reduction in duty.

Now, gentlemen of the committee, I believe what I have said pretty well covers the situation, taken together with the papers I have handed the reporter. If you would like me to review the matter further I can do so, or if you wish to ask any questions I will be glad to answer them.

Mr. Fordney: Mr. Chairman, I would like to ask the gentleman a few questions.

The Chairman: All right, Mr. Fordney, you may proceed.

Mr. Fordney: Mr. Lowry, you have stated that the list prices for sugar in this country is based upon the rates for sugar in New York?

Mr. Lowry: Yes, sir.

Mr. Fordney: Was this true during 1911?

Mr. Lowry: In the main it was. There might have been a particular period when it was not, but —yes; I guess it was.

Mr. Fordney: There was a very particular period. Is this not true, that an abundance of testimony was furnished before the special committee on the investigation of the American Sugar Refining Co., known as the Hardwick committee, that after domestic sugar was off the market in June the refiners in New York put up the price of sugar to as high as 7.5c per pound, and that continued during July, August and September?

Mr. Lowry: There was ample testimony to show——

Mr. Fordney (interposing): Is it not true whether there was testimony to that effect or not?

Mr. Lowry: Domestic sugars, in the first place, came on the market in the latter part of August of that year.

Mr. Fordney: No; wait a minute and answer the question I propounded. Let us see if we cannot get at this right. Is it not true that the price of sugar in New York advanced during July, August and September to as high as $7.50 per hundred pounds?

Mr. Lowry: Yes; for a short period it is.

Mr. Fordney: Oh, for a short period, you say. Was it not for three or four months?

Mr. Lowry: No; it started to advance on the 5th day of July from 5c.

Mr. Fordney: Mr. Lowry, is not this true, that in October, when domestic beet sugar came on the market, your company, the Federal Sugar Refining Co., dropped its price from about 7¼c per pound to 5.75c per pound when the beet sugar was put on the market at 5.55c?

Mr. Lowry: No; beet sugar was put on the market the latter part of August, coming on from California. California beet sugar was sold very late in August that year.

Mr. Fordney: There is no beet sugar made——

Mr. Lowry: (interposing): Of course, Mr. Fordney, if you just pick out particular dates——

Mr. Fordney (interposing): There was no beet sugar made in August and put on the market in the Eastern States?

Mr. Lowry: There was in California.

Mr. Fordney: I mean in New York?

Mr. Lowry: California produces a great deal more sugar than they use there and it is shipped East.

Mr. Fordney: Mr. Chairman, I appeal to you that the gentleman is avoiding answers to my questions and making an argument. He has already had full time in which to make his argument, and I want him to answer my questions now, if he will.

The Chairman: Mr. Lowry, you will please answer Mr. Fordney's questions. You have the privilege of answering the questions in your own way, but please try to answer his questions.

Mr. Lowry: I will.

Mr. Fordney: Is it not true that after domestic beet sugar was off the market in 1911 the refiners of sugar advanced the price as high as $7.50 per hundred pounds in New York?

Mr. Lowry: No; the big advance began in July, and culminated in September and October, when the new crop of sugar in Europe came on the market. They advanced refined sugar as raw sugar advanced, as the world's values advanced.

Mr. Fordney: Well, I will get to that in just a minute. I want to know about this now.

Mr. Lowry: All right.

Mr. Fordney: Is it not true that when beet sugar came on the market your price dropped abnormally, I mean the price at which your company sold sugars for in the New York market?

Mr. Lowry: Beet sugars were on the market during the whole period.

Mr. Fordney: No; they were not. I beg to differ with you.

Mr. Lowry: Suppose I quote some prices or put them in the record? We have had some correspondence on the subject, and this paper covers the thing clearly, and I will just put in the whole record:

COMMITTEE OF WHOLESALE GROCERS,

New York, January 18, 1912.

Dear Sir: Knowing that you are interested in the tariff on sugar, I would like to give you an idea of the extremes to which the domestic industry will go in order to have the Government maintain the present high tariff rate, which grants such a heavy subsidy to this industry.

Mr. Frederick R. Hathaway, of the Michigan Beet Sugar Co., prepared an affidavit, which the Hon. J. W. Fordney, Congressman from Michigan, and member of the Hardwick investigating committee, filed with the committee on December 6. Mr. Hathaway's affidavit shows the price quoted by the various New York refiners from September 1 to November 20, ranging from 6.25c to 7.50c. The price quoted by the Michigan Sugar Co. on the same dates is not given. He goes on to state that the "Michigan Beet Sugar Co. began delivery of this season's sugar on October 12, 1911: that up to and including November 18, 1911, it had invoiced 860 cars of sugar," and concludes with the following statement: "Deponent further states that of the total amount of sugar invoiced by the Michigan Beet Sugar Co., as above stated, from October 12 to November 18, A. D. 1911, 94.1 per cent. was invoiced on the basis of $5.55 per hundred pounds, or 5.55c per pound." The purpose of this affidavit is to have the uninitiated believe that the Michigan Sugar Co. assumed a charitable role this year and sold their sugar at a relatively lower price than that quoted by the New York cane-sugar refiners. In other words, that during the recent spectacular advance in sugar, the domestic sugar industry stepped into the breach and "saved the day" by selling sugar to consumers at a concession, thereby protecting them from the "extortion" of the New York refiners.

The attitude assumed by them is perhaps best shown in the testimony of the writer before the Hardwick committee last December when being questioned by Mr. J. W. Fordney, of Michigan, the champion in the House of Representatives of the beet-sugar industry (p. 3362):

Mr. Fordney: What justified you, your firm, in selling September sugar at 7.25c per pound, when the domestic industry shortly afterwards, as soon as their sugar began to go on the market, sold for 5.55? What caused you to come down on the price?

Mr. Lowry: They sold for what?

Mr. Fordney: 5.55.

Mr. Lowry: Do you not know that the domestic industry was at that time quoting 6.50c a pound?

Mr. Fordney: No.

Mr. Lowry: I know that it was.

Mr. Fordney: I put an affidavit in the record on that.

Mr. Lowry: Well. * * *

Mr. Fordney: They had no sugar in the market in September. They had none until their season opened, on October 12, and they began selling at 5.55 f. o. b. factory.

Mr. Lowry: And when did they begin selling at 5.55?

Mr. Fordney: As soon as the season opened.

Mr. Lowry: Not at all. They began when cane sugars were selling at 5.65.

Mr. Fordney: I beg your pardon. I looked up the records themselves, the bill books and the invoices, and on October 12, when the season opened, they quoted sugar at 5.55 and sold it at that, and continued to sell. They sold 809 carloads out of about 850 carloads at that price, 5.55, while your firm was selling at 7.25.

After further testimony on other matters, the question of the selling prices of beet and cane sugar was reverted to by Mr. Fordney, and the following testimony ensued (p. 3381):

Mr. Fordney: And all this time Michigan sugar was sold by the Michigan Sugar Co. and all other factories in that State at 5.55.

Mr. Lowry: Is not that because they used bad judgment?

Mr. Fordney: Well, they may be a pack of fools, but they are generally intelligent enough there in New York.

Mr. Lowry: They sold out at that price because they thought it was a good figure; and I will tell you that they were blamed sorry when the market got up to 6.50 that they had sold out.

Mr. Fordney: No; it was when sugar was at 6.50 that they were selling it at that.

Mr. Lowry: No; you are wrong on that.

Mr. Fordney: How do you know I am wrong on that? I saw their books.

Mr. Lowry: My business, Mr. Fordney, is to sell sugar, and I keep pretty good track of what is going on.

Mr. Fordney: But you do not know anything about what the Michigan man's mind is, and what his contracts are, or anything about it.

Mr. Lowry: The Michigan man is the same as a man anywhere; he wants to get the highest price he can. He sells his sugar at the highest price he can get for it, and he sells it when he thinks the market is right; and if he has misjudged the market he is very sorry.

The idea, of course, is to assume the air of virtue from the fact that the Michigan Sugar Co. misjudged the market, thereby deceiving our legislators into believing that the Michigan Sugar Co. really did something to prevent the public from paying too much for their sugar during the recent rise.

To prove my statements I refer to the following:

Under date of August 16 Messrs. Turner Bros., sugar brokers of New York City, in their daily market report stated:

"New crop beet granulated can now be purchased for October shipment on the basis of 5.55c, cash less 2%, for shipment to Pittsburgh and points west, and basis 5.65c cash, less 2%, for shipment to Utica, N. Y., Scranton, Pa., and points west thereof."

On that date eastern refiners were quoting granulated for immediate shipment as follows:

American Sugar Refining Co., 5.75c; National Sugar Refining Co., 5.85c; Arbuckle Bros., 5.85c; Federal Sugar Refining Co., 5.95c; Warner Sugar Refining Co., 5.85c; Franklin Sugar Refining Co., 5.75c.

W. H. Edgar & Son, sugar brokers of Detroit, state in their circular of August 18:

"In the regular beet territory (Pittsburgh, Buffalo, and west) new crop Michigan granulated is now offered for shipment after the commencement of operations at buyers' option during October basis 5.55c. without guaranteed."

A. H. Lamborn & Co., sugar brokers of New York City, in their market report under date of August 29 state:

"Advices from the interior state that the domestic beet refiners have practically disposed of their October production, and to-day's prices have advanced to the basis of 6.05c."

October 12, the date Mr. Fordney refers to, was a holiday in New York, but under date of October 13 Messrs. Turner Bros., in their market review of that date, stated:

"New crop beet granulated is quoted to-day on the basis of 6.50c cash less 2%, to Utica and Scranton and points west thereof, carrying the same eastern basis of rail freight. These sugars can be purchased for shipment in turn during November."

On that same date eastern refiners were quoting granulated for prompt shipment as follows:

American Sugar Refining Co., 6.75c; National Sugar Refining Co., 6.75c; Arbuckle Bros. 6.75c; Federal Sugar Refining Co., 6.75c; Warner Sugar Refining Co., 6.75c; Franklin Sugar Refining Co., 6.75c.

On my return to New York I wrote Congressman J. W. Fordney, as follows:

Hon. J. W. Fordney, New York, December 14, 1911.

Congressman from Michigan, Washington, D. C.

Dear Sir: When I was on the stand last Saturday you made the claim that the Michigan Sugar Co. had sold sugar at 5.65 cents basis, when the New York refiners were quoting 6.75 cents. This I denied, stating that the Michigan factories unquestionably sold at 5.65 cents, but they did it when the New York refiners were selling at 10 points higher, or 5.75 cents, which was some time in August. In other words, the 5.65 cents price looked so good to the Michigan Sugar Co. that they anticipated the market in August and made contracts at this figure, for delivery as soon as possible, with the understanding that this would be some time in October. In this I was absolutely correct, and it is unfortunate that we did not have Mr. Hathaway's affidavit before us when we were arguing this point. Carefully reading Mr. Hathaway's statement, you will note that he does not make the claim that you did. He merely gives the price at which the sugars, delivered in fulfillment of contracts, is invoiced, making no mention as to the date the sales were made. The Michigan Sugar Co. having no philanthropic motives in mind had simply misjudged the market and sold too soon, as I claimed. Of course I recognize that Mr. Hathaway's statement is misleading, both to you and to the public, and was intended to be so, just as his statement to the Ways and Means Committee in 1908 (which President Warren did not contradict), to the effect that the American Sugar Refining Co. had no interest in the Michigan Sugar Co. was intended to mislead them. In the present instance the Michigan Sugar Co. is trying to assume the air of virtue, from the fact that they misjudged the market. I might add that for this same reason some New York refiners in October were still delivering sugar at 5 cents, which was sold by them before the advance.

As your statements were very emphatic on the point, and as it is clear that the statement misled you, it seems to me that you should take occasion at the earliest opportunity to correct the false impression that one, not knowing the facts, would get from reading the evidence.

Respectfully yours,

FRANK C. LOWRY.

P. S.—I am sending copies of this letter to other members of the committee.

Under date of December 16, 1911, Mr. Forney replied as follows:

Mr. Frank C. Lowry,

138 Front Street, New York, N. Y. Washington, D. C., December 16, 1911.

My Dear Sir: Replying to yours of the 14th, would say your story, as set forth in your letter, is quite in keeping with what you have stated heretofore in my presence, and incorrect. Your figures are not correct and your conclusions are not correct. You would evidently present any argument to mislead the public to believe that free trade on sugar would inure to the benefit of the consumer, when, in fact, it would benefit only those interested in refining imported raw sugar.

The beet-sugar industry is here to stay, and I firmly believe the present rate of duty on imported raw sugar will not be disturbed for some time to come. Certainly not while the Republican Party is in power, for the Republican Party does not seem willing to swell the coffers of men engaged in refining raw sugar and to aid in the destruction of a magnificent industry, now giving aid in a most substantial manner to the consumers of sugar in the United States. I am,

Very truly, yours,

J. W. FORDNEY.

My answer to this letter follows under date of December 18:

Hon. J. W. Fordney,

House Office Building, Washington, D. C. New York, December 18, 1911.

Dear Sir: I have to acknowledge your letter of December 16, and have read same with interest.

I appreciate that history shows that many statesmen have taken the easiest, if not the most honorable way, of disposing of a displeasing statement of facts made by the opposition, by the simple method of calling the man a liar, at the same time taking very good care not to attempt to prove the latter statement. If you desire to prove that every statement which I made to you in my letter of December 14 is correct, write to any broker handling Michigan beet sugars; Chicago would, perhaps, be the best market, and the largest brokers there are: Meinrath Brokerage Co., F. C. Van Ness, Chester Hogle, Wm. F. Havemeyer & Co., and in Detroit you can write to Mr. Goodlow Edgar, of Wm. H. Edgar Co. (the latter company has for many years worked hand in glove with the American Sugar Refining Co., receiving special rebates for distributing their product, etc.).

When Mr. Hathaway is brought right to the point, I do not believe that he himself will deny the statements which I have made regarding this affidavit of his, or will deny that the beet-sugar factories of Michigan this year based their selling price on the cane-sugar refiners' quotation, just as they have always done, and when they sold their sugar at 5.55 cents, 5.65 cents, and 5.75 cents, etc., the New York refiners were making sales at the usual difference, or 10 points higher than these figures. In fact, it seems to me that a careful analysis of Mr. Hathaway's affidavit shows this. He himself admits that they sold sugar as high as 6.40 cents, and an examination of their books will show that at that time they were so thoroughly sold out they had little or no sugar unsold for delivery prior to December 1.

An attempt has been made to show that the Michigan Sugar Co. sold to their customers at 5.55 cents to 5.65 cents when the New York refiners were selling at 6.75 cents. This is the statement which you made, and it is not correct. This is not a theory of mine, but a statement of facts, and can be readily proved by you if you desire to do so. I was under the impression that your statement was the result of an incorrect conclusion you had drawn from Mr. Hathaway's affidavit, which was obviously made up with the view of concealing the real facts, and with the desire to have their attitude improperly construed by the public, just as it was by you. Unless you make some effort to ascertain the facts and correct this false impression I am forced to the conclusion that your attitude on this important matter coincides with Mr. Hathaway's.

In reply to your intimation that the public would not benefit by a reduction in the duties on raw and refined sugar, I refer to Messrs. Willett & Gray's table of refined-sugar prices for the year 1891, which I sent to Mr. Malby last week, and copy of which I inclose herewith, showing conclusively that when the tariff on sugar was removed the price of refined sugar to the consumer was reduced 1¾ cents per pound in one week.

Naturally I am interested in your statement to the effect that the Republican Party will not reduce the duty on sugar while it is in power, but will continue its policy of failing to keep faith with its pledges to the people. The present sugar tariff or half the present rate can not be defended on the theory of protecting American industries to the extent of "the difference in cost of production between here and abroad." Such a course will unquestionably lead to the retirement of the Republican Party from power after March 4, 1913.

I am, respectfully, yours,

FRANK C. LOWRY.

Receiving no reply to this letter I again wrote Congressman J. W. Fordney, under date of January 9, as follows:

Hon. J. W. Fordney, New York, January 9, 1912.

House of Representatives, Washington, D. C.

Dear Sir: I have had no reply to my letter to you of December 18, 1911, and am naturally curious to know whether or not you intend correcting in the record the misstatement which you have made, regarding which we have had some correspondence.

Yours, respectfully,

FRANK C. LOWRY.

I am still without any reply to the above.

To me this example clearly shows the extent to which those who profit by high protection will go to conceal the real facts in their effort to confuse our legislators and the public generally.

I give you this simply as a matter of information.

Yours, very truly,

FRANK C. LOWRY,
Secretary.

COMMITTEE OF WHOLESALE GROCERS,

New York, March 1, 1912.

Dear Sir: As an indication of how incorrect is the claim that the beet-sugar producers of the United States sell their sugars at low prices for the benefit of the American consumer, I would call attention to the fact that in anticipation of higher prices the beet-sugar producers have for several weeks withdrawn their product from the market, notwithstanding the fact that about 25 per cent. of the beet sugar produced in this country during the last campaign is still unsold.

The situation is well covered by Willett & Gray's Weekly Statistical Sugar Trade Journal of February 29, from which I quote as follows:

"The beet-sugar factories are still quoting 5.90 cents, less 2 per cent., and thus practically withdrawn from the general market."

Prices of the New York cane-sugar refiners are to-day on the basis of 5.80 cents.

This action of the beet-sugar factories in withdrawing their product in the hope of getting still higher prices is taken in face of the fact that prices are to-day a half a cent higher than the lowest price touched since the first of January and fully 2½ cents a pound above the cost of producing beet sugar.

Based on the beet-sugar men's figures given before the Hardwick investigating committee, it was shown that beet sugar could be produced at less than 3 cents a pound, and that the average cost was 3½ cents a pound. On the latter basis, which is known to be high, to-day's price would show the beet-sugar men a profit of about 70 per cent. over their cost of production. It would, therefore, be reasonable to expect that the dividends of 33 1-3 per cent. paid by the Michigan Sugar Co., and 100 per cent., paid by the Union Sugar Co., of California, last year would be bettered this year.

This is not a criticism of methods, but simply a desire to call attention to the fact that these gentlemen are in business to make as much money as possible, and any attempt to deny the fact only proves that the man making the claim is either not familiar with the situation or is wilfully attempting to mislead.

Respectfully, yours,

F. C. LOWRY,
Secretary.

In Mr. Hathaway's testimony, by picking out quotations in particular markets on certain dates last fall, he now endeavors to make it appear that the beet-sugar producers did not follow the usual custom of basing their price on the New York refiner's quotation plus the freight from New York to destination. I recognize that the committee is not interested in "special prices" that are made at some stated time, but is interested only in what is the custom of the trade. And it was clearly shown in the evidence taken before the Hardwick committee that the custom of the domestic producer is to base his price on the New York refiner's quotation, delivered at various destinations throughout the interior of the country. As this includes freight from seaboard to destination, it is apparent that the price in the interior is higher than at New York. The domestic beet-sugar men were very anxious to dispose of their sugars rapidly this season, because they recognized that the higher prices obtained in the fall of 1912 would not prevail after the 1st of January, 1913, when Cuba sugars would come on to the market in free supply, and for this reason they at times anticipated the market. Their position is well covered by the following market report, issued to the trade on December 6:

"With the large Cuban crop staring them in the face, and the certain knowledge that as soon as this Cuban sugar becomes available, prices will recede rapidly, it is not surprising that the domestic beet factories are pushing the sale of their sugar, so as to dispose of as much as possible on to-day's market, rather than hold it until after the first of the year, when they will have to compete with low-priced cane sugars. Prices are therefore quite irregular."

That their judgment was correct is shown by the fact that between January 1 and 21 the price of refined sugar in New York declined 45 points. It will be observed that this decline was not due to any pressure of domestic sugar, but was due to the fact that the new Cuban crop was being harvested and was being received by our refiners at lower prices.

Quotations for granulated sugar at New York (cents per pound net cash).

	1911.	1910.	1909.	1908.	1907.	1906.
Average Jan. 1 to July 1......	4.720	5.015	4.653	5.036	4.646	4.405
Average July 1 to Dec. 31....	5.969	4.929	4.874	4.878	4.650	4.619
Average for year	5.345	4.972	4.765	4.957	4.649	4.515

New York, November 4, 1912. WILLETT & GRAY.

Mr. Fordney: When I want you to quote prices I will ask you. I am probably quite as familiar with them as you are.

Mr. Shackleford: For the benefit of the committee, I hope only one witness will testify at a time.

The Chairman: Let him put the figures in the record for the benefit of the committee.

Mr. Lowry: I have handed them to the reporter.

Mr. Fordney: All right, put them into the record; but, at the same time, I want my question answered. Beet sugar was offered on the market on the 12th day of October, according to the testimony given before the Hardwick committee, and at $5.50 per hundred pounds——

Mr. Lowry (interposing): That——

Mr. Fordney (continuing): Let me put my question. And within a very few days thereafter refined sugar in New York dropped from 7¼ to 5.75 cents. Is that not true?

Mr. Lowry: It did drop from 7¼ to 6.75 cents.

Mr. Fordney: Is it not true that there was testimony furnished here by affidavit, as a part of the statistics of the Treasury Department, that the average price of raw imported sugar during that year and during that period was 2.74 cents in bond in New York?

Mr. Lowry: No; it was not that——

Mr. Fordney: Whereas your prices for refined sugar were quoted on prices for European raws, and there was not a pound of European raws coming into this country?

Mr. Lowry: This 1911 we are talking about——

Mr. Fordney (interposing): Is that not true?

Mr. Lowry: The average margin between raw and refined sugar in 1911, according to Willett & Gray, was $0.89 per hundred, a normal margin.

Mr. Fordney: What raws are you talking about?

Mr. Lowry: The difference between the duty paid value of raw sugar and the refiners' selling price. That shows the margin between raw and refined for that year was nothing more than normal.

Mr. Fordney: European raws, you are talking about?

Mr. Lowry: No; the raw sugar actually received.

Mr. Fordney: Your prices for the year, you say, are based upon European raws quoted on the market and as furnished by Willett & Gray?

Mr. Lowry: I beg pardon. The price of refined sugar during that year was based upon the price that refiners were paying for raw sugars plus the margin which covered the cost of refining, as it always is.

Mr. Fordney: Mr. Chairman, I want to state now that in the Hardwick hearings you will find the price of refined sugar in New York in July, August, and September, 1911, was based upon European raws, and that I now file and put into this record a statement showing that the price for raws during that time was $2.74, less the duty, and yet that refined sugar sold as high as 7½ cents per pound in New York, and that when beet sugar was put on the market in October, 1911, New York refined sugar dropped to 5.75 cents. The following was put in the record by Mr. Fordney:

Mr. Fordney: * * * I want to know what the Federal Sugar Refining Co. sold sugars for?

Mr. Lowry: The Federal Sugar Refining Co. and other refineries on July 6 advanced their price from 5 to 5.1. * * * Now, the market advanced right on up to 6.75, and the trade kept buying on each successive advance. * * * The demand came on to us so fast we could not take care of it and we went to 7 cents. Arbuckle & Co. were delivering promptly, and they went to 7 cents. We were about 10 days oversold at the time, and Arbuckle was the only refiner prepared to give immediate delivery, and he jumped his price to 7.5. * * * We wanted to keep in the market and supply our customers right along, and we put the price at 7.25, and at 7.25 the market stopped, and from that time on, whether we talk about beet-sugars or cane-sugars, the market became absolutely a jobber's market. The beet-sugar price was 6.5 cents.

Mr. Lowry: Is the object of that question to show that beet-sugar men sell their sugars at a lower price than they can get for them in the market?

Mr. Fordney: They did that year, did they not?

Mr. Lowry: There never was any charity business that year, and never was in any year.

Mr. Fordney: Did they not put beet sugar on the market at $5.55 when you were selling at 7¼ cents in New York?

Mr. Lowry: No, sir.

Mr. Fordney: I say the record shows that is the testimony.

Mr. Lowry: I say the record is incorrect, then. They sold these sugars in August for $5.55, when our price was $5.65.

Mr. Fordney: I am not talking about beet sugar on the market in August, but it was in the record that way. There was no beet sugar at all put on the market in August, and——

Mr. Lowry (interposing): The price of——

Mr. Fordney (continuing): Let me take just a minute and finish my question. They put sugar on the market in October, 1911, and then when you dropped your price from 7¼ to 5.75 cents they put their sugars on the market at 5.55 cents and when you were selling at 7¼ cents. Is that not a fact?

Mr. Lowry: If you will look in the record of the Hardwick committee investigation——

Mr. Fordney (interposing): Is that not true?

Mr. Lowry: You will find that the price for domestic beet sugar followed the market as it always has and advanced or declined as world's values advanced or declined. You will find on page 3372 of the Hardwick hearings testimony to show that from the high point reached in September until the early part of December the London sugar market declined 2s. 9d., or 66 cents a hundred pounds, and that American beet sugar during the same period dropped 60 points from their high figure.

Mr. Fordney: Mr. Lowry, you stated a few minutes ago that refined sugar sells on the Pacific coast at a higher price than in the East?

Mr. Lowry: Yes.

Mr. Fordney: Is it not true that the sugar imported on the Pacific coast to be refined is practically all free sugar coming into this country?

Mr. Lowry: All sugar used on the Pacific coast is free sugar, either being domestic beet or domestic cane or Hawaiian sugar. That is what I said in my testimony.

Mr. Fordney: From Hawaii or the Philippines?

Mr. Lowry: Well, from the Philippines; a trifle; not very much.

Mr. Fordney: That sugar is not refined by the sugar-beet men?

Mr. Lowry: No; it is refined by the Western refinery and the C. & H. refinery. They both take advantage of the tariff in the same way.

Mr. Fordney: In the American Sugar Refining Co.?

Mr. Lowry: No; I understand the American Sugar Refining Co. now state they have no interest in the Western Refining Co. They had up to about a year ago, I think; and since the American Sugar Refining Co. has no control of the Western Refining Co. it may be fair to state that they have got the price higher than for a year or so previously as compared with the New York price.

Mr. Fordney: According to your own statement, consumers of sugar on the Pacific coast are paying more for their sugar than consumers of sugar on the Atlantic coast, whereas raw sugar comes in free on the Pacific coast and pays a duty on the Atlantic coast?

Mr. Lowry: They pay more for sugar that does not pay any revenue to the Government.

Mr. Fordney: Then, the tariff has nothing to do with the price which the consumer has to pay?

Mr. Lowry: Yes, sir; it has everything to do with the price the consumer has to pay out there, as their price is based upon the in-bond value of foreign sugars, plus the duty and cost of refining and not upon the cost of production.

Mr. Harrison: Was not the effect of admitting Hawaiian sugar there merely to raise the price of Hawaiian sugar to the level of the price of sugars in this country?

Mr. Lowry: Precisely.

Mr. Harrison: In other words, the tariff wall was not opened up wide enough to let in enough world competition to lower the price?

Mr. Lowry: Exactly. They just let in a small amount, and that let in took advantage of the tariff and boosted their price.

Mr. Fordney: If that were the case and you put sugar on the free list the consumer on the Atlantic coast would not get any advantage; you would just hold up the price?

Mr. Lowry: Mr. Fordney, there are any number of gentlemen in this room representing the domestic industry who are prepared to testify that if you take the duty off sugar there will be a corresponding reduction in the price of sugar to the consumer, and that is why they don't want it done. If you will refer to the Hardwick Committee Hearings, pages 3547 and 3554, you will find that Mr. Willett of Willett & Gray gave a very clear example of the effect of the tariff on the price of sugar. He stated:

"All the analyses of changing from duty to free sugar show that whenever duty is taken off the cost of refining decreases, and when the duty is added the cost of refining increases, but these analyses also show that whenever duty is taken off the consumer gets the full benefit of the amount of duty taken off and also a part of the lower cost of refining, and whenever the duty is increased the refiners bear a certain portion of the increase and the consumer does not pay the full addition of the duty."

And on page 3554 the following passage occurs:

"I would like to have the committee satisfied that any reduction of the duty goes to the consumer and any addition of the duty is paid by the consumer in any year under any duty which differs from any other duty, making necessary allowances for market fluctuations affected by supply and demand."

Mr. Fordney: I was simply following out the logic of your contention and not stating what I believed. But just let me ask you a question along that line: When you had the opportunity, when you had a clear field, when there was no domestic beet or cane sugar on the market in 1911, in what way did you apply your philanthropic ideas to the consumer?

Mr. Lowry: We never had a clear field in the selling of sugars. What difference does it make whether we compete with cane or beet-sugar?

Mr. Fordney: You stated a few minutes ago that because of the higher cost of production of beet sugar a higher duty was demanded by manufacturers of beet and cane sugars?

Mr. Lowry: That seems to be the object of putting the cost high.

Mr. Fordney: Has it not been shown here that since the beet-sugar industry began in this country the cost of production has been materially lowered?

Mr. Lowry: And their profits materially increased—correspondingly increased.

Mr. Fordney: That is not what I asked you. I asked you if the cost of production has not been materially lowered?

Mr. Lowry: I should think it would be; and here we have an indication of the domestic producers' greed. Ten years ago they urged that if they could only have 10 years of the present basis of tariff bounty they would be prepared to work under lower tariff rates. They have had those 10 years and, although we find them much fatter than 10 years ago, they still stick their forefeet comfortably in the tariff trough and are unwilling to make any concession to the consumer by removing even one of those feet, notwithstanding the fact that even you admit that during this period they have very materially reduced their cost of operation.

Mr. Fordney: Is it not true that every particle of legislation since that time affecting sugar has been to lower the tariff on sugar?

Mr. Lowry: Well, there has been practically no legislation to lower the tariff since the bill of 1897, with the exception of 20 per cent. rate on Cuban sugars, a part of which the Cubans get and a part of which the consumer in the United States gets.

Mr. Fordney: Mr. Lowry, let me——

Mr. Lowry (interposing): On this point let me say——

Mr. Fordney (continuing): Let me get this straight while I am at it——

Mr. Lowry: This clears it up——

Mr. Fordney (continuing): It is true that since the sugar-beet industry began in this country the duty on sugar from Cuba has been lowered 20 per cent?

Mr. Lowry: Yes.

Mr. Fordney: Is it not also true that Porto Rican sugar comes in free since that time?

Mr. Lowry: Yes.

Mr. Fordney: Is it not further true that Philippine sugar comes in free since that time?

Mr. Lowry: Up to 300,000 tons.

Mr. Fordney: So that it is true, as I stated in my former question, that every particle of legislation affecting the duty on sugar since the beginning of the beet-sugar industry in this country has been to lower the duty and increase competition with free sugar or sugar bearing lower rates?

Mr. Lowry: The legislation has been toward giving the Philippines, Hawaii, and Porto Rico the benefit of our high tariff wall.

Mr. Fordney: Even if you prefer to put it that way, that is all of the legislation there has been affecting sugar, so that my statement is true, is it not?

Mr. Lowry: We were talking a few minutes ago about the price of sugar——

The Chairman: If you will allow me to suggest right there, Mr. Fordney, do not overlook the fact that the American flag is floating over Hawaii, and that legislation affecting her production of sugar is not in fact a lowering of the tariff wall.

Mr. Fordney: And I want to say to the chairman that we got sugar from Hawaii long prior to the period when the American flag began to fly over Hawaii.

The Chairman: I understand, but Hawaii is a part of this country, and in speaking of Hawaiian sugar coming in free, I thought your statement might be misunderstood.

Mr. Fordney: I am not referring to Hawaii, or at least I did not bring it up; the witness did.

Mr. Lowry: As an indication of the effect on the market of beet sugar, which comes on the market in the fall, let us take the prices for the last six months and the first six months of the following years and compare them:

1911:

Average from January to July	$4.72 per 100 pounds
Average from July to December	$5.96 per 100 pounds
Average for the year	$5.34 per 100 pounds

Which was higher, as you will notice, during the last six months.

1910:

Average from January to July	$5.05 per 100 pounds
Average from July to December	$4.92 per 100 pounds

1909:

Average from January to July	$4.65 per 100 pounds
Average from July to December	$4.87 per 100 pounds

Average for the year................................$4.76 per 100 pounds

1908:

Average from January to July——

Mr. Fordney: To expedite matters you can put that in the record.

Mr. Lowry: I believe it is in. It shows that for the six years compared three of the years sugar was higher during the last six months and during three years it was a trifle lower. It shows that beet sugar follows the markets of the world.

Mr. Fordney: Is it not true that domestic beet sugar sold in New York this fall cheaper than your price?

Mr. Lowry: Yes, and cheaper than it did in Colorado. It sold in Colorado for 5.20, whereas it was shipped to New York and paid freight charges 80 cents and there sold for 4.6 cents per pound.

Mr. Fordney: It sold for a less price in New York than you were selling your sugar for, and you were obliged to close your factory on account of it?

Mr. Lowry: No, not at all.

Mr. Fordney: Did you not stop sales?

Mr. Lowry: No; why, gracious me, no. They have sold—oh, well, I don't know how many carloads they have sold—but certainly not enough to close our factory. But when the people of Colorado were paying a higher price they——

Mr. Fordney (interposing): Just answer my question. I know you very well.

Mr. Lowry: I expect you do.

Mr. Fordney: You are wound up for all time to come. When you sold sugar for 4.90 cents in New York the domestic beet sugar undersold you this fall, did it not?

Mr. Lowry: They have to or they would not sell it at all.

Mr. Fordney: Did they not do it?

Mr. Lowry: Yes, 10 cents per hundred. You know that beet sugar never sells for the price received for cane sugar, because the trade will not pay the same price for it.

Mr. Fordney: Oh, my friend——

Mr. Lowry (interposing): You understand that that is so?

Mr. Fordney: I understand that you are a very resourceful arguer. (Laughter.)

Mr. Lowry: Thank you.

Mr. Fordney: You stated in your remarks a few minutes ago that the production of sugar in Louisiana was a great detriment to the people there, I believe?

Mr. Lowry: I say that that is the statement many people in Louisiana make.

Mr. Fordney: The statement was made before the Hardwick committee by a gentleman from Louisiana that more than half of the people of the State of Louisiana were now directly engaged in the production either of cane or cane sugar?

Mr. Lowry: I do not know anything about their statements on the subject.

Mr. Fordney: Well, that was the testimony.

Mr. Lowry: But I do know that the claim is made that Louisiana would be far better off if they would cut the area of the State up into small farms and get away from the big plantation idea and produce other crops.

Mr. Fordney: That is the claim of the free trader, is it not, and not of the sugar grower or manufacturer down there?

Mr. Lowry: No, sir; that is the claim of people in Louisiana who have no interest in the matter so far as I know.

Mr. Fordney: You never heard a man engaged in the production of cane sugar in Louisiana make that statement?

Mr. Lowry: No; not any man engaged in the production of cane sugar, but by people there who know the conditions. Yes; I have heard people in the business say so, but they were not engaged in production of cane sugar.

Mr. Fordney: Are you secretary and treasurer of this Wholesale Grocers' Association yet?

Mr. Lowry: Yes, sir.

Mr. Fordney: You stated before the Hardwick committee that there were no fees or annual dues or dues of any kind charged to members of your association?

Mr. Lowry: Yes, sir; and the situation is precisely the same as when I stated it to the Hardwick committee and to the Finance Committee of the Senate.

Mr. Fordney: None collected from the members of that association?

Mr. Lowry: That is right. They contribute work only.

Mr. Fordney: You stated that there was never a meeting held of even two or three members of the committee?

Mr. Lowry: No; but there have been meetings, as I see these people frequently.

Mr. Fordney: I know that you represent them and write them and go around and see them occasionally?

Mr. Lowry: Yes, sir.

Mr. Fordney: So that there is a meeting of at least two members when you and another fellow are together? (Laughter.)

Mr. Lowry: I think that is correct.

The Chairman: Order, gentlemen.

Mr. Fordney: You stated further to the Hardwick committee that the only money you had ever had contributed for this effort to secure free sugar had been given by Mr. Spreckels, president of the Federal Sugar Refining Co., some $12,000?

Mr. Lowry: Yes, sir.

Mr. Fordney: Does that continue?

Mr. Lowry: Yes, sir; no change in the situation.

Mr. Fordney: So that all of the money produced for your use in advertising comes from the Federal Sugar Refining Co., or its president; is that right?

Mr. Lowry: Yes, sir; that is right. And right here I will put into the record a statement that I gave to Chairman Hardwick of the Special Committee Investigating the American Sugar Refining Co., and which he incorporated in his speech, showing exactly who our committee was, what it was, and what it stood for.

Mr. Hardwick: Mr. Chairman, before I proceed to a discussion of another branch of this question, I wish to insert in the record, as a matter of simple justice to him, a letter from a gentleman who has been previously assailed in this debate by opponents of this bill, and who has been severely criticized all over the country by the beneficiaries of the sugar tax. It seems to me that these gentlemen think that it is perfectly proper for any gentleman to favor a retention of duties for the "protection" of the industry in which he is interested and conduct as active and as aggressive a propaganda to save his "protection" as he may desire, but that it is hardly short of a crime for anybody who speaks for the millions of American consumers and urges a reduction of tariff burdens to conduct a propaganda in support of that view. The gentleman to whom I refer has, in my judgment, done a great work for the people of the country by his aggressive and forceful advocacy of the removal of the duty on sugar, and while he has necessarily earned the ill will of the protected interest, because of his aggressive fight, he is undoubtedly entitled to the gratitude and the good will of every American consumer who has a grocery bill to pay. I refer to Mr. Frank C. Lowry, of New York, sales agent for the Federal Sugar Refining Co., and secretary of the committee of wholesale grocers, and I invite the attention of the committee to the letter from him, which follows:

Hon. Thomas W. Hardwick, New York, March 18, 1912.
Chairman Special Committee on Investigation of
The American Sugar Refining Co., and others,
House of Representatives, Washington, D. C.

My Dear Sir: Those opposed to any reduction in the tariff on sugar have endeavored to besmirch the standing of the Committee of Wholesale Grocers, of which I have served as secretary, because I am also in charge of the sales department of the Federal Sugar Refining Co., an independent refinery. There has at no time been any mystery as to who I was or where I stood on this important matter. Certainly I was very glad to have the opportunity to state it clearly to your committee when I appeared before them last July. The Wholesale Grocers' Committee was formed in 1909 for the purpose, as stated on our letterheads, of "obtaining cheaper sugar for consumers through reduction of duties on raw and refined sugars." I believed in the principle advocated, was instrumental in forming this committee, and have served as its secretary without any remuneration, direct or indirect, because the other members desired it. My name, and that of the other members of the committee, has appeared on all our stationery. We have been particularly careful about this, so that all might know exactly who was behind the movement. Had there been any desire on my part or that of the other members of the committee to conceal the fact that I was interested in this work, this would not have been done.

With the exception of myself all our members are actively engaged in the wholesale grocery business. They are: Carl Schuster, Koenig & Schuster, New York City; W. H. Baker, Baker & Co., Winchester, Va.; B. F. Persons, Parsons & Scoville Co., Evansville, Ind.; H. C. Beggs, Dilworth Bros. & Co., Pittsburgh, Pa.; R. E. Collins, Collins & Co., Birmingham, Ala.; A. S. Hammond, Monypeny-Hammond Co., Columbus, Ohio; G. Thalheimer, Syracuse, N. Y.; Henry Baden, Henry Baden & Co., Independence, Kans.; F. J. Dessoir, R. C. Williams & Co., New York City; H. T. Gates, E. W. Gates & Co., Richmond, Va.; W. E. Small, the A. B. Small Co., Macon, Ga.; E. L. Woodward, E. L. Woodward & Co., Norfolk, Va.; A. Blanton, A. Blanton Grocery Co., Marion, N. C.; Jacob Zinsmeister, J. Zinsmeister & Sons, Louisville, Ky.; A. Brinkley, A. Brinkley & Co., Norfolk, Va.; R. E. Bentley, Bentley, Shriver & Co., Baltimore, Md.; John E. Talmadge, Jr., Talmadge Bros. & Co., Athens, Ga.; Isaac Horner, Henry Horner & Co., Chicago, Ill.; Edward Cumpson, T. & E. Cumpson, Buffalo, N. Y.; E. P. McKinney, McKinney & Co., Binghamton, N. Y.; H. Y. McCord, McCord-Stewart Co., Atlanta, Ga.; A. S. Webster, Webster Grocery Co., Danville, Ill.

These gentlemen are from 14 different States, and the firms represented have a total rating of nearly $8,000,000.

In the work we have been doing we have had the co-operation of a great many wholesale and retail grocery houses that are not members of the committee, but who would be glad to become members of it were it desirable to have the number increased. Furthermore, I am firmly convinced that 90 per cent. of the wholesale grocery trade of the country is in sympathy with our efforts. The National Wholesale Grocers' Association, as an organization, has not taken any action regarding the tariff on sugar, for the reason, as they have repeatedly stated, "As an organization we do not deal with political questions of any kind." They leave matters of this kind to be dealt with separately by the various local organizations and individual members, and the petitions now filed with the Ways and Means Committee show how thoroughly this has been done. I might mention, however, that the National Canners' Association, with a membership of over 3,000 firms, does not feel this way about it, but passed resolutions favoring a lower duty on sugar, and have instructed the chairman of their committee on legislation, Mr. Bert N. Fernald, to use his best efforts to bring about such a reduction. The National Bottlers' Protective Association have acted in a similar way, the only difference being that their resolution calls for "free sugar."

Previous to the time this committee was formed, in 1909, the general public knew little regarding the details of the sugar tariff, and all our efforts have been along the lines of publishing the facts, feeling satisfied that if the people were informed what the tax was and its effect they would demand and receive the relief from the excessive rate to which they are clearly entitled. As a result of our efforts thousands of petitions asking for a reduction in the tariff on sugar have been sent to Congressmen signed by individuals, firms, corporations, granges, civic associations, etc. Through these the signers have spoken for themselves and others who are in sympathy with the movement. These are the people who will hold their Congressman responsible for what he does or does not do to secure a lower tax rate on sugar.

To distribute this information, besides requiring effort on the part of this committee, required funds, and the Federal Sugar Refining Co. has helped us financially. Investigation by your committee disclosed that the Federal Sugar Refining Co. was absolutely independent, having no affiliation, directly or indirectly, with the Sugar Trust. Consequently their interest in the lower duties is identical with that of the consumer. A lower tariff rate will reduce the price of sugar, resulting in an increased consumption, so that a larger business can be done at a reduced expense.

The American Sugar Refining Co. is clearly on record as desiring no change in the present tariff, as reference to the Payne-Aldrich tariff hearings of 1909, pages 3430-3440, will disclose a letter and a brief filed by them, urging that the present tariff rate be maintained. Thus the line is clearly established with consumers, manufacturers, dealers, and independent refiners desiring lower duties, and opposed to this is the Sugar Trust and their allies, the domestic sugar producers.

As this committee think it should be clearly stated exactly who we are and also that the work we have done has been because we believe in the principles advocated, and for no other reason, we would appreciate if you can arrange to have this printed in the record.

Very respectfully, yours, FRANK C. LOWRY, Secretary.

Mr. Fordney: Why, there is not a Congressman nor a dealer in the country to-day who has not got a copy of that.

Mr. Lowry: I am glad to know that, because I have certainly been engaged in an effort to get it into their possession.

Mr. Fordney: Why, of course. You send it out with practically every barrel of sugar or package of sugar that you send out, unless the purchaser objects to it.

Mr. Lowry: No; that list was never sent out with any sugar.

Mr. Fordney: You send out letters, do you not, and make appeals for free sugar?

Mr. Lowry: We send out statements showing it would be to the interest of the consumer; yes.

Mr. Fordney: That is, that in your opinion it would be?

Mr. Lowry: Well, we can not do any more than that.

Mr. Fordney: Mr. Lowry, you stated that the labor cost in the production of sugar has nothing to do with the cost of sugar?

Mr. Lowry: I say that the price of domestic sugar is not arrived at by taking their bases of cost and adding a fair margin to it.

Mr. Fordney: No; you did not say that.

Mr. Lowry: Well, I will read what I said.

Mr. Fordney: Well, I would rather have the clerk to read it.

Mr. Lowry: Let the clerk read it. He took it from the printed pamphlet, I believe.

Mr. Fordney: I will waive that point.

Mr. Lowry: You are so unsuspicious when the beet-sugar man is on the stand that I am surprised you should be so suspicious now.

Mr. Fordney: I am suspicious of you and know you.

Mr. Lowry: Yes; and I have proved several of your statements incorrect.

Mr. Fordney: I have had from you a volume of this stuff you are putting into the record. I could not read it in a week if I were to make a great effort, there is so much of it. You are all right and very proper, and fighting hard for free sugar. You have your reasons therefor. Now, then, you stated that the labor cost in the production of beet sugar practically had nothing to do with the price at which that sugar was sold?

Mr. Lowry: I said it was a very small item in the cost of production.

Mr. Fordney: Why, does it not take labor to raise beets and to convert beets into sugar, and is not the same thing true of cane?

Mr. Lowry: I said in the factory. You settled the farming end of it when you put beets on the 10-per cent. basis. You admitted beets as a farmer's product needed a protection of only 10 per cent., and I object only to the factory receiving over 70 per cent. protection as it does under the present rate.

Mr. Fordney: Which "you" are you speaking of now?

Mr. Lowry: I speak of "you" as yourself and the party you represent, the Republican Party. On this matter you personally urged that. I am not sure about it, but you can say whether it is true or not.

Mr. Fordney: If you knew all about it you knew that that is not so.

Mr. Lowry: You did not——

Mr. Fordney (interposing): If you knew all about it you know that the rate fixed in the House was 25 per cent., the same as the Dingley law, on edible vegetables, and was lowered in the Senate.

Mr. Lowry: I see. I thought perhaps you had something to do with those conferences, but it is immaterial. It does not make any difference. The correctness of their judgment has been proven.

Mr. Fordney: I did. I was on the conference committee; yes, sir. Is it not true that wages both in the beet fields and in the sugar factories of this country are much higher than they are in Europe—in Germany and France, for instance?

Mr. Lowry: That might be an argument if this was true for paying the farmer more, but the farmer does not get more.

Mr. Fordney: The farmer does not get more what?

Mr. Lowry: The farmer does not get more for his beets than the farmer in Germany does.

Mr. Fordney: I know that you filed with the Hardwick committee, and to end this argument I will explain that you stated the farmer in Germany got more per ton for his beets than the farmer in this country got for his beets in general. You had in mind the co-operative plan——

Mr. Lowry (interposing): No; I did not.

Mr. Fordney: If you did not you do not know all about it?

Mr. Lowry: Well, I will file the German statistics on the subject.

Mr. Fordney: All right. There are German statistics in the Hardwick committee hearings, and the average price received for beets by the German farmer during the period 1905-1911 was $4.45 per ton——

Mr. Lowry: Oh, no; or that may be the case where the farmer sold his beets for $4.45 per ton and afterwards got something on the co-operative basis.

Mr. Fordney: Wait a minute, and let me finish——

Mr. Lowry: We do not have to argue on that; here are the statistics.

The Chairman: Just file those statistics.

Mr. Lowry: I also have statistics showing the prices in 1911. In our own country our farmers got $5.50 per ton and the German farmer $5.54. The German statistics show that the price for sugar beets in Germany last year averaged $6.07 per long ton.

The Chairman: Just place those in the record with your remarks.

Mr. Lowry: All right. So that there could be no possible question on this subject, I have secured and have before me the quarterly book of statistics of the German Empire, issued by the Imperial Bureau of Statistics. This you can procure by writing to any of the United States consuls in Germany. It shows that the average price paid the farmer for sugar beets in Germany for the years 1909-10 was $5.29 per long ton; for 1910-11, $5.44; 1911-12, $6.07. F. O. Licht, the recognized sugar statistician in Europe, advises me that "conditions in other European beet-sugar countries did not differ much from those in Germany," and states that "we might add for your information that the beet growers in Europe receive other returns for their beets besides cash, viz.: they are furnished with beet seed free of charge" (in the United States the farmer buys his beet seed from the factory) "they receive allowances for freight and get 40 to 60 per cent. of the pulp returned to them without charge." In the United States no pulp is returned to the farmer without charge, but this by-product of the factories is sold to the farmer and nets the factory a very nice return. I would call your attention to the fact that our own Department of Agriculture in their annual report estimates the average value of sugar beets to the farmer in the United States for 1911-12 at $5.50 per short ton. As the beet-sugar factories in the United States may tell you that they are now paying much more for their sugar beets than formerly, I would call your attention to the fact that the sugar content of the beets in the United States is greater than it formerly was, and also to the fact that prices for sugar beets in Germany have also advanced. According to the German statistics the average price in Germany for 1900 was $4.76 per long ton, by which it will be noted that the average for the 1912 crop was $1.31 over the price paid in 1900, showing a greater advance than in the United States.

Mr. Fordney: Is it not true that filed with the Hardwick committee there were statistics, furnished by the German Government, for a period of 10 years, as I remember, but at any rate for 8 or 10 years, showing that the average price paid by the factories in Germany was $4.45; and were there not similar statistics as to France, showing the French factories paid $4.05 per ton? And except——

Mr. Lowry: I do not know of any such statistics, but if so they were wrong.

Mr. Fordney: Mr. Chairman, I insist that the gentleman let me finish my question. Except where the farmer was a stockholder in a factory, and then he sold his beets at a given price, and when the dividends were paid, in order to get around payment of the corporation tax, they paid him an additional sum for his beets, which was, in fact, a profit on the business. That is the evidence before the Hardwick committee.

Mr. Lowry: I do not know of any such statement.

Mr. Fordney: And in the same time in the United States the price paid for beets per ton was $5.50 to $6.91 per ton delivered at the factory. That is as far as I wish to go with you.

Mr. Lowry: Mr. Chairman, how much time have we taken. These other witnesses want to be heard.

The Chairman: Just one hour of your time has been consumed. Of course we have to take out the time consumed on cross-examination.

Mr. Lowry: We would stay here a week at that rate.

Mr. Fordney: By the way, Mr. Lowry, you said the capitalization of the sugar-beet factories was largely water?

Mr. Lowry: I did.

Mr. Fordney: Is there anything that has more watered stock than the concern you represent, the Federal Sugar Refining Co.?

Mr. Lowry: Yes, sir; and you must bear in mind that the Federal Sugar Refining Co. is not here for the purpose of asking that American consumers of sugar be taxed so that it may earn dividends on any of its stock. That is not the case as to the beet-sugar companies.

Mr. Fordney: Wait a minute there. You are here attacking the sugar-beet industry, to ask that they be not protected to earn dividends on large blocks of watered stock, as you say. Your testimony before the Hardwick committee was that you had some $3,200,000 paid in, out of a capital of $10,000,000?

Mr. Lowry: What is the purpose of that line of questioning?

Mr. Fordney: I am trying to show that the beet-sugar men could not be more greatly watered than your concern is admitted to be.

Mr. Lowry: What has that to do with the tariff?

Mr. Fordney: That is what I say, but why did you mention it if it does not have anything to do with the tariff. You made the point.

Mr. Lowry: It has a great deal to do in the beet-sugar man's case. He is asking for the privilege of taxing the American consumer for his special benefit, so that he may pay dividends on this excessive capitalization. The Federal Sugar Refining Co. is not. They come to you frankly and say that they are willing to work without any protection and meet non-bounty-fed competition from anywhere in the world. Isn't that it?

Mr. Fordney: I am not the witness—you are.

Mr. Lowry: I do not know about that.

Mr. Fordney: Can you state a single instance where there is more watered stock in the beet-sugar industry than you testified there was in your concern? If so, I would like to have you do it. Two thirds of your stock is water.

Mr. Lowry: Right here I will file a statement showing the capitalization and daily slicing capacity of the various beet-sugar factories in the country. I call attention to the fact that the cost of erecting a beet-sugar factory is based on $1,000 per ton of daily slicing capacity.

Note:—Statement referred to above will be found on Page 39.

Mr. Fordney: You said the duty you recommend on sugar is higher than the duty collected by foreign countries generally?

Mr. Lowry: Yes.

Mr. Fordney: The duty you recommend?

Mr. Lowry: The duty that gives a certain bounty——

Mr. Fordney (interposing): Let me get this right. I understood you to say that the duty you would recommend be placed on sugar, which is a reduction, is a higher rate than that collected by lots of foreign countries on imported sugar?

Mr. Lowry: That "collected" is higher than the "protective" rate. It is a favorite trick of the sugar growers and sugar men asking for protection down here. They add the consumption tax and the import tax together and then say this import tax of other countries as compared with our own is higher.

Mr. Fordney: Mr. Lowry——

Mr. Lowry: If I might finish. For example, the import tariff in Germany is 47 cents on raw sugar and 52 cents on refined. The consumption tax in Germany is $1.50.

Mr. Fordney: On what?

Mr. Lowry: On all sugars.

Mr. Fordney: On domestic and imported?

Mr. Lowry: Yes; so that on foreign sugars imported at 47 cents add $1.50, or a total of $1.97. But the domestic sugars must also pay the $1.50 tax, so that the protective rate is only a rate of 47 cents; and that was the rate arrived at by the Brussels convention as a proper protective rate.

Mr. Shackleford: There is a difference between the consumption tax and the import tax, and both apply?

Mr. Lowry: Yes, sir.

Mr. Fordney: Does domestic sugar produced in Germany pay a tax?

Mr. Lowry: They pay the consumption tax.

Mr. Fordney: All sugar pays the consumption tax?
Mr. Lowry: Yes, sir.
Mr. Fordney: Whether domestic or imported?
Mr. Lowry: Yes, sir.
Mr. Fordney: That is your opinion?
Mr. Lowry: Yes, sir; that is a fact.
Mr. Fordney: The protection is 53 cents and not $1.98?
Mr. Lowry: Fifty-two cents on refined and 47 cents on raw.
Mr. Fordney: All right.

TABLE PAGE 63; SUGAR IN EUROPE AND THE UNITED STATES.

This table is replete with errors, inaccuracies and misrepresentations.

In the first place, it is subject to the criticism that it contains rather a hybrid collection of statistics. Beet sugar production is given for the year 1910-1911, whereas, statistics for the year 1911-1912 were entirely available. Statistics for sugar imports, exports and consumption are given from August 31, 1910, to September 1, 1911, and Retail Prices in Europe are quoted for July, 1911; while an average retail price in the United States is attempted to be arrived at by taking an arbitrary wholesale price of 4.90 per lb. to which is added .79c as the alleged cost of sale and distribution in New York for the period between 1890 and 1907. Such a confused array of statistics seems extraordinary in the light of the fact that Mr. Palmer announces that they were compiled in July, 1912.

As for the statistics themselves. The import and excise taxes are combined instead of given separately. The object of this is apparently to create the impression that the sum of the two taxes is the rate of protection accorded to the domestic industry abroad instead of merely the import tax which in all cases measures the degree of protection. Both domestic and imported sugars must respond to the payment of the excise or consumption tax. We submit herewith a table showing the amount of the import and excise taxes separately in the principal countries abroad so that the degree of protection accorded may be more readily understood.

IMPORT AND INTERNAL REVENUE TAXES LEVIED UPON SUGAR IN EUROPEAN COUNTRIES.

	Import Tax per Pound.	Internal Revenue Tax per Pound.	Total Both Taxes. per Pound.
Austria-Hungary	.52c	3.50c	4.02c
Belgium	.52c	1.75c	2.27c
Denmark	1.22c	.49c	1.71c
France	.52c	2.37c	2.89c
Germany	.52c	1.51c	2.03c
Holland	....	4.92c	4.92c
Italy	2.44c	6.23c	8.67c
Russia	6.06c	2.50c	8.56c
Spain	3.94c	3.06c	7.00c
United Kingdom	.40c	.....	.40c

The import taxes *alone* represent the *protection* accorded *domestic production*. All sugars, DOMESTIC as well as IMPORTED, *must respond to the payment of INTERNAL REVENUE TAXES.*

While every civilized nation may levy a tax upon sugar, it is levied mainly for the purposes of revenue, and from a revenue instead of a protection standpoint. *THE UNITED STATES IS THE ONLY COUNTRY THAT FOR REVENUE PURPOSES LEAVES ITS DOMESTIC PRODUCTION UNTAXED.*

The import taxes of 40c per 100 pounds in England, 79c per 100 pounds in Switzerland, and 12% ad valorem, in Turkey, may properly be said to be levied for revenue purposes, as these countries import all of the sugar they consume, and produce none; hence these last import taxes reach all sugar consumed.

Prior to the Boer War, England imposed no tax of any kind on sugar, and the price was at times below 3c per pound, and the per capita consumption 110 pounds per annum. Owing to the necessity of revenue growing out of the expense of this war, she first placed a tax of 1c per pound upon the imports of sugar, which was reduced to the present .40c per pound, and she is anxious to dispense with the tax entirely, on account of the dissatisfaction of her consumers, who have been accustomed to a lower price than the present retail price of 4c per pound. The methods of taxation of sugar adopted in various European countries, illustrates that the taxes are scientifically levied for revenue purposes, while in the United States only import duties are imposed, primarily as a protection, and only incidentally as a revenue tax. This is unscientific, inasmuch as this form of taxation reaches less than half of the sugar we consume, though the sugar itself costs us more than twice the amount of the $53,000,000 annually collected in revenue as the domestic and tariff-favored sugar interests take advantage of the tax imposed upon the duty-paying imported sugars, to raise their price to the full extent of the duties imposed. If we changed our form of taxation, and imposed a tax of 62c per 100 pounds upon refined, 60c per 100 pounds upon 96 degree raw sugars, and a Cuban rate of 48c per 100 pounds, we would raise $20,000,000 in revenue annually, if more revenue were required, we could add a consumption tax of 25c per 100 pounds, and raise another $20,000,000 per annum, which would be imposing upon sugar about all the burdens of taxation that it should be called upon to bear. An internal revenue or consumption tax of 65c per 100 pounds in the United States, would raise a revenue equal in amount to that which we now derive from imposing an import or protective rate of 1.90c upon Refined, 1.685c upon duty-paying 96 degree test raw sugars, and 1.348c per pound upon 96 degree test Cuban sugars, and has the added advantage that it would increase the revenue with the increase in consumption; whereas under the present method of taxation, the revenue derived from sugar in 1907, was $62,000,000, as against $52,000,000 in 1911, and this decrease will continue to be apparent, as domestic and tariff-favored production increases. Did we raise our revenue in accordance with the import and consumption tax basis of Germany, it would amount to approximately $140,000,000 per annum; if Belgium $160,000,000, if France $220,000,000, Austria-Hungary $300,000,000. In raising this amount of revenue per annum in these various forms, if we adopted the German rate, our price would be 10c per hundred less than now; if, in accordance with the Belgian rate, it would be 15c per 100 lbs. more; with French 90c per 100 lbs. more, and the Austrian-Hungarian but $1.90 per 100 lbs. more. But the reason for taxing sugars abroad, do not exist here. They make use of these taxes for the purpose of raising revenue to support their large standing armies, and defray the expenses incidental to the cost of royalty. The import and consumption tax rate for the United States proposed above, would result in reducing the price of sugar to the consumer about one cent per pound, while raising $40,000,000 per annum. But with the Income Tax, by which it is expected to raise an annual revenue of $150,000,000, the necessity of imposing any tax upon this necessary of life will disappear. Aside from the fact that our present tax is unscientifically imposed, it is a burden upon the poorer people, and should be shifted from their backs to the shoulders of the well-to-do and prosperous, through the medium of such a tax.